

**Taxes and Fees Reduction Feasibility Study
As an incentive to Encourage Accredited Drug
Dispensing Outlets (ADDOs)**

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Abbreviations and Acronyms

PS	Permanent Secretary
PMO	Prime Ministers Office
DPS	Deputy Permanent Secretary
R.C.	Regional Commissioner
RAS	Regional Administrative Secretary
PORALG	Presidents Office, Regional Administration and Local Government
TRA	Tanzania Revenue Authority
DLDB	Duka la Dawa Baridi
MSH	Management Sciences for Health
p.a.	Per Annum
VAT	Value Added Tax
GOT	Government of Tanzania
DTO	District Trade Officer
RTO	Regional Trade Officer
T.shs.	Tanzania Shillings
ALAT	Association of Local Authorities of Tanzania

Acknowledgement

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1.0 EXECUTIVE SUMMARY

1.1 Preamble

A Memorandum of Understanding was agreed between the Ministry of Health and Management Sciences for Health {MSH} in February 2002 to implement a programme that intends to strengthen public access to quality pharmaceutical services in Tanzania. An important element of the Strategies for Enhancing Access to Medicines (SEAM) Tanzania programme is the establishment of Accredited Drug Dispensing Outlets (ADDOs) in four districts of Ruvuma region. ADDOs are to be established under the aegis of the Pharmacy Board {PB} who is the lead agency in the programme.

The intention is to work with existing DLDB to ensure drug quality and to improve services by requiring drug dispensers to attend PB training courses and receive Pharmacy Board (PB) certification as drug dispensers. In return for being accredited by the PB, ADDOs will be granted permission to sell a wider range of drugs than is currently permitted for DLDB. This will include a restricted list of prescription drugs (Part I poisons). One condition for the ADDOs programme to be successful is that they will be commercially viable. It will be important therefore to introduce a range of incentives into the ADDOs program in order to attract and retain good quality businessmen and women.

One of the possible areas for incentive for ADDOs is the reduction of taxes and license fees. In this regard we need adequate information to guide us in recommending to the Government what areas should be considered. Since we were not clear on the taxation areas, which ADDOs will face as far as taxes and fees are concerned, a study was commissioned to look into this problem and come up with recommendations.

1.2 Objective of the study

The main objective of the study was to determine the possibility of using a reduction in taxes and fees as an incentive for DLDBs to become ADDOs and also to stimulate the introduction of ADDOs in rural areas where there is an unmet need for quality pharmaceutical services. Specific broad objectives included:

- Documentation of existing tax law, regulations and licensing fees
- Implementation of tax laws, regulations and fees in the Ruvuma Region
- Clarify and document all taxes and fees that drug shops are supposed to pay
- Identify issues related to implementation of tax laws, regulation and fees

- Provide recommendations for reduction of taxes and fees for ADDOs

1.3 Study Methodology

A team of two people from MSH and PB, Mr. R.M.Shirima and Yonah Hebron were assigned the task of visiting the ADDOs project districts and carry out the study by interviewing the relevant Regional and District authorities, TRA staff, community leaders and potential ADDOs owners.

They also collected additional views and information from officials in two other regions - Morogoro and Dodoma, and from PORALG. In DSM, meetings were held with the Permanent Secretary (PS) Prime Minister's Office (PMO), Deputy Permanent Secretary (DPS) Treasury, Commissioner of Trade, Ministry of Commerce and Industries, Local Government Reform Managers, and the Tanzania Revenue Authority (TRA). Finally, a letter in the form of a questionnaire was sent to all Regional Pharmacists. The purpose of the questionnaire was to obtain their views of current taxes paid by DLDB and obtain suggested changes for taxes and business fees for ADDOs.

1.4 Major findings

The principal findings of the study is summarized in the following observation:

1.4.1 Taxes and fees that DLBD are supposed to be paying and what they are actually paying

Income tax – depending on sales/turnover per annum and is charged according to the three bands systems (see table I)

Stamp duty - is paid monthly 1.2% for those on composition or 4% for those who buy stamps for each receipt issued (refer table II)

Business license fee – varies from one region to another and usually on the range of 30,000 to 150,000 (see table III)

Pharmacy Board permit – 10,000 uniform in all regions.

Development levy – usually 20% of the business license fee

Other contributions

- Education fund 5,000 – 15,000/=
- Advertisement board 2,000 – 5,000/=
- Uhuru torch race 3,000 or more

1.4.2 Feasibility or reducing license fee

Study findings show that, it is possible for the Government if so advised to reduce the currently paid rate, as an incentive to DLBD to

become ADDOs and invest in the program, because of the following reasons:

- Business license fee is not a primary source of revenue to the council (see table VII). For example for the year 2000, Bukoba urban actual collections contributed 16.4% only while 83.6% was from Government subsidies. Mafia district council for the year 2001, 7.71% only while 92.3% was in the form of Government subsidies. It is therefore argued that there is no reason for the Council not to accept the proposal for reduction.
- Contribution of business license fee to the council collections is almost insignificant, for example for ten (10) councils in (table XII (a)), the contribution of business license fee to the council income ranged from 0.4% to 1.7%; reduction of that fee for urban rural and total establishment for rural ADDOs would not be of impact to the Council collections.
- Another argument is the number of DLBDs currently complying with that requirement. It is estimated that an average only 50% of DLBDs operate with business license, while the rest walk free. For example according to table VI Songea rural about 58% operate without business license, Mbinga 59%; Ilala 56%; Kinondoni 44%; Dodoma urban 40%, the least being Temeke 25%. The proposed regulatory procedure for ADDOs program will ensure that all dealers meet the obligation.
- The central Government through the Ministry of commerce and industries, finance and in collaboration with PORALG has been amending annually the business licensing Act of 1972 whenever needs arise and advised to do so through various survey conducted. Table IX give evidence on the trend of the Government in amending the business license rates whenever such request are presented.
- It is also anticipated that, once the rate is reduced, the enforcing machinery proposed under ADDOs program, will help to improve both collections and compliance to that obligation. Finding show that, the current rate and approach of enforces deters most dealers in complying.
- It is within the PORALG Policy of rationalization of taxes and revenue to reduce the number of taxes (see Minister of State, PORALG, directive during ALAT meeting in Iringa Annex I (12))

