



Confederation of  
Tanzania Industries

**FINAL REPORT**

**A PILOT STUDY TO REVIEW THE IMPACT OF UNHARMONIZED LOCAL  
GOVERNMENT AUTHORITIES (LGAs) FEES AND CHARGES IN FOOD AND  
BEVERAGES SUB-SECTOR WITH PARTICULAR FOCUS ON SMES**

**9<sup>th</sup> Floor, NIC Investment House, Samora Avenue**

**P.O. Box 71783, Dar es Salaam**

**Tel: +255 22 2114954/2123802/2130307**

**Email: [cti@cti.co.tz](mailto:cti@cti.co.tz)**

**SUBMITTED BY:**

**Institute of Management and Entrepreneurship  
Development**



**November 2023**

## Table of Contents

Abbreviations .....	III
1. INTRODUCTION .....	1
1.1 Background .....	1
1.2 Scope and objectives of the consultancy .....	1
1.3 Methodology .....	2
2.0 LOCAL GOVERNMENT FEES, CHARGES AND LEVIES .....	3
2.1 Overview of the current local government revenue system.....	3
2.2 Specific LGA charges.....	5
3.0 CHALLENGES ASSOCIATED WITH LOCAL GOVERNMENT FEES AND CHARGES .....	7
3.1 Overview of challenges .....	7
3.2 Overlapping and charges between central and local government.....	7
3.3 Charges considered by businesses as unfair .....	8
3.4 Inadequate access to information/transparency about the LGA fees and charges. ....	8
3.5 Unfriendly enforcement of collection .....	9
3.6 Non-issue of receipts and dishonest collectors.....	9
4.0 IMPACT OF THE CURRENT STRUCTURE AND ADMINISTRATION OF FEES AND CHARGES .....	10
5.0 POLICY MEASURES TAKEN TO HARMONIZE LGA CHARGES .....	12
5.1 Overview .....	12
5.2 Produce cess.....	12
5.3 Business license .....	12
5.4 Automation of procedures.....	13
5.5 Harmonization of LGA charges with those of central government agencies .....	13
6. CONCLUSIONS AND PROPOSED MEASURES TO FURTHER IMPROVE LGA FEES AND LEVIES.....	13
6.1 Conclusions.....	13
6.2 Recommendations .....	14
Annex I: List of Persons Interviewed.....	15

## **Abbreviations**

CTI	Confederation of Tanzania Industries
BRELA	Business Registration and Licensing Authority
FRF	Fire and Rescue Force
LGA	Local Government Authority
LGFA	Local Government Finance Act
GGL	Government Chemist Laboratory
MLHSD	Ministry of Lands and Human Settlements Development
OSHA	Occupational Safety and Health Agency
PO-RALG	President's Office – Regional Administration and Local Government
SME	Small and Medium Enterprises
TBS	Tanzania Bureau of Standards
TARURA	Tanzania Rural and Urban Roads Agency
TRA	Tanzania Revenue Authority
WMA	Weights and Measures Agency

# **I. INTRODUCTION**

## ***1.1 Background***

The Confederation of Tanzania Industries is a business membership organization with the main role of advocating for creation of conducive business environment and investment climate in Tanzania. Through this role, CTI expects to enhance competitiveness for industries both in the domestic and foreign markets. Most Local Government Authorities (LGAs) in developing countries including Tanzania face a widening gap between the available financial resources and spending needs. In the absence of enough sources of revenue, they depend much on a growing number and scale of levies, licenses, fees and charges etc. with variations in the structure and modality of collecting them. In addition to variations in rates, some LGAs charge fees and levies based on weight, while others base their charges on volume. The unharmonized structured in the fees and charges among the LGAs in the country increases cost of production and thus reduces competitiveness and growth of local industrial SMEs, negating the government's value addition and industrialization push. This in turn can compromise efforts to reduce post-harvest losses, value addition to agricultural products, employment generation, economic growth and poverty alleviation. CTI intends to engage the government in advocacy to address these challenges and thus needs to generate the evidence and compelling reform proposals.

CTI has obtained funds to enhance the competitiveness of industries including SMEs by making sure that the regulatory environment allows them to access technology, skills and capital and that SMEs can become drivers of green jobs in pharmaceutical, textile, food and beverages, plastics, paper, iron and steel sectors in Tanzania. Through this support, CTI commissioned the Institute of Management and Entrepreneurship Development (IMED) to assess the impact of local government authorities (LGAs)' fees and charges in food and beverages sector as a basis for evidence-based advocacy for increasing the competitiveness and sustainability of SMEs in this sub-sector.

