Report of a Study on Measuring the Compliance Costs of Taxation: Excise Duties 1995-96

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Abstract

The main objective of this study is to analyze the nature of compliance costs of traditional excise duties in Tanzania. The study also attempts to apply the findings of the research to measure the costs incurred by taxpayers in relation to the main excisable products in 1995-96. This is the first study on the compliance cost of excise duty in less developed countries, and particularly those in Africa. As such, the lack of reliable data has made it impossible to make and present comparisons of compliance costs of excise duties in other countries. Nevertheless some useful findings regarding the extent and characteristics of compliance costs in Tanzania are presented and some recommendations for government action are made in order to help taxpayers minimize compliance costs.

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Introduction

Excise duties were introduced in Tanzania in November 1954 by the Excise Tariff Ordinance chapter 332 of the laws. The duty was imposed on both locally produced and imported goods, mainly traditional excise goods such as beer, spirits, cigarettes and tobacco. The selected excisable goods are explicitly enumerated under the first schedule to the ordinance implying that a selective approach is applied. Hence, goods that are not specified are exempt from the duty.

Excise duty was temporarily suspended in 1978, about one year after a major overhaul of the sales tax system that was introduced for the first time in 1969. The rates of excise duty were then merged with those of sales tax. Consequently, this decision resulted in the complex rate structure of the sales tax, and by January 1989 the rates ranged from zero (0) to 300 percent (Finance Act 1978 - 1989). In July 1989 the Government of Tanzania endeavored to rationalize the sales tax rate structure by making major reforms. The reforms involved the re-introduction of excise duty on those goods that were subject to a higher rate of sales tax. These included traditional excise goods and luxury goods such as private cars, TV sets, cosmetics and perfume, jewelry and precious stones, clocks and watches, radios, electric appliances, cameras and musical instruments, in addition to weapons and ammunition (Shekidele 1996).

Ideally, the above mentioned goods meet the necessary criteria for the excise duty, such as low price elasticity of demand, large production by a small number of producers (for beer, spirits and tobacco products) and non-availability of untaxed substitutes. The Ramsey rule of inverse elasticity, for example, suggests that goods with more price inelastic demand should be taxed at a higher rate. The rationale is that if excise duty is imposed on such goods, more revenue would be yielded because the quantity demanded only falls a little (see Heady, 1992: 12 - 20).

The Government re-introduced excise duty in order to raise more revenue and compensate for the revenue that would have been lost as a result of the reduction of sales tax rates.

The main objective of this study is to analyze in some detail the nature of compliance costs of traditional excise duties in Tanzania. Furthermore, the study attempts to provide the findings of the research to measure the costs incurred by taxpayers in relation to the main excisable products in 1995-96.

Excise Duty Appraisal: 1994 - 95 and 1995 - 96

Excise duty plays a significant role in the economy following sales tax and import duty, the two major indirect taxes. During the past two years (1994 - 95 and 1995 - 96), the excise duty contribution to GDP in real terms (1992 constant prices) was 1.3 percent and 2.8 percent respectively. In comparison, the sales tax contribution to GDP for the same years was 3.0 percent and 2.5 percent, and the import duty contribution was 1.7 percent and 1.8 percent.
Similarly the contribution of excise duty to total tax revenue was satisfactory at 11.7% and 24.0% during (1994 - 95 and 1995 - 96) respectively. Of equal interest, the contribution of main excises (for alcoholic drinks, petroleum products and tobacco products) was 75.8 percent of total excise duty revenue for 1995 - 96.

The rates of excise duty in 1995 - 96 are set out in Table 1. The main excises are arranged in order of revenue performance.

Table 1: Duty Rates for the Main Excise Duties, 1995 - 96

1) Beer duty: Locally produced: 30% plus Shs. 280.00 per litre

2) Tobacco duty:

A. Cigars, Cheroots and Cigarillos: Imported 30%

B. Cigarettes:

1.	Crescent and Star (medium):	30% plus Shs. 1,237.80 per thousand
2.	Crescent and Star (large):	30% plus Shs. 2,733.85 per thousand
3.	Safari small size:	30% plus Shs. 1,278.85 per thousand
4.	Safari king size:	30% plus Shs. 2,733.85 per thousand
5.	Mild brands:	
•	Sportsman and sweet menthol:	30% plus Shs. 2,733.85 per thousand
•	Top Club, Embassy, Rex, Tropicana and other tobacco:	30% plus Shs. 3,765.00 per thousand
6.	Sweet Nut (pipe tobacco):	30% plus Shs. 225.50 per kg
7.	Snuff:	30%.

3) Hydrocarbon oil duty

Light oil:	Motor Spirit (MSP):	Shs. 10.1590 per litre
	Motor Spirit (MSR):	Shs. 7.8659 per litre
Medium oil:	Aviation Kerosene:	Shs. 8.0311 per litre
	Illuminating Kerosene:	Shs. 8.7145 per litre
Gas oil:		Shs. 7.1772 per litre
Fuel oil:		Shs. 7.1839 per litre
Other fuel oil:		Shs. 11.2614 per litre
Lubricants:	Lubricating oil:	Shs. 500.00 per cubic meter
	Lubricating greases:	Shs. 0.75 per cubic meter
Petroleum gases and other gaseous hydrocarbons:	....	Shs. 7.1875 per kg.

4) Spirits duty:

Locally produced: 30% plus Shs. 400.00 per litre

Imported: 30% plus Shs. 500.00 per litre.

Source: Harmonized Customs, Excise, Sales Tax and COMESA Tariffs Handbook

Note: Exchange rate in 1995-96: Tshs 600/$1.

From Table 1 it is apparent that the excise duty structure is quite complicated for the taxpayer, making it difficult for him to determine his duty liability because it consists of ad valorem and specific rates. The ad valorem rate is applied to the factory price for locally produced goods, and the C.I.F Value plus the import duty is applied to imported goods. The specific rate applies to the volume or quantity produced. All the duties were different from the previous year.

Treatment of Goods in Transit

Goods that are imported in transit for re-export to neighboring countries are not subject to both import and excise duties, or sales tax for that matter. Therefore, they have not been incorporated in the empirical analysis of the study. Where any goods imported in transit are not duly re-exported within the time specified by the Commissioner General, they shall be deemed to have been imported on the last date on which they should have been so re-exported (subsection (2) of section 16 of the Customs Management Act). Hence, all the duties would become due and payable immediately. The provisions of the Customs Management Act are applied for the purposes of collection of excise duty on goods in transit that are not re-exported.

The Customs and Excise Department is exercising some statutory measures to ensure that the goods are actually re-exported and prevent any smuggling that would give rise to evasion of the taxes. Measures applied to curb tax evasion are explained below.