1.4.3 Reducing Income Tax

TRA: Although income tax is supposed to be charged based on three (3) bands, depending on sales / turnover, the tax assessors do not adhere to the bands requirement, because most DLDB neither issue

receipts nor keep records. The tax assessors tend to put in high demands for income tax resulting to many complaints. This induces corruption though there is no direct evidence. This will be a key problem to overcome if ADDOs are to benefit from lower taxes. The question is whether it is possible to reduce income tax currently paid by DLDB. Findings did not show the possibility of achieving that, however it has been admitted that the only way forward to minimize complains and amount currently paid is for ADDOs to start to keep and maintain good records for all transactions taking place in the facilities. This will be useful in defending them when they face problems related to taxation and other regulatory aspects.

1.4.4 Possibility of increasing the number of ADDOs in rural and peri-urban areas

Almost all owners or DLDB and officials in districts and regions visited, admitted that, reduction in business license fee and the use of differential fees, will motivate them to invest in rural and peri-urban areas, where there is minimum volume of sales and lower purchasing power. The move is expected to lower operation costs and therefore attract dealers to invest in those areas. Table V III (b) shows total amount paid by DLDBs in terms of various taxes and fees. According to that table total amount paid range from 176,000 to 700,000. If business license is reduced for urban ADDOs and abolished for rural ADDOs, it is also hoped that, other dealers who could not invest in rural areas because of current taxation system, would be attracted to do so. For example, with the current fee rate where rural DLDB is expected to pay only 50,000 and not 150,000 if that rate is enforced, rural ADDOs is expected to increase gross profit by 100,000. A shop no. 3 in the table VIII making a profit approximately 30,000 is expected to increase the profit three times i.e 130,000.

1.4.5 Impact of taxes and fees reduction on the Local Government/Local Authorities revenue.

Analysis of the various taxes and fees paid by DLDBs in the respective regions shows no significant impact to the total revenue of the districts. In most cases the contributions from this revenue are less than 2%.

1.5 Discussion of findings

1.5.1 Business License Fees

Business license fees have been established by Central Government. For DLDBs the approved rates are 100,000/= urban (principal), 80,000/= urban (sublicense), 50,000/= rural (principal) and 30,000/= rural (sublicense). Observed license fees varied and appeared to be arbitrarily set from 30,000/= to 150,000/= (see Table III). The established fees appear to be reasonable but the issue remains that enforcement is variable among districts where data was received. In fact, most districts appear to be charging rates in excess of those approved by the government.

It was also observed that many DLDBs do not have a business license (see Table VI). It is speculated that the reason for not obtaining a license may be due to excessive fees or lack of enforcement by District government.

1.5.2 Income Tax

Income tax rates are set by the TRA and DLDBs generally fall within 3 bands up to an annual income of 20,000,000/= (see Table I). The actual rate paid by DLDBs was observed to vary considerably from approved rates. Variance may be attributed to arbitrary assessment by tax assessors, lack of proper accounting records and owner's lack of knowledge of tax regulations. Note: unless accounts are audited, the TRA will not accept them and thus apply rates as they deem fit. For shops located in rural and peri-urban areas, the authors feel that the income derived from a typical DLDB is insufficient to pay for a certified accountant whose fee ranges from 100,000/= and higher.

1.5.3 Stamp Duty

According to government regulations, any shop owner not registered for VAT and who has an annual turnover exceeding 1,000,000/= is required to apply for Stamp duty composition agreement with TRA. The legal rate is 1.2% of turnover for a owner's composition agreement while those for use adhesive stamps which is affixed on cash receipt, the rate is 4% of the selling price. Shop owners who fail to keep records or have difficulties in issuing receipts due to the nature of their business are charged stamp duty at a fixed amount. Assessment of stamp duty for such business is based upon type, size and location of the business. However, a fixed amount is reviewed from time to time.

The situation observed with DLDBs is that some pay the approved rate and some evade or a very high rate (up to 180,000/= per annum) is estimated where no receipts are available (see Table II). Note: a significant number of purchases, particularly in rural areas amounts to less than 500/=, which is the minimum for issuing a receipt.

1.5.4 Other taxes and levies

The current directive from PORALG is that a development fee should not be linked to the fee for a business license. However, DLDB owners reported that the development levy assessed was typically 20% of the business license fee and the license is not issued unless the levy is paid. Similarly, it was reported that if so-called voluntary contributions (ex. Torch, education, etc.) are not paid, a business license is not issued. (see Table V)

1.6 Recommendations

For purposes of this discussion, short-term recommendations are defined as those that could be implemented with little delay and long-term recommendations where the implementation process could be lengthy.