## ***1.2 Scope and objectives of the consultancy***

The consultant was expected to design and conduct a study to review the impact of LGA fees and charges in food and beverage sector SMEs. Specifically, the consultant was tasked to:

- a) Identify fees, levies and charges imposed by LGAs on manufacturing SMEs and assess the extent to which they differ in terms of structure and rates
- b) Identify the major policy and regulatory challenges associated with unharmonized local government fees and charges faced by manufacturing SMEs in the food and beverage sector
- c) Assess the impact that the current structure, lack of harmony and rates of LGAs levies and fees have on manufacturing SMEs
- d) Assess policy measures by the central government and the LGAs towards improving harmonization of local government fees, charges and levies
- e) Propose additional policy measures to address major local taxation challenges facing food and beverage sector SMEs

### **1.3 Methodology**

The consultant used a mixed approach, starting with a desk review, followed by interviews with selected manufacturing SMEs and LGA officials. Additionally, the consultant surveyed manufacturing SMEs' experience, challenges, and recommendations related to the local government fees and charges and had a debriefing session with the CTI Secretariat on the progress of work and findings to get proper guidance. Data was collected from urban centres where CTI has offices and neighboring ones. These are Arusha (Arusha City and Arumeru District Councils); Mwanza (Mwanza City Council and Ilemela Municipal Council); Dar es Salaam and Pwani (Dar es Salaam City Council and Ubungu Municipal Council); and Tanga (Tanga City Council)

An inception phase served to develop a common understanding of the scope, methodology, and results. Field data collection was preceded by desk review and the development of data collection tools, mainly checklists for LGAs and semi-structured questionnaires for MSMEs. The aim was to interview the LGA unit responsible for Investment, Industry, and Trade and at least 5 manufacturing SMEs specialising in the food and beverage sector in each of the 7 LGAs. Manufacturing enterprises were sampled from CTI databases while manufacturing SMEs were identified from their Private Sector Associations such as Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) and Tanzania Women Chamber of Commerce (TWCC) in the respective localities. In addition, given that most SMEs do not belong to associations, some semi-formal ones (e.g. few grain millers, animal feed producers, and other food and beverage processors) were identified randomly in the areas. Data collection from SMEs was undertaken by research assistants (1 per LGA).

The questionnaire for SMEs elicited information on types (names of) LGA fees and charges levied on SMEs (on raw materials as well as other inputs and products); Rates of the fees and charges; burden of the fees and levies (are they paid by SMEs, distributors or farmers?); How long the levies and fees have been in place; Whether there is consistency in the charging of fees; When the fees and levies are paid; Challenges faced in complying with the fees and charges; Impact of the fees and charges on the SME (on cost of production, continuity of production, profitability, sustainability, employment) and suggestions for addressing challenges faced.

The plan was that after interviewing the SMEs, the enumerators would interview the LGAs to compare and validate the information, using a checklist. Additionally, the enumerator would capture information on any complaints from SMEs regarding the fees and levies and what the LGA is planning to do in the future regarding the fees/levies. However, it was not possible to obtain the research clearance from PO-RALG on time for the research team to validate and obtain responses from respective LGAs. For this reason, the findings from this study do not contain counterarguments and responses from respective LGAs

The data were analyzed using simple descriptive statistics as well as qualitatively (thematically). Findings from this study are presented as per study objectives A policy brief has also been developed, summarizing the problem, evidence/facts, and recommendations to LGAs and the central government. The draft report was presented to a stakeholders' workshop for validation.

### **1.4 Limitations**

This report does not include data from LGAs due to a lack of permit from PO-RALG authorizing data collection from LGA. Only one of the LGA (Ubungu MC) has published its list of levies and charges (available on its website).

## I.5 Description of the enterprises surveyed

Table I below summarizes the 37 responding enterprises

Table I: Profile of responding enterprises

	Food	Beverages	Women owned	Men owned	Micro	Small, Medium and large	Total
Dar	7	2	7	2	8	1	9
Mwanza	8	2	0	9	3	6	10
Arusha	7	2	4	4	6	4	9
Tanga	8		1	7	1	7	9
Total	30	7	12	23	18	19	37

It will be noted from the above table that the respondents are distributed almost equally between micro, small, medium and large enterprises with a reasonable representation of female owned businesses (25%). However, a majority (75%) are food processors, reflecting the fact that there are more food processors than beverage producers. The food producers included grain millers, bakeries, nutritious foods producers, crisps producers, etc., while the beverage producers include producers of juices, wines, spirits and beer. There were only 2 large businesses (employing more than 100 full time workers)

## 2.0 LOCAL GOVERNMENT FEES, CHARGES AND LEVIES

### 2.1 Overview of the current local government revenue system

The Local Government Finance Act 1982 empowers LGAs to levy taxes, licenses, fees, and other charges subject to approval by the Ministry responsible for Local Government (currently President's Office – Regional Administration and Local Government – PO-RALG). Large variations exist among LGAs with respect to the size and number of revenue sources. Several levies are referred to as charges although they are more like taxes since no service is rendered directly and exclusively to the payer as the return to the fee or charges levied. In addition, a wide variety of fees, permits and charges exist among LGAs. Traditionally, the primary purpose of such permits is for regulation, although in many councils they have become mainly a source of local revenue rather than a control mechanism.

The following are the fees and charges levied on food and beverage processors.