I. Person Using a Clearing Agent

Some traders use the services of a clearing agent in order to facilitate handling of the documents and re-exportation of the goods.

The clearing agent is required to execute a security bond showing an amount that is equivalent to the duties and sales tax in a customs form CB 8 Transit Bond. The bond must be executed in the presence of an acceptable guarantor, which is usually the National Insurance Corporation (NIC) or any Banking (Financial) Institution. In order to certify that the goods have already been re-exported the agent has to complete another document referred to as the Road Customs Transit Document (RCTD), which is used for road transportation of dutiable goods.

At the port of exit the Customs officer in charge has to make a thorough examination of the goods and make brief remarks. Similarly, at the port of entry the officer in charge has also to make an examination of the goods and make his remarks. The two reports are compared and checked for discrepancies. The bond would be canceled if there were an excessive difference, and the full duty would have to be paid. If, however, the discrepancy were insignificant, the duty would be calculated based on the difference. The executor of the bond would thus be required to pay the duty. If there were no discrepancy between the two reports the bond would be canceled. Subsequently, form CB 39 Cancellation of Bond would be completed and the amount of the bond would be debited to the amount of duty payable.

II. Person not using a Clearing Agent

In certain cases the trader does not use the services of a clearing agent. In such cases the person is also required to execute a bond bearing an amount equivalent to the duties and sales tax in form CB 8. The person is then required to deposit cash with the Customs and Excise Commissioner, and be allowed to export the goods. The procedures explained in the above section apply also to this case.

Once the goods reach the intended destination, the customs officer on duty should issue the person a landing certificate using form C14. Eventually the person should present this certificate to the Customs and Excise Department for the refund of the cash deposited.

Methodology

Introduction

Taxes inflict three main categories of cost on society. Efficiency costs arise when producers and consumers alter their behavior in order to reduce their tax payments. Second, the government incurs administrative costs in designing, applying, assessing, collecting and auditing taxes. In the third place, compliance costs are those costs borne by the taxpayer in complying with the tax laws.

Most of the economics literature has focused exclusively on the efficiency costs. Very little has been written about the size and measurement of compliance costs. The most important exception is the research which has been done by Cedric Sandford and his co-workers, culminating in a book entitled *Administrative and Compliance Costs of Taxation* (by Cedric Sandford, Michael Godwin and Peter Hardwick; Fiscal Publications, Bath, 1989), on which this methodological note draws heavily. Their work, and that of others, shows that administration and compliance costs are typically at least as important as efficiency costs, despite their low visibility. Moreover, the burden of compliance costs tends to be inequitable, falling more heavily on small firms.

On the other hand, one of the alleged strengths of excise taxes is that they impose very low compliance costs. There is some limited evidence to support this assertion. The data in Table 2 comes from the Sandford et al. study (p.168), and shows the size of administrative and compliance costs as a percentage of revenue collected for the main excise taxes in the UK in 1986-87. Administrative costs amounted to 0.25% of revenue, and compliance costs to a further 0.20%, which are low proportions by any standard. No studies of compliance costs have been done in Africa (or in almost any less-developed countries), so it is not known if a similar pattern holds in such a context.

Table 2: Administrative and Compliance Costs of Main Excises in UK, 1986-87

	Administrative Costs	Compliance Costs
	(as % of tax revenue)	
Hydrocarbon oil	0.10	0.23
Tobacco products	0.08	0.06
Alcoholic drinks	0.72	0.31
Overall	**0.25**	**0.20**

Source: Sandford et al., Table 10.3, p.168.

In this methodological note we:

- define compliance costs more fully
- consider some of the practical problems involved in measuring compliance costs, and
- outline a methodology for estimating compliance costs for excise taxes

A sample questionnaire, suitable for a study of compliance costs, is appended (Appendix III).

Compliance Costs Defined

According to Sandford et al., compliance costs are defined as "those costs incurred by taxpayers, or third parties such as businesses, in meeting the requirements laid upon them in complying with a given tax structure" *(p.10).* For a business these costs include the costs of collecting, remitting and accounting for tax on their products, profits and employees, along with the cost of acquiring a knowledge of the legal obligations and penalties. The costs fall into three main groups:

I. *Money Costs*. These include:
   a) The "clerical costs" which in turn may be split into two parts:
      - employee costs, covering the expense of in-house staff, including managers and clerks dealing with tax collections, assessment and payments; and
      - external costs, which include the fees paid to outside accountants and other advisors regarding tax interpretations, tax compliance and other relevant matters.

   b) The time cost of money (i.e. the cost of having to pay tax before receiving payments from sales; for further details, see below).

II. The additional costs of insurance, security, etc., to guard goods whose value (to the consumer) has been raised by high excise tax rates; and the cost of posting bond (where applicable).

III. *Time Costs.* These cover the value of time spent dealing with taxes by the proprietor of a small business. In principle this can be converted into a monetary value.

IV. *Psychic Costs*. This measures the resentment that a businessperson may feel at having to act as an unpaid tax collector, or at having to deal with tax officials. These costs are hard to measure.

It is worth noting that administrative and compliance costs may be substitutable. For instance, suppose a tax department moves to a system of self-assessment from one where the tax office computes the tax owed. This reduces the burden on the tax office, so administrative costs fall. On the other hand it increases the burden on the firm, so compliance costs rise. Therefore one should ideally measure the burden of administrative and compliance costs combined.

Measurement Issues

There are a number of practical and conceptual difficulties involved in measuring compliance costs, and they include the following:

How should overhead costs be allocated? As a practical matter it may be difficult, or impossible, to measure what proportion of overhead costs (management time, part of the head office costs, etc.) is attributable to dealing with tax issues. Even outside auditors and accountants, who may advise the firm on a variety of matters including taxation, may not itemize their bills in such a way that allows one to separate the time they spent on tax issues from time spent on other tasks.

How should the marginal costs of complying with a given tax be isolated? When a firm has to pay several taxes (e.g. sales tax, excise taxes, corporation income tax, PAYE), it may employ a number of specialists simply to deal with tax issues. Frequently, however, it is very difficult to determine how much of this cost is attributable to a given tax. Put another way, it may be almost impossible to measure how much a firm would save if, say, it no longer had to collect any excise taxes.

How should time be valued? It is straightforward to measure the value of time spent on tax issues by outside experts (in terms of the fee paid) and by employees (in terms of wages or salary plus other obligatory contributions such as health insurance costs). It is more difficult to value the time of the owner of the firm and particularly difficult to measure time spent on tax questions when the time would otherwise have been spent on leisure.