1.6.1 Business License

- Short-term: **urban** ADDOs should pay 100,000/= for principal license and 80,000/= for subsidiary license and **rural** ADDOs should pay 50,000/= (principal) and 30,000/= (subsidiary) as provided by the Financial Amendment Act No. 14, 2001, October 18, 2001.
- Long-term: reduction or suspension of license fee for new ADDOs in rural areas for a defined period of time.

1.6.2 Income Tax

- Short-term: ADDOs located in urban areas should be placed in Band II with a fixed rate of 165,000/= and ADDOs located in rural areas shall be placed in Band I with a fixed rate of 50,000/=. Thus, ADDOs will only pay the fixed flat rates and will not be required to pay any additional tax at the end of the year regardless of annual income.
- Long-term: ADDOs shall be required to provide audited accounts and taxes will be based upon actual income.

1.6.3 Stamp Duty

- Short-term: ADDOs should have a flat rate of stamp duty based upon rural or urban location. In rural locations, the recommended rate shall be 3500/= per month (calculated from average in Band I multiplied by 1.2%). For urban locations, the recommended rate shall be 10,000/= per month.
- Long-term: For ADDOs in rural areas, stamp duty shall be exempt.

1.6.4 Other taxes and contributions

- Short-term: For ADDOs, the directive from the minister of PORALG stating that taxes and contributions, other than income tax, should not be linked to issuance of a business license should be enforced by local government.
- ADDOs should pay the same flat rate as that paid by any citizen in a respective district.
- ADDOs should not be charged for signboards displaying the ADDOs logo.

1.7 Next Steps

- Approval of recommendations by the PB
- PB shall arrange a meeting with Regional and District authority in the project area including: RAS, RMO, Regional Pharmacist, DAS, Town Director, DCs, DMOs, Regional TRA officials, Regional and District Trade Officers. The purpose of such meeting will be to discuss the recommendations and develop an action plan for implementation.
- To discuss the impact of proposed changes on the revenue of the Government and Local Authorities and its social impact.

2.0 INTRODUCTION

There is a growing realization that sustainable development and renewed economic revival in many developing nations will depend to a greater extent on changes and programmes that focus on improving the well-being of the majority of the citizens. At the core of this development conceptualization is the fact a people who are facilitated to lead more productive and healthier lives have a better chance at improving their social, political and economic conditions of life, and this in return has a multiplier effect throughout a society, or even an economy. In many developing economies, and Tanzania is no exception, this new development thinking has found expression in a programme of reform that focuses on key service delivery departments within the government, whilst ensuring a proactive and productive private – public sector mix. However, sight has not been lost of the fact that any sustainable service delivery has to be driven by an elaborate network of service and physical infrastructure, publicly developed, privately owned, or co-owned between the government and the private sector.

However, the government has to continue to formulate policies that are conducive for service delivery and for the participation of the private sector in delivering services, which hitherto were a preserve of the government.

In Tanzania, one of the sectors that have been affected by this new development is the health sector. The government has engaged in an extensive programme of health sector reform, with a view of making health services more accessible to a majority of the citizens, especially those living in rural and per-urban areas. An example of this is the reduction of license fees for operators of pharmacies and DLDBs that were agreed by parliament in 2001.

Thus, one of the approaches that the government has taken in facilitating the participation of the private sector in the rendering of health services to the citizens living in rural and peri-urban areas concern itself with a review of existing taxes and fees charged to drug stores.

3.0 OVERVIEW OF TAXES AND FEES PAID BY DLDB

Following the MOH/PB and MSH agreement to establish a network of Accredited Drug Dispensing Outlets (ADDOs) in rural and peri-urban areas, where access to drug is still problematic, and various preparatory works has been undertaken. Scheduled technical meetings with regional and district authorities have been conducted.

The role of such meetings and preparatory work being undertaken is to make sure that, all areas and issues that currently affect the performance of DLDB, and therefore might affect ADDOs facilities once established, are dealt with. Among the areas that need attention is that of taxes and fees currently paid by DLDB versus ADDOs will be required to pay.

During the mapping exercise and sensitization workshops and the above-mentioned meetings in pilot districts it was a common complaint of the DLDB owners and other technical staff, that taxes and fees paid are many in number and are of higher rates than other business. During the Mapping exercise DLDB were observed to pay up to a total amount of 350,000.00 on various taxes and revenue, while the principal capital range from 100,000/= to 200,000/= However table V a & b of this study shows a different picture. The high taxes and fees hamper further investment in the business and in due course may even discourage them to invest in the accreditation program.

It has also been observed that taxes and fees paid may even discourage investors to invest in the disadvantaged areas. It was therefore agreed that a

study should be conducted to explore the potential for possible taxes and fees reduction as an incentive to DLDB owners to invest in the program.

This report has therefore documented all facts regarding the revenue and expenditure of DLDB, taxes and fees they are actually paying, potential of taxes and revenue reduction and possibility of using it as an incentive to DLDB owners to become ADDOs and to invest in the program. It is also anticipated that taxes and fees reduction will be an incentive to ADDOs owners and other interested dealers to open ADDOs in rural and peri-urban areas in particular, where there is minimum volume of sales and lower purchasing power.

4.0 STUDY OBJECTIVES

The main objective of the study was to determine the possibility of using a reduction in taxes and fees as an incentive for DLDBs to become ADDOs and also to stimulate the introduction of ADDOs in rural areas where there is an unmet need for quality pharmaceutical services. One of the problems for the DLDB is paying higher business license fees and levies than other business though all businesses have to pay taxes and fees.