Table 2 Fees, charges, and taxes reported by respondents

Levy	Basis	LGA (Tshs)						
		Arumeru	Arusha	Ilemela	Mwanza	Dar	Ubungo	Tanga
Business license	(Time) annual	50,000-300,000	50,000-600,000	50,000-300,000	50,000-300,000	50,000-300,000	50,000-300,000	50,000-300,000
Service Levy	% turnover	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Produce cess	Bag of maize/ paddy	500-1000	500-1000	500-1000	500-1000	500-1000	500-1000	500-1000
Health check	Staff/Year	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cleaning	Month	5,000-50,000	5,000-50,000	5,000-50,000	5,000-50,000	3,000-50,000	5,000-50,000	5,000-10,000
Loading and unloading/distribution fee	Truck/month					25,000-150,000	25,000-50,000	

The table above shows that the LGAs charge four quite comparable types and rates of levies and fees. Dar es Salaam region based LGAs have harmonized their charges. However, the “city entry” or “distribution” or “loading and unloading” fee” for trucks conveying goods from manufacturers or wholesalers to retail stores in the city is quite problematic. During the survey as well as at the stakeholder validation workshop, participants who are manufacturers and logistics companies reported the following additional challenges around loading and offloading fees:

- (i) They are duplicative because the same truck has to pay park fees whenever they park in the city. Also, the fees charged in one LGA are not recognized in another and one has to pay again in the other LGA even in the same region.
- (ii) The rate is quite high. Some trucks are charged Tshs 150,000 monthly which is very substantial cost. A company with 100 trucks with has to pay 15,000,000 every month just for parking.
- (iii) There is ambiguity around the location where the charges apply. “City centre” boundaries in which some loading and offloading fees apply are defined differently depending on the collection agents or LGA staff. In some cases, trucks are fined for packing for a few minutes outside the factory as they await their turn to enter the factory for loading
- (iv) Lack of parking spaces, particularly in Kariakoo attracts frequent wrong parking penalties which can be as high as 300,000 per event. On top of that, there is lack of transparency on who is allowed to detain trucks and what are the applicable penalties.
- (v) There is also lack of information on how and where one can appeal to when unfairly handled by collection agents or local government staff forces business operators to pay penalties even when they know it is unfair

- (vi) Many of the collection agents handle truck operators very harshly with no consideration of the implications of their decisions to business operations. Most appear ignorant of laws, by-laws and basic principles of courtesy or customer service.

## **2.2 Specific LGA charges**

### **2.2.1 LGA Service Levy**

LGAs are entitled to charge levy at the rate of 0.3% of the turnover net of VAT and the excise duty. The Local Government Finance Act 1982 (LGFA 1982) requires branches of corporate entities to pay service levies to the authorities in whose areas of jurisdiction they are located. A company with branches in Arusha, Dar es Salaam, Mbeya, and Mwanza, is required to account for service levy separately for each branch to the relevant authority based on the amount of revenue generated in their jurisdiction.

However, deciding the amount of revenue generated by each branch can be a complex and arduous task for a manufacturing business that maintains multiple plants or distribution centers. This creates a compliance burden of being required to remit the levy to various LGAs and the risk of disputes as to the allocation of turnover and resultant conflicting tax demand notices from various LGAs. To address this challenge, some analysts have recommended introduction of a centralised collection system of the levy similar to how property tax is collected, so that entities would only remit service levy to either the TRA office where one is registered for onward distribution to the relevant LGAs. Such centralization of payment of the levy as proposed above would (i) simplify the process and encourage voluntary compliance by businesses (ii) create a central point of data collection that would provide a strong tool for enforcement of the legislation requirements during audits/review by the collecting Authority; and (iii) eliminate disputes between LGAs and businesses<sup>1</sup>.

In the same vein, LGFA specifies the maximum threshold for the service levy to be 0.3% of the turnover which provides room for LGAs to determine the chargeable rate at any point below 0.3%. This opportunity has been taken in some LGAs such as Mbeya City Council with approval from the PO-RALG and by working with the private sector to reduce the chargeable rate to 0.1% of the turnover and resulting in an overwhelming increase in compliance.

### **2.2.2 Produce cess**

The produce cess is a turnover tax on agricultural output capped at 3% on food and cash crops and 5% on forest products such as timber, charcoal, and logs. Produce cess is a major source of revenue for LGAs. There is an exemption for crops of less than one tonne from one district to another. Seed producers and entities paying service levy were exempted until June 2022 when the exemptions were dropped through the 2022 Finance Act. In 2022, the Tanzania Association of Seed Traders (TASTA) conducted a study on the practice of charging crop and seed cess, as well as its implications. The study covered seed producers in Arusha, Kilimanjaro, Morogoro, and Mbeya regions. Each of the LGA was charging crop cess and this ranged from 2% upwards as shown below.

---

<sup>1</sup> Ssebuyoya, Fabiola, PWC Tax Manager – Indirect Taxes (<https://www.pwc.co.tz/press-room/service-levy-and-the-reality-of-business-operations.html>) accessed June 2023



Table 3: Rates and Practices for Charging Crop Cess

LGA	Crop Cess	
	Set rate on farm gate price	Actual practice (grain and pulses)
Kilolo DC	2% to 3%	TZS 1000/100kg
Mbozi DC	3%	TZS 1000 - 2000/100kg
Monduli DC		Tsh 1000/100kg
Meru DC	2%	
Siha DC	2% food, 3% cash crops	

Source: TASTA, 2022

### 2.2.3 Business Licence

LGAs impose a small application fee for licenses which is payable before the license application form can be issued. Most regular business licensing is done at the LGA level. However, there are some economic activities (so-called Schedule “A” – See Annex 3) which are licensed directly by the Ministries or Government agencies). Additionally, some activities require both a business license at LGA level and another license or permit from either a ministry or a regulator. These include food processing, drugs, non-bank financial services, education and training, etc.).