How should changing costs over time be handled? The costs of tax compliance are likely to be high when a tax is newly introduced or significantly modified. The *commencement costs* occur before the tax even begins; they are followed by *temporary costs* that occur as taxpayers and tax administrators iron out the bugs in the tax and learn how to operate it successfully. Once these learning-curve effects have passed, one is left with the *regular costs* of the tax, which are the ones we are most interested in measuring.

How should the time costs of taxes be measured? Suppose a firm pays $1000 in tax to the government on January 1, but the goods (which we assume are taxable at the time of retail sale) are not sold until April 1. The firm has provided a $1,000 zero-interest loan to the government for three months. This imposes a substantial cost on the firm: if the firm has to pay 16% annually to borrow, then the time cost of the early payment of taxes is about $40 (= 4% of $1,000, approximately). The situation is worse for the firm if it sells the goods on April 1, but is not actually paid until 30 days later. There is no net cost to the economy in this case since the buyer receives a benefit equivalent to the purchase price.

Conversely, the firm may pay the tax well after it formally comes due, in which case the government is in effect allowing the firm to use the tax revenue for some weeks free of interest. It is worth noting that the time cost of paying taxes early is not a net cost to society, because what the firm loses is exactly offset by a gain to the government.

Estimating Compliance Costs

Sandford et al. (p.52) note that any of the methods of social research may be used in measuring compliance costs. The methods relevant for studying excise compliance costs include the following:

- Highly structured questionnaires/interview schedules, whether administered by mail, phone or face-to-face.
- Semi-structured or unstructured interviews.
- Other types of case studies (e.g. studies of the comprehensibility of tax forms).
- Archive research, using records held by government departments, tax advisors, etc.

The response rate for mail questionnaires tends to be low, particularly if the questionnaire is long or elaborate. Face-to-face interviews are expensive in that they require a lot of time, but they elicit the most reliable information and give the researcher a good "feel" for the issues.

Methodology of the Study

The methodology used in this study involves:

A. Both face-to-face and telephone interviews with senior tax officials of the Customs and Excise Department, as well as the Sales Tax and Inland Revenue Departments. The purpose of these interviews was to gather information in relation to:
   1. The important (main) excise duties in Tanzania
   2. Their tax points, tax bases and tax rates
   3. Important firms which pay a significant amount of excise duty
   4. The amount of excise duty collected from each firm in 1995-96
   5. Compliance costs.

B. A visit was made to the Ministry of Finance where data relating to total excise duty, sales tax, import duty and total tax revenue was collected.

C. The questionnaire was delivered by hand to all important firms that pay significant amounts of excise duty and all were requested to complete it. In all cases, follow-up interviews were conducted by telephone. In a few cases, they were conducted face-to-face as well. A sample questionnaire and cover letter are shown in Appendix II. Collection of the questionnaires was done in person two weeks after sending them out. In certain cases we completed the questionnaire with the respondents. As the questionnaires were sent out during the peak season of budget preparation, most of the officials (mainly Finance Directors and Chief Accountants) involved in completing the questionnaire failed to respond within the expected period. As a consequence the questionnaire took about three months to be completed. The response rate is explained in the following section.

Basis of the Study

The study was based mainly on a survey taken using a detailed questionnaire (Appendix III), and developed with the main objective of seeking information from respondents regarding the

compliance costs of excise duties. The questionnaire was hand-delivered to fourteen (14) larger firms that are also major excise duty payers located in Dar es Salaam. Dar es Salaam is the choice for the study due to the fact that it is the capital city and the home of many industries. Evidence shows that in 1995-96 the fourteen firms paid excise duty amounting to Tshs. 71,478.5m/= which represented 78 percent of the total excise duty revenue collected.
The study also involved semi-structured interviews with senior tax officials of the Customs and Excise Department, the Sales Tax and Inland Revenue Departments, as well as resident tax officers placed at some industries. Similarly, some respondents were interviewed on several occasions.

Response Rate

The response rate was very good. The reason for such an impressive response is the fact that since the establishment of the Tanzania Revenue Authority (TRA), the government has been taking the issue of taxation seriously. Hence, respondents were free and willing to discuss specific aspects of the tax system in Tanzania. Most of them have also indicated their willingness to attend the workshop promised at the end of the questionnaire.

Of the fourteen (14) questionnaires sent out, a total of twelve (12) were returned, representing a response rate of about 86%. Of these, three (3) did not contain information that was usable and were therefore rejected from the study. Thus the final number of usable questionnaires was nine (9). The respondents are listed in Appendix II. The structure of respondents by product is summarized in Table 3.

Table 3: Respondents to Excise Duty Compliance Costs Survey: 1995 - 96

PRODUCT	MAIN SAMPLE	RESPONSE	USABLE	PERCENTAGE(%)
Hydrocarbon oils	5	5	5	100
Beer	3	3	2	67
Spirits	1	1	1	100
Tobacco	1	1	1	100
Soft Drinks	3	2	0	0
Other Drinks	1	0	0	0
TOTAL	**14**	**12**	**9**	**64.3**

Firms that produce other excisable goods pay insignificant amounts of excise duty and were therefore excluded from this study.

Nature of Compliance Costs of Excise Duties

The results of the study show that the main costs imposed on registered companies collecting excise duties include costs in relation to record keeping and complying with excise duty; employment of outside tax advisors or accountants in private practice to help do excise duty work; cash flow costs; costs incurred in provision of office accommodation and regular meals to resident tax officers; costs of payment of guarantees for goods deposited in bonded warehouses; and additional costs incurred so as to ensure security of bonded warehouses.

Based on the interviews it was also clear that changes in the provisions of the Excise Tariff Ordinance that were made over the past two years (1994/95 and 1995/96) had no significant effect on the costs of complying with the law. This was due to the fact that such changes in excise duty did not involve a major overhaul of the system. Had there been such an overhaul, registered traders would have incurred temporary compliance costs whilst learning the new system. Other costs, which were insignificant, are those incurred by taxpayers in order to cooperate with tax officers' random inspection.

In the past the Customs and Excise Department and the Sales Tax and Inland Revenue Departments placed more reliance on the trader's own records and security. But the tax officer had the power to search the trader's premises and examine books and documents to ensure compliance with the law. In recent years, the system of providing office accommodation for tax officers at the premises of major taxpayers in order to curb evasion was introduced. This has resulted in increased compliance costs for traders, who provide the office accommodation. Thus, we can argue that some costs are shared between the Revenue Authority and the registered traders. The Revenue Authority has to pay the resident officer salary and other necessary allowances, and the interviewed registered traders have said they provide fully furnished office accommodation and regular meals to resident tax officers.

According to the law, excise duties are payable upon the sale of the goods or upon removal of such goods from the premises of manufacture. However, for administrative purposes excise duty and the tax return are due on the last day of the month following the month of sale. For all products the accounting periods are calendar months. The system for main excises is explained below.