Specific objectives included:

- Clarifying taxes and fees which DLDB shop should pay, how they are assessed and what actually is paid.
- Effect of differential taxation or license fees between rural and urban areas as an attempt to encourage ADDOs in the rural areas as well as in urban areas.
- Feasibility of reducing Business license fee.
- What are the effects of lowering fees, levies etc.
- Benefits of reducing taxes and fees
- What are the potential for increasing ADDOs?

Annex II shows the terms of reference for the study.

5.0 METHODOLOGY:

The idea behind was to carry out extensive and thorough consultations with as many people as possible at various levels of government machinery i.e. National, Region, District, Division, Ward and even at village levels.

We therefore had to:

- Visit the ADDOs pilot districts (Songea urban and Mbinga) in Ruvuma to discuss with regional, districts officials and DLDB Owners using a prepared checklist.
- Visited two more regions i.e. Dodoma urban & rural and Mpwapwa Morogoro-urban& rural and Kilosa to compare the findings.
- Discuss with key officials – the PS for PMO, PORALG, Commerce and Industries, Treasury and DG TRA.
- Distributed questionnaire to all Regional Pharmacist.

Study checklist

- What taxes and fees that DLDB are supposed to pay
- What taxes are they actually paying.
- Feasibility for reducing business license fee what has been agreed
- What are the views on pre-arranged tax structure for ADDOS assessment of shop revenues e.g. the 3 bands system
- Any other potential Incentive related to taxes and business license fee.
- What are the DLDB actual revenues and expenses in Ruvuma?
- What are the benefits of reducing taxes?
- What are the effect of lowering fees and levies etc?
- What are the potential for increasing ADDOs
- Will the use of differential fees induce introduction of ADDOs in rural areas
- Any other comments.

Questionnaire to RP

- The number of DLDB in the region
- What is the current rate of Business license fee and other taxes and revenues paid by DLDB

Desk review of various document as listed in the annex I.

Limitations of the study

Assessment of taxes and fees that the current DLDBs pay and evaluating the possibility of Government to reduce those taxes and fees as an incentive for them to become ADDOs and invest more in the program is a complex assignment. It is therefore recommended that this study should be viewed as one study that shed light on what is actually happening as far as taxes and fees which DLDB are paying or suppose to pay. It therefore gives basic information on how that can be used in addressing and determining taxes and fees for ADDOs.

Major limitations to this study

1. Only ten (10) out of about 140 districts in Tanzania were visited
2. It was only possible to spend about 14 days for all 10 districts. This limited the number of interviews that could be conducted and the time to be spent in search of other relevant information.
3. Time was not enough to get clarification and verification of various information reported
4. The DLDB Owners were too suspicious to give us correct information even after explaining to them the purpose of the study.

6.0 FINDINGS

6.1 Obligatory Taxes and Fees that drug shops are supposed to pay and are actually paying

6.1.1 Taxes related to DLDB

Tax is defined as a fee charge ("level") by a government on a product, income or activity or service. The purpose of taxation is to finance government expenditure. One of the most important used of taxes is to finance public goods and services, such as street lighting and street cleaning. Since public goods and services do not allow a non-payer to be

excluded, or allow exclusion by a consumer, there cannot be a market in the goods or service, and so they need to be provided by the government or a quasi-government agency, which tend to finance themselves largely through taxes.

In Tanzania, there are several obligatory taxes that DLDBs are supposed to pay, and are actually paying at the present. These are:

- (a) **Income Tax** is defined as an annual tax levied by the government, on an individual's or corporations net profit. In the case of Tanzania, it is 30% of annual gross profit. Income tax is assessed on 3 bands depending on sales (see table V below)

Table I: Tax Bands

Bands	Volume of sales	Rate per annum
1.	0-7,000,000	50,000
2.	7,000,000-14,000,000	165,000
3.	14,000,000-20,000,000	385,000
	Above 20,000,000	Value Added Tax (VAT) but drug shops do not collect VAT for customers are exempted.

Source: TRA

(b) Stamp Duty

A duty paid on receipts issued by traders who are not registered for VAT. The tax is based in business turn over rather than a profit; Receipts are levied at 1.2%. Any trader not registered for VAT whose annual turnover is 1 million or more must apply for stamp duty composition agreement with TRA and have to pay every month before 21st day of a month, following the month of business. Those who have not signed an agreement are charged stamp duty at a fixed rate amounting to 4% in form of purchased stamps.

Composition agreement is mandatory for all business with sales volume exceeding 1 million per annum. (Refer table II)

Table II: Stamp duty

Requirement	Official Rate	Observed Payments in DLDBs	Observed Range of Payment
Turnover of 1,000,000/= or higher	a. 1.2% of sales for businesses with composition agreement b. 4% (purchase stamps) if no agreement	One group pays 1.2% and others evade payment (significant non-adherence due lack of records)	Few shops maintain records of receipts and even if they do, amount of stamp duty imposed by tax collector is arbitrary Range: 10,000 – 180,000/= per annum

Source: Field study

(c) Value Added Tax

VAT is an indirect tax payable by a VAT vendor i.e. a person whose taxable turnover is more than 20 millions T.shs p.a. Is a broad based consumption tax, which replaced the sales tax. It is charged at a standard rate of 20%. VAT Act No 1992 introduced VAT in Tanzania and came into operation from 1/7/1998. VAT is chargeable on any supply of goods or Services made by a taxable person to mean person registered or required to be registered under the provisions of the act. However, drugs shops are required to be registered by VAT so as to claim any VAT paid by the shop, but are not supposed to collect VAT from customers. Therefore wholesale and retail pharmacies and DLDBs are exempted from VAT for all registered/essential drugs.