### 2.2.4 Health check for staff

LGAs staff conduct health checks semi-annually for employees in businesses involved in the provision of personal services in food and beverage processing. The applicable rates for Ubungo MC are Tanzanian shillings 30,000/ for each industrial staff. At the same time, OSHA conducts medical checks in factories. Ideally, OSHA deals with sector or employer specific occupational risks (light, chairs, smell, layout, etc.) and non-communicable diseases, while LGAs deal with communicable diseases. OSHA will also check whether the company workers have been checked for health status by the LGA. The following issues were reported during the survey and emphasised during the stakeholder workshop:

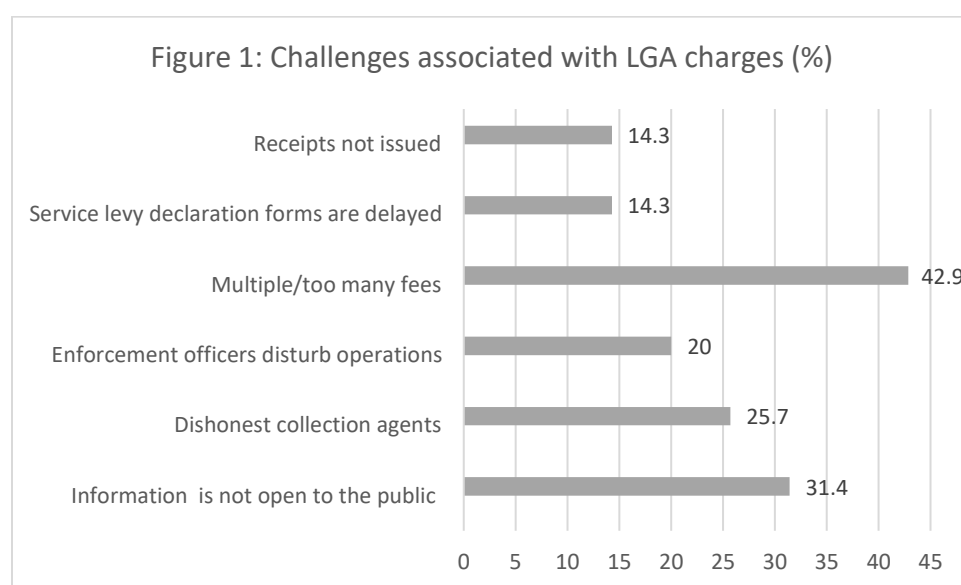
- (i) There is lack of clarity around what the two regulators do with some businesses thinking that they do the same tests.
- (ii) Having two regulators checking on health matters for the same workforce is inconvenient to businesses.
- (iii) The tests can be quite expensive for businesses with many employees. While LGAs charge 30,000 per employee, OSHA’s diagnosis costs can be as high as 70,000/- per employee per year. For a company with many employees, this translates into a quite substantial cost.
- (iv) Beyond diagnosis, OSHA and the LGAs do not offer any service to address the problems or risks identified. This means, to a large extent, the fee is mostly a source of income rather than a service from a regulator. This is against the government’s commitment to separate revenue from regulatory functions of regulatory authorities in the Blueprint.

### 3.0 CHALLENGES ASSOCIATED WITH LOCAL GOVERNMENT FEES AND CHARGES

#### 3.1 Overview of challenges

Local government taxation is part of the overall tax administration in Tanzania. There have been persistent complaints by micro, small, and large enterprises regarding the tax system in Tanzania generally. Recent assessments of the doing business environment by the government as well as the private sector have identified taxation as one of the most problematic areas for investors. Complaints have included multiplicity, unpredictability, corruption, unreasonable levels of fines and interests, intimidating enforcement, and overlaps between LGAs and central government taxes. Respondents in the study raised the following issues regarding local government taxation.

The following were major challenges identified by respondents regarding LGAs charges through an open-ended question.



#### 3.2 Overlapping and charges between central and local government

There are overlapping mandates and fees between the central and local government agencies relevant to the beverage and food processing sub-sectors. During the interviews, respondents were told that the study was about local government taxes. However, while responding, most did not distinguish between fees and other charges by the central government from those of LGAs. The overlaps include the following:

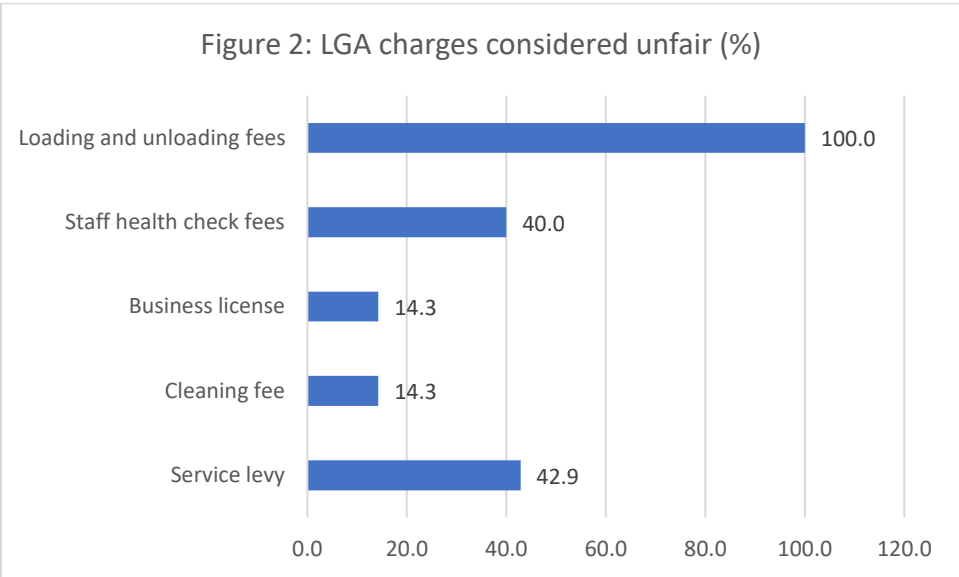
Table 5 Central government charges overlapping with LGA charges