Beer duty

Changes to the beer duty system went into effect on 1/8/1996. Prior to this date excise duty was paid upon the sale of goods from the premises of production. If beer was not sold at the point of production, the crates were removed from the premises of production to the godown, where they were stored until sales transactions were completed. At this stage, the duty became due for payment. The duty was actually paid on the last day of the month following the month of sale. For example, excise duty was due for payment at the end of February for a crate of beer sold on January 10th. Under the current system the duty is due for payment upon the removal of beer from the point of production to the godown. The cash flow costs of this system are apparent. The duty is payable according to both the ex-factory price and volume (in litres) of beer produced.

The duty returns and Form E.010 Excise Account for Beer are submitted together with payment of excise duty on the last day of the month following the month of sale.

Hydrocarbon oil duty

Both crude and refined hydrocarbon oils are imported in tanker ships that call at the oil jetty for customs inspections and pumping operations. The importing company issues the customs officer with a "NOTICE OF INTENTION" advising him that he is about to receive hydrocarbon oil products. Before the pumping operations commence both the customs officer and the firm's operations staff measure the height of the oil in the receiving tank using steel tapes marked with metric measurements. Sample oil is also drawn to establish the density and temperature of the oil remaining in the tank. All the figures are recorded in the survey register.

The volume of the oil at tank temperature is established in cubic metric tons using the tank calibration charts and the dip reading figure (in meters). The ASTM Conversion Tables are used in combination with the volume and density measurements of the oil at tank temperature to convert the volume measurement at tank temperature to a volume measurement at standard temperature and pressure (STP) which is 20 ^{0}C. This volume of the oil is the amount that is legally subject to duties and taxes, and should be recorded in the survey register.

After all the procedures are complete, the customs officer allows the importer to commence pumping operations to the bonded warehouse tanks. Upon completion of this task, the oil is allowed to settle for about twelve hours. After no more than twenty-four hours the above procedure is repeated in order to establish the new volume of the oil at 20 ^{0}C temperature (STP). The volume that is ultimately subject to the tax is described in litres.

There are three accounting periods for home consumption deliveries in each month. They end on the 10th working day, the 20th working day, and last working day of each month. All five hydrocarbon oil firms have disclosed that the return used for all duties and taxes is the Single Bill of Entry which is submitted to the Customs and Excise Department after every ten days. Both the customs officer and the warehouse keeper determine the tax payable.

According to the law, payment of the duties must be made by the last day of the month following the pumping date. In actual practice, according to respondents, the firms make payment of the duty well in advance, and at the end of the month the correct amount is credited to their accounts based on the payment submitted. Obviously the Revenue Authority applies this procedure in order to curb evasion of tax which is rampant in the country. This practice suggests that firms extend an interest-free loan to the Revenue Authority for a period of four weeks, which is detrimental to the firms' cash flow. This problem is confirmed by the respondents who have indicated that the lag between the time the tax is paid and when the firms receive revenue from sales is four weeks on average.

Tobacco Duty

There is no duty payment on raw (unprocessed) tobacco. The duty payment on manufactured tobacco products is made upon the removal of product from the premises of the manufacturer to the bonded warehouse. The tax base consists of both the ex-factory price on which an ad valorem rate is applied and a specific rate applied per every one thousand cigarettes (or per kilogram in the case of pipe tobacco). Firms submit the excise duty return Form E.09 Excise Account for Cigarettes on the last day of the month following the month of removal.

Spirits Duty

The system of duty payment for distilled spirits remained unchanged during 1995 - 96. The duty became due and payable upon the sale of the products, but actual payment accompanied by returns was made on the last day of the month following the month in which the sale took place. However, as in the case of beer duty from August 1996, the duty payment is made upon removal of the products to the bonded warehouses, while the time for submission of returns has not changed. The duty base is both the ex-factory price on which an ad valorem rate is applied, and the specific rate applied to the volume in litres.

Type of Costs

Based on the responses we received, we have identified the following categories of compliance costs:

(i) **Indirect costs associated with high levels of duty**

Goods deposited in bonded warehouses are subjected to a high duty rate. This is true with hydrocarbon oil products and spirits because respondents reported high costs in association with the bond.

Also, most respondents (83%) reported that there is no allowance for losses or breakage. As such, the manufacturer has to pay duty on unexplained losses. This suggests that the manufacturer is responsible for safeguarding the excisable goods. As a result, additional costs of insurance and security are greater than would be the case if the goods were free of excise duty. This is evidenced by two petroleum companies that incurred total costs of Tshs. 67,749,500/= (about $112,916) in 1996 on insurance and security equipment in relation to bonded warehouses. Obviously a proportion of this amount is attributable to import duty, sales tax and road tolls on hydrocarbon oil. In 1995-96 the ratio of excise duty revenue to the total of these taxes was about 33%. On the basis of this ratio, therefore, the marginal cost of complying with excise duty on hydrocarbon oil was about Tshs.22,357,335/= (about $37,262).

(ii) **Clerical Costs**

All the respondents to the questionnaire did almost all the compliance work in-house through their respective accounting departments. Four respondents had also employed an external tax advisor or an accountant in private practice to help do the tax work. The compliance costs in this case are predominantly of two kinds: fees paid to tax advisors for preparation of books of account, and audit fees. This is evidenced by an interviewee whose firm had incurred a significant amount in this category (about Tshs. 27m/=) who said, "we spend most of our time and money in dealing with tax matters."

The Time Cost of Money

Most firms pay the duty when the goods leave the premises of the manufacturer/factory gate, or when they sell such goods on credit. According to the law sales are deemed to have taken place when the goods are delivered to the buyer, despite the fact that the seller has not yet received cash. On the average the lag time between tax payment and receipt of sales revenue is four (4) weeks. Clearly this system imposes substantial cash flow costs on the firm in the sense that the tax has to be paid well in advance of receipt of sales revenue from the buyer, who must ultimately bear the burden of the tax. This situation implies that the tax paid is a zero-interest loan to the government for one month (four weeks).

Furthermore, as explained earlier, alcoholic drinks firms pay the duty on the last day of the month following the month in which the sale took place. On the average the lag time between receipt of sales revenue and tax payment as disclosed by the respondents is four (4) weeks. In this case, the system generates a cash flow benefit because the firm has the use of the tax revenue for one month without payment of interest to the government. Since the seller is receiving an equivalent benefit, there is no net cost to the economy in the case of the above mentioned firms.