(d) Local Taxes

Local Government Act 1982 and urban authority Act 1983 empowers Local authority to charge taxes and collect Levies, fees within its

jurisdiction. Taxes that are charged are development levy, Property tax, service Levy and business License.

- **Development Levy**

It is a broad based Levy charged per person over 18 years old. Most Councils charge 20% of the business license fee. It is collected and used by local authorities.

- **Property Tax**

Charged on owners of property. It is mainly charged on flat rate where evaluation of property has been done, it is charged on percentage basis of the value of the property.

- **Business License fee**

This is a trading license fee collected by DTO on behalf of Treasury. It varies from region to region though it is determined by central government because instructions do not reach the respective official in time.

6.1.2 Comments on obligatory taxes and fees from different groups:

(a) Stamp duty:

People interviewed feel the tax is on the high side and is not easily collected. Many DLDB owners do not issue receipts for all items sold and have not signed the composition agreement for they claim that their total sales are less than 1 million volume of sales per year.

Comment given by
• Officials and technical staff in regional and pilot districts.
• Officials and technical staff in Dodoma and Morogoro Region
• TRA officials

(b) Income tax:

Most of the people interviewed said the tax is very high. The charged amount is often exaggerated due to lack of proper records.

They explained that, they are not keeping records due to the following reasons:

- Business volume is small for most of the purchases especially in rural areas for DLDBs less than 500.00 at a time; therefore the cost of receipt is not worse of the transaction.
- Sales of part I drug in DLDBs is illegal, therefore they cannot issue receipts for illegal transactions.
- Tax assessor does not accept the record for the business volume is too small to warrant a qualified accountant to prepare audited reports that are acceptable to tax assessors.
- Receipts are expensive and time consuming.

(c) The Pharmacy Board license fee:

- 10,000/= determined by Pharmacy Board and it was also observed that new shops pay 6,000/= for purchase of guideline.
However some people confuse that the 6,000/= paid for the purchase of operating Guidelines is part of the PB license fee.
- The same amount was observed to be in all regions.

(d) Business License:

- Observed to range from 100,000/= to 150,000/= determined by the Ministry of Commerce and industry in collaboration with Ministry of PORALG.
- Also varies from one region to another but Ruvuma region DLDB are charging 150,000/= for they have not received any changes.
- All regional authorities claimed to use the current Annual financial bill amendment though the study reveals that this is not the case.
(see table III & VI to confirm variation)

Business License Fees

Table III: Comparison of Business license fee rates in various regions.

	Region/District	No. Of DLDB	Rate charged		Approved Rates	
			Urban	Rural	Urban	Rural
1.	Ruvuma	111	150,000/=	150,000/=	100,000/= (P) 80,000/= (S)	50,000/= (P) 30,000/= (S)
2.	Dar es salaam Temeke Kinondoni and Ilala	899	150,000/= 130,000/=	130,000/=	100,000/= (P) 80,000/= (S)	50,000/= (P) 30,000/= (S)
3.	Kagera	138	100,000/=	100,000/=	100,000/= (P) 80,000/= (S)	50,000/= (P) 30,000/= (S)
4.	Mara	435	120,000/=	30,000/=	100,000/= (P) 80,000/= (S)	50,000/= (P) 30,000/= (S)
5.	Mwanza	678	100,000/=	50,000/=	100,000/= (P) 80,000/= (S)	50,000/= (P) 30,000/= (S)
6.	Tanga	264	100,000/=	100,000/=	100,000/= (P) 80,000/= (S)	50,000/= (P) 30,000/= (S)
7.	Dodoma	329	70,000/= to 100,000/=		100,000/= (P) 80,000/= (S)	50,000/= (P) 30,000/= (S)
8.	Coast Region	184	150,000/=	150,000/=	100,000/= (P) 80,000/= (S)	50,000/= (P) 30,000/= (S)
9.	Shinyanga	323	100,000/=	50,000/=	100,000/= (P) 80,000/= (S)	50,000/= (P) 30,000/= (S)
10.	Kigoma	291	150,000/=	150,000/=	100,000/= (P) 80,000/= (S)	50,000/= (P) 30,000/= (S)

Source: Regional pharmacist responses to questionnaire and interviews with local government officials

P = Principal license; S = sublicense

Table VI: Comparison of business license fee rate in various regions.

	Region/District	No. Of DLDB	Rate charged
1.	Ruvuma	111	150,000.00
2.	Dar es salaam Temeke Other districts	899	130,000 150,000.00
3.	Kagera	138	100,000.00
4.	Mara	435	30,000-rural 120,000.00-urban
5.	Mwanza	678	50,000-rural 100,000.00 urban/city
6.	Tanga	264	100,000.00
7.	Dodoma	329	70,000- 100,000.00
8.	Coast Region	184	150,000.00
9.	Shinyanga	323	50,000- rural 100,000.00- urban
10.	Kigoma	291	150,000.00

Source: Regional Pharmacist responses to the questionnaire

(e) Other taxes, fees and contribution paid by DLDB (Ruvuma)

Table V: Other Taxes, Fees and contributions paid by DLDB (Ruvuma)

Tax/fees/Contributions	Approved Rate	Observed Rate	Remarks
Development levy	Flat rate established by District Council (range: 0-5,000/=)	20 % of Business License Fee	Current MPORALG directive is rate not to be based on business fee or individual income
PB License	10,000/=	10,000/=	
Contributions (Torch, education, etc.)	0-15,000/=	0-15,000/=	Inappropriately tied to business license in many instances
Advertisement	0-5000/+	0-5000/+	In municipalities, charge is per square foot

(f) Other contributions are: -

Education fund – 5,000/= - 15,000/=

Uhuru torch - 3,000/=

Advertisement Board – 2,000/= to 5,000/=

These contributions vary from one region to another and are voluntary but demanded highly. For instance education contribution has to be paid before a business license is issued.