Mandate	Government Agencies	LGAs
Health and Safety	Occupational Health and Safety Agency (OSHA) registers and inspects workplace premises for safety and health at a fee	LGAs health department conducts health checks for workers in workplaces at a fee
Business licensing	BRELA issues industrial licenses	LGAs issue business licenses for Schedule "B" type of businesses" to bona fide applicants in line with the law, regulations,

Mandate	Government Agencies	LGAs
		forms, and procedures set by the Ministry of Industry and Trade
Licensing of warehouses	The Warehouse Licensing Bureau (under the Ministry of Industry and Trade) is responsible for licensing and supervising of Warehouses using the Warehouse Receipt System	After the Warehousing Licencing Board () license, warehouses must obtain a business license from their respective LGA

**3.3 Charges considered by businesses as unfair**

Respondents were asked to indicate which LGA fees or other charges they consider unreasonable or unfair. Figure 2 shows that the city entry or loading and offloading are considered by all affected businesses as unfair. Other charges considered unfair by at least 40% of respondents are health check fees which for many industrialists duplicate OSHA test fees and service levy, which is based on revenue.



Although micro industries pay Tshs 50,000-100,000 as business license fees, some feel that it is too high for their level. Distributors reported to be paying “city entry”, “distribution” or “loading and offloading fees” considered unreasonable/unfair because it duplicates the parking fees.

**3.4 Inadequate access to information/transparency about the LGA fees and charges.**

Most LGAs are not openly sharing the existing types and levels of levies and penalties. One has to travel physically to the LGAs and follow a process to access the information. This unnecessarily increases the cost of doing business and denies investors the information they need to conduct feasibility studies and prepare business plans.

It would be expected that the information would be readily available, for example on the LGAs website or even notice boards for reference. However, only one of the LGAs published the

information on the website. Even the consultants in this project requested for it, they were not given. The following is the status of information on the LGA levies and charges in the 7 LGAs surveyed:

*Table 6 Status of publication of applicable levies and fees across the 7 LGAs*

<b>s/n</b>	<b>LGA</b>	<b>Status of by-laws</b>
1	Ubungo Municipal Council	Charges, levies, and fees are published on the website (www.ubungomc@go.tz, but only in Kiswahili.
2	Ilala Municipal Council	No list of charges, fees, and by-laws posted on the website
3	Tanga City Council	No list of charges, fees, and by-laws posted on the website
4	Mwanza City Council	No list of charges, fees, and by-laws posted on the website
5	Ilemela Municipal Council	Website has an item “by-laws: under publications, but what is under it is not by-laws
6	Arusha City Council	No list of charges, fees, and by-laws posted on the website
7	Arumeru District Council	No list of charges, fees, and by-laws posted on the website