(iii) **Cost in association with the bond**

All hydrocarbon oil companies and one alcoholic drinks company (excluding brewers) incurred costs in bond guarantee fees to cover license fees, import duty, excise duty and sales tax payable for goods deposited in the bonded warehouses. The warehouse keeper has the duty of keeping an account of all warehoused goods and should also make records available at all times for examination by the tax officer. However, the study has revealed that costs incurred to cooperate with tax officers' random inspections were minimal.

(iv) **Inward Processing and Warehousing**

The provisions of the Customs Management Act and the Customs regulations are applied in the implementation of the control of bonded warehouses as well as inward processing and warehousing of dutiable goods.

A bonded warehouse is any premise, godown or building licensed by the Commissioner General for the deposit of taxable goods on which duties and taxes chargeable have not been paid. There are two types of bonded warehouses: general bonded warehouses for warehousing goods belonging to various taxpayers, and private bonded warehouses used for warehousing the goods of the licensee. In this study we focus on the respondents' use of their own private bonded warehouses.

Generally all taxable goods may be warehoused without payment of taxes and duties. The proper officer must take a particular account of such goods and enter the account in a book. The account contains information upon which the applicable duties and taxes on the goods shall be ascertained and paid.

In certain cases, the owner of a bonded warehouse must provide a special secured compartment for the storage of very highly taxed commodities and other sensitive goods that could be pilfered. The goods include spirituous liquors, tobacco and lubricating oils.

When the goods are delivered into the custody of the person in charge of a warehouse, the tax official must enter in the book the name of the aircraft or vessel, or the registered number of the vehicle in which the goods were imported. In addition, the official must note the name of the owner of the goods, as well as the number of packages, the mark and the number of each package, and the value and particulars of the goods.

After such account has been taken, the goods are deposited in the warehouse and the tax officer is required to certify at the end of the account that the entry and warehousing of the goods are complete. At this juncture, the goods are considered to have been duly warehoused.

All the bonded warehouses and compartments must be locked by both the Revenue Authority and the licensee. It is prohibited for any person to open the warehouse or gain access to goods deposited there except the tax officer, the warehouse keeper or any duly authorized employee of such warehouse. The tax officer has the right of access to the warehouse in order to examine the goods. If necessary, he may break open the warehouse or any adjacent premises at any time in order to conduct an examination of the goods.

There are, however, special procedures for warehousing and inward processing of bonded oil installations (see hydrocarbon oil duty above). For example the procedure for pumping operations from the importing vessel or Tanzanian and Italian Petroleum Refining Co. (TIPER) Ltd. is quite complicated and can cause additional costs to the taxpayer. In 1996 one respondent, for instance, incurred Tshs. 5m/= in additional cost as a result of a tax officer's delay in handling pumping operations.

Measuring Compliance Costs

Some of the firms could not give the amount of compliance costs incurred in certain cases as requested by the questionnaire. This was due to the fact that these firms did not incur such costs at all or they could not quantify the costs accurately. For example, all the interviewed firms incurred costs associated with in-house bookkeeping, calculators, computers and software, but some firms did not indicate the specific amounts. Table 4 shows the compliance costs incurred by each industry as a percent of both sales turnover and excise duty paid by the firms. It is worth noting that all the compliance costs were regular since there were no substantial changes made to the provisions of the Excise Duty Tariff Act over the past two years. The total compliance cost as reported in questionnaire responses was on the average Tshs. 10,828.4m/=.

In percentage terms this was 3.05 percent of annual sales turnover and 15.57 percent of excise duty revenue. The Sandford et al. (1989) study shows that compliance costs for the main excises in the UK accounted for 0.20 percent of revenue. Our findings in this study imply that compliance costs in less developed countries are quite high. A wide range of goods are chargeable to excise duty, but have been excluded from this study because the excise duty revenue derived from these goods was insignificant. Moreover, our study is concerned with traditional excise goods only. Appendix I contains a list of goods that were subjected to sales tax and excise duty in 1995- 96.

Table 4: Compliance Costs of the Main Excises as Percent of Sales Turnover and Excise Duty Revenue Yield, 1995 - 1996

	Sales Turnover (Tshs. Million)	Excise Duty (Tshs. Million)	Direct Compliance Costs (Tshs. Million)	% of Sales Turnover	% of Excise Duty
(i) Hydrocarbon oil Products	226,558	29,037.0	8,325.2	3.67	28.67
(ii) Alcoholic Drinks	67,726	27,678.8	165.0	0.24	0.60
Beer...........	61,726	26,121.5	10.5	0.02	0.04
Spirits..........	6,000	1,557.3	154.5	2.58	9.92
(iii) Tobacco Products	61,000	12,833.1	2,338.2	3.83	18.22
Overall	355,284	69,548.9	10,828.4	3.05	15.57

(i) Hydrocarbon oil Products

For the five (5) respondents providing information mean compliance costs as reported in questionnaire responses averaged Tshs. 1,665.04m/=, which is 3.67 percent of average sales turnover or 28.67 percent of excise duty payments. These rates were high particularly in relation to excise duty payment, and were attributable to costs incurred in association with operating bonded warehouses. Huge amounts were paid as bond guarantee fees to cover license fees, import duty, excise duty and sales tax. Two firms disclosed they incurred high costs (approximately Tshs. 67.750m/=, or about $112,916) to ensure security of bonded warehouses. However, only Tshs.22.357m/= has been included in this empirical analysis. Costs incurred by firms as a result of a tax officer's delay in handling pumping operations and inspection were minimal, about Tshs. 8.5m/=. Furthermore, costs incurred by two respondents in order to cooperate with tax officers' random inspection of the bonded warehouse were very insignificant, approximately Tshs. 1.4m/=.

From the above results, therefore, it is evident that only a proportion of the costs incurred in this industry relates to excise duty. This argument is supported by the fact that most of the respondents found it very difficult to separate compliance costs in relation to excise duty.

(ii) Alcoholic Drinks

The overall compliance cost as reported in questionnaire responses is approximately Tshs. 165.0m/=. In relation to sales turnover and excise duty payment, compliance costs in percentage terms were 0.24 percent and 0.60 percent respectively.

The two brewers' compliance costs totaled Tshs. 10.520m/=, which is equivalent to 0.02 percent of sales turnover and 0.04 percent of excise duty payment. In August 1996 the Sales Tax and Inland Revenue Department made slight changes to the Excise Duty Tariff Act that required excise duty be paid upon the removal of beer from the production point to the godown for distribution. This change must have increased compliance costs since traders have to keep proper records as the basis on which the duty is assessed and ensure tight security to avoid losses for which no allowance is given.

The sole distiller in the industry has reported compliance costs of Tshs. 154.5m/=. In terms of percentage this is 2.58 percent of the annual sales turnover and 9.92 percent of excise duty payment. As in the case of the oil industry, higher costs in terms of bond guarantee fees were incurred by the distiller in the operation of the bonded warehouse. The total cost in this case is Tshs. 138.5m/= which is 89.64 percent of the total compliance costs incurred by the distiller.