6.1.3 Feasibility of reducing the Business license fee what has been agreed

They all started their explanation by showing how they acknowledge the contribution of DLDB in addressing pharmaceutical services gap, particularly in rural and peri-urban areas.

Comments given by:

- Officials in regions and districts visited

They agreed in principal that the current rate is reasonably higher than other business that might be enjoying reasonable profit compared to DLDB. They believed that, because the contribution of DLDB service to the poor people in rural and peri-urban areas is known to the Government, there is

no reason why the Government should not agree to review the current rate by giving the following reasons:

- Only a small number of DLDB are currently paying the business license fee, thus its contribution to the council collection is insignificant (see table VI below). No resistance is expected from the Councils officials or impact to its income.

Table VI: Comparison between the number of DLDB operating with the business license and those without in various districts.

	District	Number of DLDBs	Number of DLDBs operating with business license	Number of DLDBs operating without business license	Number operating with business license in percentage	Number operating without business license in percentage
1.	Songea rural	24	10	14	42	58
2.	Mbinga	17	7	10	41	59
3.	Ilala	163	77	86	44	56
4.	Temeke	297	225	72	75	25
5.	Kinondoni	439	248	191	56	44
6.	Dodoma urban	108	65	43	60	40

Source: Ilala, Kinondoni and Temeke Council report on DLDB for the year 2001 and official comments in district visited.

- The business license fee is not a primary source of council revenue. The main source is government subsidy as shown in table VIII below, and therefore, the Council would not be in position to object the proposal of the program.

Table VII: Comparison between the actual council collections and Government subsidies

	District	Actual Council collections	Government subsidies	Contribution in percentage
1.	Bukoba urban	174,411,484.15(2000)	1,062,110,640.85	16.4%
2.	Mafia	46,240,203.35(2001)	600,000,000.00	7.71%
3.	Mbeya urban	478,182,400.00(2002)	3,321,902,798.00	14.4%
4.	Morogoro Municipal	459,770,858.00(2001)	1,430,064,204.00	32.2%

Source: PORALG files-Dodoma

- Fee reduction will eventually improve compliance to paying the taxes, as the current rate deter dealer to do so.
- The current rate has contribution to the observed violations in the operation of the DLDB, as they are forced to sell unauthorized services.
- It was observed that, because selling of part II poisons only would not make one be in a position to pay the stated rate, most dealers for them to remain in business are forced to opt to other means that are illegal for them to meet tax and fees obligation.

Comments by:

- PS finance,
PMO and
Director
Ministry of
Commerce
and
Industries

They all started the discussion by sharing their experience with the current DLDB. They explained that business license fee should only be used as a regulatory tool, and not a primary source of Council collections.

They explained criteria used in fixing rate to be:

- Sensitivity of a product/service to the community.
- Ownership (resident/foreigner)
- Contribution to the council collections.

They also explained that, it has never been a Government deliberate policy to discourage the existence of DLDB, by citing how the government has been improving investing opportunities and strengthening ties with the private sector. They also explained how they have tried to review and categorize the current rate according to the location of the premises such as city, municipal, council, rural/urban and minor settlement. However, some argued that, the government should revisit drug distribution policy.

Though at present on average only 50% of DLDB are complying, reducing the business license fee for ADDOs will be an incentive to ensure compliance and encourage DLDB Owner to become ADDOs. As to the idea of achieving that goal, the following were proposed to be done:

- Discuss and harmonize with PORALG
- Proposal forwarded to the Ministry of Commerce and Industries or the revenue and tax task force committee.
- Alternatively use the National business Council.

Informed that, the business licenses Act of 1972, stipulates different rates, as determined by the Ministry of Commerce and Industries, which decide on the maximum rates to be charged i.e. set the limit, however, the local authorities may charge different rates but within the limit set by Ministry of Commerce and Industries. The local government views the business license fee as both regulatory tool and source of revenue. However, the collections obtained from business license fee are not a primary source of revenue for the councils and therefore it is possible for it to be considered for reduction.

The councils at present are charging about 60 types of taxes with 138 different rates. This has caused a lot of problems in collections and high cost of collection. To address this problem the minister have instructed not to attach business license fee with any other levies such as development levy, Inspection fees and other fee that one is charged whenever one want to open a business in a particular locality. Currently the Government implementing taxes and revenue rationalization, which intends to reduce the number of taxes from 60 to 10, with substantial reduction of the rate. Believe that, there is a need to help poor people who cannot afford pharmaceutical services by reducing expenses that might be passed to consumers when they seek those particular services. They also admitted that, business license fee for DLDB has insignificant contribution to the council collections.