### **3.5 Unfriendly enforcement of collection**

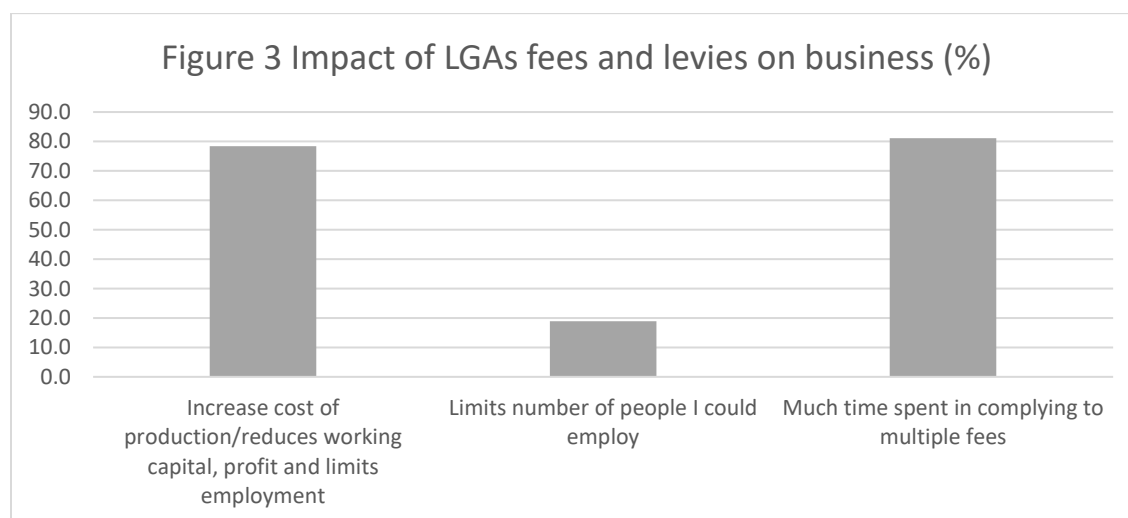
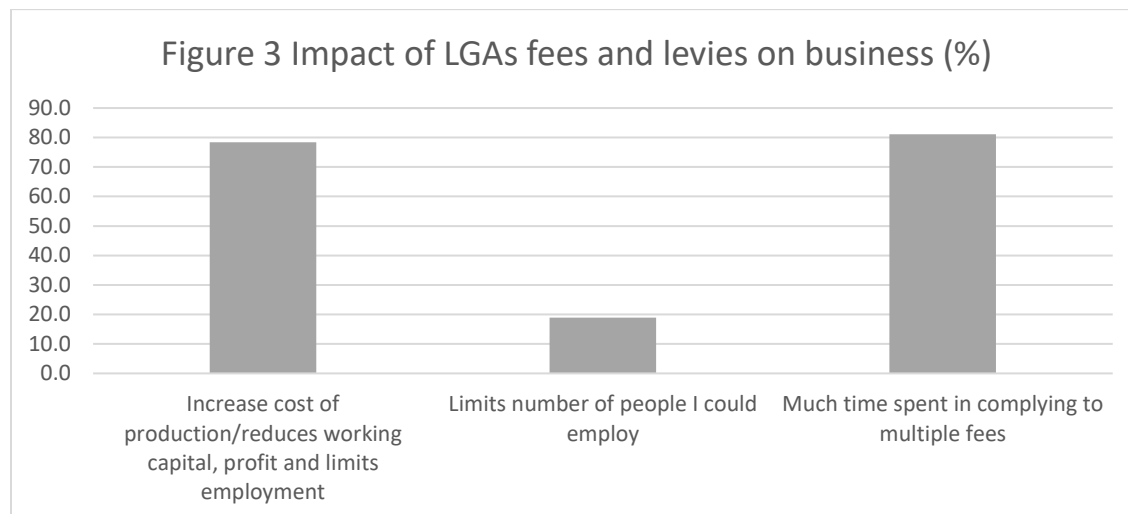
Twenty percent of the respondents complained about being roughly treated by LGA employees as well as agents engaged to collect the fees and levies. They reported that these staff and agents use harsh measures including foul language and treat business owners and employees as criminals rather than clients who deserve to be treated well and fairly. This creates animosity between business operators and employees. This problem is also more pronounced for small business operators. In some cases, this enforcement approach has disrupted the conduct of business activities. Other issues reported by some respondents include internet connection being weak or unstable when trying to generate control numbers of making payments online.

### **3.6 Non-issue of receipts and dishonest collectors**

Most LGA fees and levies are now paid by businesses directly through a control number, and a printable fiscal receipt is issued. The exceptions are those collected via agents, such as cleaning fees collected by agents appointed by the LGAs or the lowest level of local government such as ward and street level. This is also where dishonest collectors have been recorded.

## 4.0 IMPACT OF THE CURRENT STRUCTURE AND ADMINISTRATION OF FEES AND CHARGES

The respondents indicated that the LGA fees and levies impact them and their businesses in terms of increased time to comply, higher operational costs, and reduced profitability and hence reduced potential of the businesses to generate employment.



To understand the impact of the various levies and fees on a typical small-scale food processing enterprise, we have prepared a simplified income statement for one Dar es Salaam-based business.

Matilda (not her real name) operates a small milling plant in Dar es Salaam with an average annual turnover of 120 million. She makes nutritional flours from a mixture of several crops but the main ingredients are maize and pulses. To generate this value of sales she buys 600 bags of maize at Tshs 60,000 and 300 bags of pulses and other nutritious foods at Tshs 80,000 per bag. The unit direct cost (materials, direct labour, power, packaging) is about 60% of the selling price. She pays produce cess at Tshs 1000 per bag, and Tshs 2,000 per bag for transport from Mbeya to Dar es Salaam. She has 3 full-time workers (including herself) whose monthly total payroll cost is 2 million shillings. The following are her turnover, expenses, and profit.

*Table 7 Sample revenue, expenses and profit for a typical small-scale manufacturing plant*

	Basis	Rate ('000)	Number	Total '000	Sales and profit ('000)
Sales	Monthly	10,000	12		120,000
Direct expenses (transport, materials, packaging materials, power, water, casual labour)	Annual	60% of sales		72,000	
Produce cess	Bags	1	900	900	
Transport – Mbeya-Dar	Bag	2	900	1,800	
Rent	Monthly	700	12	8,400	
Distribution expenses (Dar)	Annual			4,000	
Personnel expenses for 3 people ( including owner)	Monthly	2,000	12	24,000	
Bank interest				900	
Depreciation of machinery and other equipment	Annual			1,200	
Repair and maintenance	Annual			4,000	
Communication and stationary				1,000	
Workmen's compensation Fund (.5%) of payroll				240	
Business license				100	
Service levy (.3%)				360	
Cleaning/waste collection fee	Monthly	5,000	12	60	
Health check for 3 full time and 3 casual employees	Annual	10,000	6	60	
Inspection fee (TBS)				100	
Fire and Rescue Force Fee				100	
Scale inspection fee (weights and measures)				100	
Total expenses					119,320
Profit					680

The business remains with a net profit margin of only Tshs 680,000 shillings. At the same time, it is supposed to be paying quarterly income tax to the TRA, which must be estimated and approved by TRA before the annual business license is renewed. The annual minimum presumptive income tax as estimated by TRA is T 800,000 and must be paid quarterly at the rate of Tshs 200,000 regardless of whether the business is making or losing money. This means the business will not only be loss-making, but the owner will face cash flow challenges because she is supposed to pay income tax, business license, health check, fire, weights, and measures fees even before she generates any sales.