The results of the alcoholic drinks industry should be considered with caution because one of the brewers, who supplies more than 75% of market share, provided incomplete information relating to compliance costs incurred. The results reported, therefore, would have been different had this leading brewer's information been complete.

(iii) **Tobacco Industry**

Unlike in the case of the alcoholic drinks industry, there were no changes to the tobacco duty over the past two years. In 1995 - 96 the firm that is the sole producer of cigarettes and pipe tobacco incurred total compliance costs of Tshs. 2,338.200m/=. This is 3.83 percent of annual sales turnover and 18.22 percent of excise duty payment. Approximately 86.23% of the total cost was incurred in association with operating a bonded warehouse. A large amount was incurred in the provision of a separate secured compartment for storage of goods considered to be very highly taxed (about 99.2% of the cost of the bonded warehouse).

Distribution of Compliance Costs

The size of the firm is measured by the annual sales turnover as reported in questionnaire responses. Assuming that the data provided by respondents is accurate our study shows that size of the firm has a predominant influence on the level of compliance costs. From Table 5 we can argue that there is, indeed, a regressive pattern of compliance costs falling more heavily on small firms. This argument is true for the oil industry and for brewers who operate in competitive conditions (i.e. they are not sole producers as in the case of the spirits and tobacco industry). Our findings are in conformance with those of the study by Sandford et al 1981 and 1989.

Table 5: Analysis of Compliance Costs of Firm as Percentage of Annual Sales Turnover

Annual Sales Turnover (Million TShs.)	Number of Respondents		Compliance Costs/Turnover(%)	
	(a) Brewery	(b) Hydrocarbon oil	(a) Brewery	(b) Hydrocarbon oil
1,000 - 30,000	1	2	0.26	9.17
30,001 - 60,000	1	1	0.01	7.01
60,001 or more	0	2	0	1.00

Benefits and Detriments of Compliance

The main excise duties are paid indirectly through a third party, usually the trader/manufacturer who is legally liable to pay the duties to the Revenue Authority (Customs and Excise, and Sales Tax and Inland Revenue Departments). It is difficult to determine the amount of time required for the trader/manufacturer to recover the cost of the duty from the wholesaler, since that recovery time is dependent on earlier transactions between wholesaler and retailer, and even earlier transactions between retailer and customer.

Most of the firms operate under less competitive conditions. We can, therefore, hypothetically assume that the customer buys the product and pays the duty thirty days on average after the product leaves the premises of the manufacturer.

As explained earlier, excise duty is paid immediately when the goods leave the premises of the manufacturer (i.e. the factory gate) whether or not a sale takes place. Clearly we can argue that there is a cash flow cost in terms of an interest free loan from the private sector to the Revenue Authority.

The distribution of the cash flow detriment, however, depends on the credit terms existing on payments between retailers, wholesaler and manufacturers. Our study shows that time lag between tax payment and receipt of sales revenue by the firm averaged four weeks (30 days), except for the hydrocarbon oil industry for which the time lag is two weeks.

On the basis of the above hypothesis and after taking into account the commercial credit terms (30%), cash flow cost can be measured at an average of thirty (30) days and two weeks for the tobacco firm and hydrocarbon oil industry respectively. Thus, the respective overall cash flow cost to the producer was (30/365T)*(30%) and (2/52T)*(30%), where T is the annual duty payment (for example see Sandford et al. p. 166).

Hence, in the case of the tobacco firm the cash flow cost is estimated at (30/365)*(12,833.1)*(30%) = Tshs. 316m/=. For the hydrocarbon oil industry our findings reveal that the cost was (2/52)*(29,037.0)*(30%) = Tshs. 335m/=. These costs have been included in our empirical analysis as direct compliance costs.

As with alcoholic drinks, the producer was not actually paid until 30 days after the end of the month to which the duty applied. Indeed, the duty was retained by the producer for an average of six weeks. Nevertheless, the time lag between payment of duty and receipt of sales revenue by the firm is four weeks. Hence there is net cash flow benefit to the private sector because the whole amount of one month's duty is retained for an additional period of two weeks. Thus, a benefit to the alcoholic drinks industry is estimated to be (2/52)*(27,678.8)*(30%) = Tshs. 319.4m/=.

The results, however, should be considered with caution because the cash flow benefit or detriment could be accurately discovered by a detailed examination of the marketing and sales of the products before the date of the payment of the duty.

Minimizing Compliance Costs

The Government can take some measures to minimize or reduce compliance costs without reducing tax revenue intake.

Our findings show that 60% of the hydrocarbon oil companies find the Single Bill of Entry form complex and its supporting instructions inadequate. Moreover, it was disclosed that the usefulness of advice from the tax department regarding the form was poor.

In contrast, respondents from the tobacco and alcoholic drinks industries have reported in their questionnaire responses that the forms used for excise duty liability are easy to use and contain clear questions. These forms, however, lack adequate supporting instructions. The forms that are used by the two industries include Form E 09 Excise Account for Cigarettes Only, Form E 10 Excise Account for Beer, Form ST. 02 Monthly Sales Return and Form ST. 05 Delivery Note. Forms ST. 02 and ST. 05 are used for both sales tax and excise duty purposes. We suggest in this study that any literature that is supplied to taxpayers should be made simpler and more digestible. If this can be accomplished, taxpayers could easily understand what the law requires, and voluntary compliance would be enhanced.

Based on the above findings we recommend that the language of the statutes and the return forms should be as simple as possible, and the rate structure should be clear and easy to apply. If the legislation and the rate structure is complex and difficult for the average taxpayer to understand, he has to employ a tax consultant to be certain he is in compliance with the law. As a result, compliance costs will increase (for example see Sandford et al. 1981).

Another measure the government can take is to consult the business community through their representatives (such as CTI and TCCIA) before a new form is introduced or an existing form is significantly changed. These consultations should also address requirements for the tax return forms. If the tax forms and/or any other literature were acceptable by the business community, compliance costs would be reduced as there would be no need to employ any external tax advisors.

The government can also bring a relief to taxpayers in terms of the psychic costs resulting from legislation changes that are made during the budget speech each year. The changes relate mainly to tax rates and usually become effective immediately, or within two weeks of the announced changes.

This causes tension in taxpayers who must ascertain the cost and price of the dutiable product at the new rate. The psychic costs can be minimized if the government is prepared to give taxpayers ample time to study and adopt the changes without interfering in their business affairs.

The rate structure, as already explained above, is quite complex as it includes ad valorem and specific rates. The taxpayer may find it difficult to compute his tax liability and hire someone else to do the work. This adds to compliance costs.