Comments by:

- Component manager LGRP
- Assistant Director, Local Government - Units

6.1.4 Benefit of lowering business license fee, taxes and fees

They all admitted that there is a need of reviewing the current rates in terms of business license fee, taxes and even levies charged to DLDB by different authorities. They agreed with us that the following are the benefit of lowering business license fee and taxes:

Comments by:

- DLDB owners
- Officials in districts and regions visited
- Consumers

- Improve compliance to pay business license fee and other levies, unlike the current trend, where only a few dealers pay.
- Encourage/motivate dealers to invest in the program, as the working environment would have been improved and assured of reasonable profit
- Chances of the cost involved not to be passed to consumers i.e. indirectly changing the consumers to meet those taxes.
- More collections out of business license fee from DLDB is expected as many dealers will be in position to meet the obligation.

6.1.5 Potential for increasing ADDOs

Comments by:

- Owners of DLDB
- Officials in District and Regions

Almost all groups believed and hoped that, the reduction in business license fee and other taxes will lead to eventual opening of proposed ADDOs in rural and peri-urban areas, particularly when, the fee is categorized to reflect the location of the premise and the expected turnover.

The lower rate for example will motivate interested dealers to operate in rural areas, because operating cost will be lower too. This is expected to tally with minimum volume of sales in those areas. It is also anticipated that, Owners who already have invested in those areas would use the served money to improve their business in-line with the proposed requirements.

6.1.6 DLDB actual revenue and expenses in Ruvuma

As shown on the table VIII (a) below, sample of 12 DLDB shops, Interviewed, the minimum gross income is 579,000/= while the highest is 14,000,000/=. Expenses 311,000/= and highest is 7,962,000/=. The profit side shows 30,000/= and maximum 4,000,000/=. Also only a few have audited accounts.

Comments given by:

- Owner of DLDB

Table VIII (a): Summary of DLDBs income and expenditure as presented during the study

Owner	Year	V/sales	G/Income	Expenses	Profit	TAXES							
						B/L	PB	S/DUTY	D/LEVY	I/Come	Payroll	Cont.	Total taxes paid
1.1	2002	10,863,225	3,122,865	1,751,132	1,371,673	150,000	10,000	10,000	30,000.00	-	-	-	270,000
1.2	2001	12,885,483	5,241,708	4,617,088	624,620	100,000	10,000	36,000	30,000.00	-	-	-	176,480
1.3	1999	15,407,963	8,170,670	7,962,042	208,628	150,000	10,000	36,000	10,000	200,000	40,680	-	452,680
2	2002	?	3,802,190	3,367,965	434,225	150,000	10,000	-	30,000	150,000	-	-	340,000
3	2002	1,440,139	734,889	705,240	29,659	150,000	10,000	-	30,000	60,000	-	-	250,000
4	2001	8,487,145	6,943,770	1,928,085	4,115,685	150,000	10,000	192,000	30,000	365,000	-	-	747,000
5	2002	1,934,220	579,060	311,700	267,360	60,000	10,000	180,000	30,000	365,000	-	-	645,000
6	2001	9,884,254	2,807,489	2,089,819	717,670	150,000	10,000	180,000	30,000	254,195	-	10,000	634,195
7	2001	8,253,370	2,444,708	1,017,722	1,426,986	100,000	10,000	36,000	30,000	254,195	-	-	430,195
8	2002	4,545,496	1,937,728	1,008,996	928,732	120,000	10,000	36,000	30,000	-	-	-	196,000
9	2002	3,272,020	1,880,540	992,884	887,656	120,000	10,000	36,000	30,000	84,035	-	-	280,035
10	2002	4,317,834	1,713,442	917,064	796,378	120,000	10,000	36,000	30,000	188,586	-	-	276,586
11	2002	4,474,360	1,432,300	850,000	582,000	150,000	10,000	25,000	25,000	165,000	-	-	375,000
12	2002	15,988,015	14,055,210	2,644,000	11,411,210	100,000	10,000	180,000	30,000	365,000	-	-	685,000

Source: DLDB owners

Table VIII (b): Summary of DLDBs income and expenditure as presented during Meaghan focus group discussion

Shop No	Year	Sales	Gross Profit	Expenses	Net Profit	B/L	PB	S/duty	P/roll	Income tax	D/L	Contribution	Total
1.1	2002	12,885,483	5,564,718	4,778,352	786,366	100,000	10,000	36,000	33,480	-		169,000	348,480
1.2	2001	20407,963	10,230670	7605137	2572156	45,000	10,000	36,000	46,680				137,680
2	2002	21060,000	15753,000	6,808, 800	8,944,200	100,000	10,000	60,000	30,000	-	30,000		580,000
3	2002	7,020,000	5251 000	2269,600	2,9814000	150,000	10,000	60,000	10,000	-	10,000		240,000
4	2002	9,464,000	4332,595	3,051,000	1,281595	165,000	30,000	60,000	-	33240			268,240
5	2002	5,018,985	1,756,645	1,211,669	544,978	50,000	10,000	36,000	-	50,000			146,000
6.1	1998	4,500,000	2,042,000	1,207,500	834,000	20,000	10,000	45,000	-	45,000			325,000
6.2	1999	5,800,000	2,873,000	1420,000	694,500	30,000	10,000	-	-	100,00			
6.3	2001	5200,000	1,880,000	1325,000	555,000	50,000	10,000	55,000	-	116,875		50,000	281,875

Source: Reports from specific individuals represented during Meaghan Study Group

KEY:

B/L –Business License
PB –Pharmacy Board Fees
S/Duty –Stump Duty
P/roll-payroll
D/L-Development Levy

6.1.7 Views on Pre-arranged tax structure for ADDOs assessment of DLDB revenue e.g. 3 bands systems.

At present, Income tax is levied at 3 bands. A findings show that, there is a lot of complaints due to:

- Assessors do not adhere to the 3-bands due to lack of sales records
- Estimated sales are on the high side thus putting taxes in the high band.
- Amount paid tend to increase annually without considering the actual turnover.
- Where records are kept and presented by DLDB owners, the assessor does not accept them.