## **5.0 POLICY MEASURES TAKEN TO HARMONIZE LGA CHARGES**

### **5.1 Overview**

Over the past 20 years, the government has been taking various measures to improve the business environment, including local government taxation. Many of the actions have been taken as a result of advocacy efforts by the private sector. Following the enactment of the Local Government Finance Act of 1982 which empowered LGAs to impose local taxes, levies, and fees through by-laws and to raise resources to finance development and recurrent expenditure, different types and levels of such charges were imposed, resulting in a confusion especially for businesses whose operations cross LGA borders. The main policies and measures taken by the central government to mitigate the situation have been (i) limiting the powers of LGAs by requiring by-laws to be approved by the Ministry responsible for local government and (ii) capping or eliminating specific fees and levies whose basis is a national law by amending the national law and or respective regulations. At the local level, some by-laws have been amended through advocacy by the private sector and/or other stakeholders. The following are some of the most prominent measures.

### **5.2 Produce cess**

The 1982 Local Government Finance Act allowed LGAs to charge produce cess to finance their development and recurrent budgets. LGAs set very different cess rates (up to 20% of sale value in some cases). In 2003, the central government decided to reduce the high variability across LGAs, by capping a cess rate of 5% of the farm-gate price. Still, the cess tax was strongly criticized by agricultural stakeholders as it: (i) reduced the incentive for the farm to produce and trade; (ii) affected farm profitability; (iii) reduced the competitiveness of Tanzanian agriculture abroad; (iv) created market distortion, as farmers and traders preferred to sell LGAs with lower rates; and (v) worsened food security and poverty level. Through Finance Act 2019, the government reduces the rate 3% of the farm-gate price.

Until 2022, the Local Government Finance Act (1982) had exempted businesses from paying service levy to pay produce cess. This exemption was not respected by some LGAs which still required companies to pay both. However, through Finance Act 2022, this exemption was removed, and businesses involved in buying crops and livestock have to pay both service levy and produce cess. If the agriculture produce is produced in the same district or council with the processing industry you will liable to pay only one levy among the two.

### **5.3 Business license**

Business Licensing is regulated by the Business Licencing Act (Number 25) of 1972. Most regular business licensing is done at the LGA level. However, there are some economic activities (so-called Schedule "A" – See Annex 4) which are licensed directly by the Ministries or government agencies). Additionally, some activities require both a business license at the LGA level and another license or permit from either a ministry or a regulator. These include those in food and beverage processing

Section 8 of the Business Licencing Act (25) of 1972 was amended by section 5 of the Finance Act, 2004 whereby the fees were abolished for any business whose turnover was less than twenty million shillings per year. Henceforth, licenses were issued to this category of businesses only once, and without any fees. However, due to persistent complaints by LGAs which had lost an important source of income (over 90% of businesses fell in the exempted category), Finance Act 2013 amended the Business Licencing Act (No 25) to re-introduce annual renewal of licenses and license fees.

#### **5.4 Automation of procedures**

Business registration and licensing and other LGA fee payment processes have witnessed significant simplification (online application and issue of business license, online payment of city service levy, produce cess, and most other payments). The President's Office – Regional Administration and Local Government (PO-RALG) has recently developed a portal (TAUSI) that can be accessed from anywhere to register for and pay most LGA fees and charges. The key exemption is cleaning fees and medical check fees, which are still paid in cash. Also, some of the interviewed reported that in some LGAs, the producer cess is paid to collection agents in cash. Automation of these processes has significantly reduced the time that businesses have to spend on compliance as well as the incidence of corruption. However, one cannot know about the level of fees and levies without visiting the LGAs.

#### **5.5 Harmonization of LGA charges with those of central government agencies**

There have been many calls to harmonize local government with LGA fees and charges so as to reduce the burden on businesses in terms of fees and the time used to comply. The diagnosis conducted during the Big Results Now Business Environment Lab (2014) as well as in the Blueprint for Regulatory Reforms to Improve Business Environment identifies a number of these overlaps. However, they have not been fully addressed

## **6. CONCLUSIONS AND PROPOSED MEASURES TO FURTHER IMPROVE LGA FEES AND LEVIES**

### **6.1 Conclusions**

Despite efforts to improve LGA levies and fees for food and beverage processing industries, significant challenges and gaps remain, which contribute to an unfriendly business environment. The challenges include the following:

- (i) There is inadequate and transparent communication on the types and levels of LGA fees and charges. Common channels for displaying the relevant by-laws, fees, payment modalities and applicable penalties in case of delays, such as LGA websites could be used for this purpose, but for unknown reasons, this is not being done. Private sector organizations that could support awareness raising do not have the information
- (ii) Some of the levies and fees charged are unfair, unharmonized and duplicative of other LGAs or central government charges
- (iii) The use of harsh language and intimidation by collection agents and LGA staff as well as absence of information on appeal channels for businesses operators who feel mistreated sometimes forces business operators to pay fees and penalties, they believe are unfair.
- (iv) Many business operators do not distinguish between LGA and central government levies, charges and taxes. Even some of those who understand the difference are unaware of how the fees and other charges collected by the LGAs are beneficial to them. This contributes to some of the complaints by business about the charges.