Thus, the government can simplify the rate structure by, for example, having either only an ad valorem rate, or a specific rate. The respondent from the tobacco industry has suggested a system of tax stamps be used. Fortunately, the government has accepted this new system and it will become effective in November, 1997. The system can also be applied to other products in the alcoholic drinks industry. The system seems easy to apply and compliance costs should be reduced as a result.

Concluding Observations

This is the first study on the compliance cost of excise duty in less developed countries, and particularly those in Africa. As such, the lack of reliable data has made it impossible to make and present comparisons of compliance costs of excise duties in other countries.

Nevertheless it has been possible to make some useful findings regarding the extent and characteristics of compliance costs in Tanzania. Moreover, we have provided some recommendations for government action in order to help taxpayers minimize compliance costs.

The estimates of compliance costs in this study are somewhat speculative, particularly in the case of the alcoholic drinks industry. Nonetheless we can suggest that compliance costs associated with the main excises are moderately high, in both absolute and proportional terms.

Although the sample size was very small there was some evidence that the burden of compliance cost was inequitable since small firms faced higher costs proportionately speaking.

Tax statutes, regulations, forms and rate structures must be made as simple as possible in order to minimize compliance costs. Government consultation with the private sector prior to the introduction of any changes to the law or tax forms would be highly valuable. These reforms should increase the likelihood that compliance as well as administrative costs would be reduced.

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Appendix I

Goods Subjected to Excise Duty and Sales Tax 1995 - 96

1. Mineral waters and soft drinks
2. Beer made from malt
3. Wine
4. Spirits
5. Kibuku (opaque beer)
6. Vinegar
7. Cigarettes and other tobacco manufactures
8. Cement
9. Hydrocarbon oils
10. Perfumes, Cosmetics and Toilet Preparations
11. Cameras, Photographic or Cinematographic goods
12. Textile
13. Musical Instruments and Accessories thereof
14. Video recording or reproducing apparatus
15. Transmission apparatus for Television, Video Monitors
16. Motor cars including four wheel drive vehicles
17. Jewelry and Precious stones

Appendix II

THE LIST OF MAIN DUTY PAYERS

A. **Hydrocarbon oil Companies**

- (1) Total (T) Ltd.
- (2) BP (T) Ltd.
- (3) AGIP (T) Ltd.
- (4) GAPCO (T) Ltd.
- (5) GAPOIL (T) Ltd.

B. **Tobacco Industry**

- (1) Tanzania Cigarette Co. Ltd.

C. **Alcoholic Drinks Industry**

- (1) Tanzania Breweries Co. Ltd.
- (2) Associated Breweries Co. Ltd.
- (3) Tanzania Distilleries Co. Ltd.

Appendix III

INSTITUTE OF FINANCE MANAGEMENT
DAR ES SALAAM
TANZANIA

Harvard Institute for International Development
HARVARD UNIVERSITY (U.S.A)
==========================

24th April, 1997

..,
..,
..,
..

RE: SURVEY OF COSTS TO BUSINESSES OF OPERATING DIRECT TAXES, 1997

Dear Sir/Madam,

I am writing to ask for your help. As part of a larger study of excise taxation, we are trying to understand better the costs faced by companies, such as yours, as they try to comply with the tax laws.

Our hope is that such an understanding will lead to a more rational tax structure and less burdensome procedures. As far as we know, this is the first such study in Africa.

This is an independent study by the IFM, working in cooperation with HIID. Although I have been helped in understanding the tax system by the Ministry of Finance and the Tanzania Revenue Authority, no information has been given to me about your business, so I will only know what you choose to tell me. Your answers to the following questions will be held *IN STRICT CONFIDENCE*, and will not be seen by any tax official.

I would be very grateful if you would fill in the questionnaire and return it in the enclose pre-paid envelope as soon as possible.

Thank you in advance for your help and cooperation.

Yours Sincerely,
Christine Shekidele
Senior Lecturer and Head Tax Management Department
Institute of Finance Management

COMPLIANCE COSTS OF TAXATION
QUESTIONNAIRE

In the following questions, the term *excise taxes* should be taken to include any taxes which are levied on a specific good or service, even if they are known by another name. Excise taxes do not include general sales taxes or VAT, or income taxes, or basic taxes on imports or exports.

1. What is the name of your organization?

____

2a. What is your main business activity?

____

2b. What are your main *excisable* business activities?

i) ____

ii) ____

iii) ____

3. When was the business first registered for excise taxes?

____

4. On what date did your last accounting year end?

Day ________________ Month ____________ Year __________

5. Please check the appropriate value of turnover (i.e. sales of goods and services) for your business in your last accounting year.

In millions of Tsh	Total turnover	Turnover subject to excise tax
Under 1	ð	ð
1.0 - 2.49	ð	ð
2.5 - 4.99	ð	ð
5.0 - 9.99	ð	ð
10.0 - 19.99	ð	ð
20.0 - 49.99	ð	ð
50.0 - 99.99	ð	ð
100.0 - 499.99	ð	ð
500.0 or more	ð	ð

Please state approximate turnover: Tsh million:________________________

Please state approximate turnover subject to excise tax: Tsh million:__________

6. Do you employ an outside tax advisor or an accountant in private practice to help do your excise tax work?

Yes / No

If the answer is no, go directly to question 10.

7. From whom do you obtain tax advice? (Please check as appropriate)

	For excise taxes	For sales taxes	For trade taxes (i.e. import and customs duties)
Paid tax consultant	ð	ð	ð
Paid accountant	ð	ð	ð
Friend/family member	ð	ð	ð
Other (please describe)	ð	ð	ð

8. a. How much were you charged for each of the following types of work by your advisor(s) in the last accounting year? (Where precise figures are not available, please give an approximate breakdown.)

	Amount in Tsh per year
Preparation of books of account, and audit fee	
Work on sales taxes	
Work on excise taxes (including all specific taxes)	
Work on trade taxes	
Work on personal and corporation income taxes	
Other tax work (please describe):	

8. b. How much time did you spend discussing excise taxes with your tax advisor during the last accounting year?

About ______________hours

Cost per hour for tax advisor: Tsh____________________________

Value per hour of own time: Tsh_____________________________

9. For each of the main specific taxes (e.g. excise, etc.) which you pay, what is the tax point?

What tax?	1.	2.	3.	4.
What tax point?				
Retail sale	ð	ð	ð	ð
Wholesale sale	ð	ð	ð	ð
Factory gate	ð	ð	ð	ð
Customs border	ð	ð	ð	ð
Other (please specify)				

10. For each of the main specific taxes which you pay, what is the base for the tax?

What tax?	1.	2.	3.	4.
What tax base?				
Pre-tax value	ð	ð	ð	ð
After-tax value	ð	ð	ð	ð
Volume	ð	ð	ð	ð
Weight	ð	ð	ð	ð
Volume of alcohol content	ð	ð	ð	ð
Other (please specify)				

11. a. How often do you submit excise tax returns? (e.g. end of each month, quarterly, etc.). Please explain briefly.

____

____

b. If returns are submitted more than once per year, do these returns:

show the actual amount of tax due? Yes / No

or the estimated amount of tax due? Yes / No

c. Who determines the amount of tax due (e.g. the firm, a tax agent, etc.)?

____

d. Is there an annual return which makes a final calculation of excise tax due for the whole accounting year?

Yes / No (the sub annual returns are final returns)

12a. For each of the main excises, how long is the lag between the time the tax is paid and when your firm receives revenue from sales - for those cases where revenues come in later than tax is paid:

What tax?	1.	2.	3.	4.
Lag between tax payment and sales (in weeks)				

12b. For the main excises, how long is the lag between when the firm receives revenue from sales and when the tax is actually paid - for those cases where tax is paid after revenues are received:

What tax?	1.	2.	3.	4.
Lag between sales and tax payment (in weeks)				

13. How large are the penalties for late payment of excise tax ...

in law? About Tsh _______________ per *week / month / year* for every Tsh.1000 late.

in practice? About Tsh ______________per *week / month / year* for every Tsh. 1000 late.

14. Do the excise taxes make adequate allowance for losses (e.g. broken bottles, spillage, etc.)?

Yes / No / Not applicable

If yes, please explain:

____

____

15. Please complete a separate box below for each of the main forms used in determining excise tax liability

Name or title of form:

On a scale of 1 (very good) to 5 (very poor), how would you rate the tax form, using the following dimensions (circle as appropriate)

the clarity of the questions	1	2	3	4	5		
the ease with which the form can be used	1	2	3	4	5		
the adequacy of supporting instructions	1	2	3	4	5	no supporting instructions	
the usefulness of advice from the tax department	1	2	3	4	5	advice not sought	advice not available

Name or title of form:

On a scale of 1 (very good) to 5 (very poor), how would you rate the tax form, using the following dimensions (circle as appropriate)

the clarity of the questions	1	2	3	4	5		
the ease with which the form can be used	1	2	3	4	5		
the adequacy of supporting instructions	1	2	3	4	5	no supporting instructions	
the usefulness of advice from the tax department	1	2	3	4	5	advice not sought	advice not available

Name or title of form:

On a scale of 1 (very good) to 5 (very poor), how would you rate the tax form, using the following dimensions (circle as appropriate)

the clarity of the questions	1	2	3	4	5		
the ease with which the form can be used	1	2	3	4	5		
the adequacy of supporting instructions	1	2	3	4	5	no supporting instructions	
the usefulness of advice from the tax department	1	2	3	4	5	advice not sought	advice not available

Name or title of form:

On a scale of 1 (very good) to 5 (very poor), how would you rate the tax form, using the following dimensions (circle as appropriate)

the clarity of the questions	1	2	3	4	5		
the ease with which the form can be used	1	2	3	4	5		
the adequacy of supporting instructions	1	2	3	4	5	no supporting instructions	
the usefulness of advice from the tax department	1	2	3	4	5	advice not sought	advice not available

16. Apart from any advice mentioned above, what costs (if any) did you incur in keeping records and complying with excise taxes for excise taxes during the last accounting year?

	Cost in Tsh per year
Cost of an in-house bookkeeper	
Cost of someone to count output for tax purposes	
Cost of tax forms and other materials	
Cost of calculators	
Cost of computers	
Cost of software	
Other costs (please describe)	

17. a. Did any changes in the provisions or the rules on excise taxes which were introduced over the past two years have a significant effect on the costs of complying with the law?

Yes / No

b. If yes, please describe briefly.

____

18. a. During the last accounting year, what costs (if any) did you incur in working and/or supervisory work related to excise taxes, other than discussing with your tax advisor (as indicated above)?

	Number of your hours per year	Cost in Tsh per year
Working and complying with excise taxes		
Entertaining tax officers		
Other (please describe briefly)		

19. a. Did your firm provide office or other accommodation, and/or regular meals, to resident or visiting tax officers during the last accounting year?

Yes / No

b. If yes, please describe briefly.

____

____

and indicate the approximate total cost (cash and in kind): Tsh ________________

20. Approximately how much did you pay in excise taxes for the last accounting year (please check as appropriate)?

In millions of Tsh	Total payment
Under 1	ð
1.0 - 2.49	ð
2.5 - 4.99	ð
5.0 - 9.99	ð
10.0 - 19.99	ð
20.0 - 49.99	ð
50.0 - 99.99	ð
100.0 - 499.99	ð
500.0 or more	ð

Please state approximate excise tax payment: Tsh million ____________________

21. Do you own or operate a bonded warehouse?

Yes / No

If the answer is no, go directly to question 30.

22. About how much time did it take for you to fulfill the conditions for approval of premises as a bonded warehouse?

____

23. For the bonded warehouses which you operate, approximately how much did you pay in association with the bond in the last accounting year?

for license fees: Tsh. ________________________

for stamp duty: Tsh. ________________________

24. Approximately how much did you have to pay for the bond in the last accounting year?

	Tsh per year
to cover import duty	
to cover excise duty	
to cover sales tax	

25. a. Did you provide a separate secured compartment for storage of goods considered to be very highly taxed?

Yes / No

b. If yes, please describe the type of goods and give an estimate of the turnover during the last accounting year.

Type of good	Approximate turnover per year, Tsh million

26. a. What additional costs (if any) did you incur in order to ensure security of the bonded warehouse and the installation and reading of checking meters?

Type of cost	Approximate amount per year, Tsh million

27. What costs did you incur, if any, as a result of a tax officer's delay in handling any of the following:

Nature of operation	Cost in last accounting year, Tsh million
Pumping operation from the ship/tipper/refinery	
Inspection delays at factory	
Other (please specify)	

28. How often, if at all, does a tax officer visit the bonded warehouse for examination purposes?

About _____________ times during the last accounting year.

29. What costs, if any, did you incur in order to co-operate with the tax officer's random inspections?

Type of cost	Approximate cost per year (Tsh)
Time to meet with tax officer	
Preparation of documents and accounts	
Miscellaneous	

30. In the space below, please make any comments you wish about your views on specific taxes (i.e. excises, etc.) in Tanzania, and any suggestions you wish to make about improving the current system.

Thank you for your time and for your help with this research project.

We would be happy to send you a copy of the report of this study. Would you like a copy?

No / Yes, please send a copy of the report to:

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