## **6.2 Recommendations**

The following are recommendations to improve alignment of LGA fees and charges so that they do not become a barrier to establishment and performance of food and beverage processing micro, small and medium enterprises:

- (i) Regional, district and LGA authorities to engage the private sector in regular dialogue to monitor and address the issues around the various fees, charges, collection methods, etc. The District and Regional Business Councils as well as regular sector dialogue (e.g. with manufacturers and logistics companies) are recommended avenues
- (ii) LGAs to immediately harmonize distribution/loading and offloading and parking fees including clarity on demarcation of city and provision for short term parking around one's production premises.
- (iii) Improve transparency and communication. LGAs to publish their fees, levies and other charges on their website and update them quarterly and share them with key business associations. PO-RALG to clarify their position on access to information from LGAs by businesses and their representatives
- (iv) LGAs are advised to put in place feedback and appeals channels for businesses which are mistreated by LGA officials and their agents
- (v) LGAs are advised to provide training, guidance and code of conduct for agents appointed to collect fees and levies from businesses
- (vi) The Ministry of Industry and Trade and PO-RALG to conduct a mapping of key levies and charges to determine which ones should be combined, which ones should remain at LGA/central government agency level and which ones are to be scrapped and to agree on criteria for establishing new fees and levies. A recommended principle is that regulators should not function as cost centres, rather as service centres. It is recommended for OSHA to charge a single annual fee, instead of a fee based on the number of employees in an establishment

**Annex I: List of Persons Interviewed**

No.	Region	Respondent	Name	Products	Tel
1	Dar es Salaam	Pudensiana Ndaro	Abubda Foods	Crisps	0784614734
2	Dar es Salaam	Mwilongo Kambewe	Mimii Quality Products	Wines	0766063016
3	Dar es Salaam	Agatha Mikomangwa	GRADO	peanut butter	0683351886
4	Dar es Salaam	Ajay Sengar	Seasalt Ltd	Salt	0767375840
5	Dar es Salaam	Mary Christian	BRIACO	Potato crisps	'0698899197
6	Dar es Salaam	Marry Minja	Marry Minja	juice, wine, beer	0754668910
7	Dar es Salaam	Georgina Rukelele	RAIVA	Grain milling	06848762225
8	Dar es Salaam	Wema Patrick	Msimbazi Milling	Grain milling	0715258036
9	Dar es Salaam	Upendo Mussa Mnai	Mans Care	Nutritious mixes	0625004265
10	Mwanza	Boniphace Phareas	Peace Milling Ltd	Grain milling	0788733555
11	Mwanza	Andrew Mutage	Sayona Drinks	Beverages	0628232323
12	Mwanza	Paul Maula	Karumo Holdings Ltd	Grain milling	0757952391
13	Mwanza	Yusuf Majaliwa	Omega Fish Ltd	Fish	0784047000
14	Mwanza	Ally Pigalile	Natures Fish Ltd	Fish	684500328
15	Mwanza	Kurwa Samson	Mwanza Quality Wines Ltd	Wines	0625784171
16	Mwanza	Naftali Mboji	Grains Whole salers	Grain milling	0767310849
17	Mwanza	Davis Kichemuli	Gobo Investment	Grain milling	0784485845
18	Mwanza	Godfrey Malima	Bundala Milling Ltd	Grain milling	0782272322
19	Mwanza	Boneventure Kaswahili	Andrew Group Ltd	Grain milling	0779658659
20	Arusha	Sarah Kessy	Halisi Products	Flour products	0754300748
21	Arusha	Restituta Mroso	rest products	Peanut butter/spices/flour	'0684777047
22	Arusha	Robert Likwawa	ned foods industries	spices, grains	0685674100

No.	Region	Respondent	Name	Products	Tel
23	Arusha	Beatrice Msafiri	bivac	nutritious flour, legumes, maize	0758929696
24	Arusha	Peter R. Olomi	unity product enterprises	Wines	0755421709
25	Arusha	Adolf Olomi	Raha Beverages Co Ltd	Wines and spirits	0754258258
26	Arusha	Godlovei Lema	Edana Bakery	Bakery	0687350535
26	Arusha	Lilian Mmbando	Nita Food Products	Grain and spice processing	0766988972
27	Arusha	Bhavila Kheja	Sunkist	Bakery	0784787483
28	Tanga	Denis Ruhinda	Karibu Drinking Water	Drinking water	0719667555
30	Tanga	Yasini Shabani Shekidee	Shekidee Rice Mills	Rice milling	0716279348
31	Tanga	Salum Athumani Kibwana	KT Super Sembe	Maize milling	0784962130
32	Tanga	Mariam Shekuwe	Ammy Diary Company	Dairy	0655413456
33	Tanga	A.H. Mussa	Okaz Bakery	Bread	0712121381
34	Tanga	Elingaya Mungure	Elly Bakery	Bread and cakes	0714312374
35	Tanga	Jafary O. Ally	Taifa Sembe	Maize milling	0718271733
36	Tanga	Bakari I. Bakari	Bomboka Bakery	Bread	0784874112
37	Tanga	Hamidu Haji	Mtaita Super Sembe	Maize milling	0784587608