Public &
DLDB
interviewed
owners

7.0 Discussion of findings:

Potential for taxes and fees reductions is eminent for all people who were involved in the study admitted that the taxes and revenue paid by DLDB is higher than that of other business (see annex IV). Most of them believed that, it is possible for the Government to consider and review the current business license fee and other taxes. Decision and policy makers of Ministry of Finance, Commerce and industries and PORALG went further explaining the procedure to be followed in order to achieve the desired reductions.

It has been proposed and admitted that once the Ministry of PORALG, agree with proposal, will be easier for the proposal to be approved by the Ministry of Commerce and Industries, and thereafter the Ministry of Finance (the Revenue Task force).

In the discussion with Ministry of PORALG, as indicated in the findings above, they all admitted that DLDB owners pay higher business fee than other business, and that their Ministry is currently discussing tax and revenue rationalization. (Minister Directive on tax and revenue rationalization given during ALAT meeting in Iringa). Therefore the only challenge at hand is that of harmonizing with the ministry of PORALG as regards to tax and revenue reductions.

The following are reasons that indicate how feasible it is for the Government to reduce the current business-licensing fee:

- Business licensing fee is not a primary source of revenue for the Councils. As indicated above the primary source of revenue for the councils is the Government subsidies. (See table VII) From the table, it is very clear that, for the year 2000, Bukoba urban actual collections contributed 16.4% only to its total income, while 83.6% was received as a subsidy from the Government, Mafia district 7.71% while 92.3% was a Government subsidy. . In addition to that and in-line with taxes and revenues rationalization, the Government will continue to increase its budget allocation as subsidy to the Councils. It is therefore, argued that, there is no reason as to why the Council should object the proposal of taxes and fees reduction
- It is the Policy of Ministry of PORALG and the central Government at large to reduce taxes from 60 to 10, especially for those taxes that are directed to poor people. (Minister's directive to the Council during ALAT meeting in Iringa, refer table IX). It is evident for most of us who have lived in the rural areas, that DLDBs save such kind of people. People who have no other alternative to get their medical supplies once public facilities are out of stock of most essential

medicines. These are people who cannot afford to buy even a full course of Aspirin or paracetamol.

- Another valid argument is on the trend of Government in amending the business license Act of 1972. Table IX below indicate the trend of Government in addressing proposals on review of the business license fee for DLDBs from the year 2000 to 2001. Since its enactment by the Parliament in 1972, there has been a deliberate effort by the Government to review business license fee as proposed by the Ministry of Commerce and Industries. For example for the year 2000, all DLDBs were charged a flat rate of 150,000.00 irrespective of its locality. However, in the year 2001, 14th of June the rate was reviewed to 100,000.00 for the principal and 80,000.00 sublicense, again for all locations urban and rural inclusive. In the same year 18/10/2001, the parliament, amended the Finance Act supplement No.1 of 14/6/2001 as proposed by the Ministry of Finance and Commerce and industries following surveys that are conducted annually countrywide. We are therefore positive that, such a trend gives evidence that; the Government is ready at any time if advised properly to reduce the rate. We therefore propose that the existing climate should be utilized to move our proposal.

Table IX: Government trend in amending the rates of business license fee

Year	Rate	Act amended	Document
2000	150,000.00 for principal license and 80,000.00 sub-license for all premises irrespective of its location	Business license ACT 1972	The financial Act, 2000, special Bill supplement No.1
14/6/2001	Part I-200, 000.00 principal license and 100,000.00 sub-license Part II-100, 000.00 for principal license and 80,000.00 sub-license	Business license ACT 1972	Finance Act supplement No. 1 of 14/6/2001/ Government Gazette No.42 vol.82 of 15/6/2001
18/10/2001	Urban Part I – 200,000.00 for principal and 100,000.00 sub-license. Part II- 100,000.00 and 80,000.00 Rural Part I- 80,000.00 principal and 50,000.00 sub-license. Part II – 50,000.00 for principal and 30,000.00 sub-license.	Business license ACT 1972	Finance Act supplement No.14 of 18/10/2001/ Government Gazette No.42 vol.82

- Only a small number of DLDB are paying the business-licensing fee (see table VI). For example more than 58% of DLDBs in Songea rural, operate without the business license; Mbinga 59% while lowest percentage is for Dodoma urban with 40% of DLDBs operating without business license. The trend help to clarify the fact that, what the Council could be getting out of business license fee is actually insignificant. We would also like to make it very clear, that the trend could even be worse, if all DLDBs operating without business license were tracked down. It is not surprising if you could be walking around in town to find a number of facilities operating without both PB license and business license. DLDBs have been mushrooming against the knowledge of PB/TFDA, RTAC or RTO/DTO.
- Records show that, the contribution of business license fee paid by DLDB, to the council collections is almost insignificant. (see table below X a & b)

Table X (a): Contribution of business license fees collections from DLDBs to the Council collections.

District	No. of DLDB in the district	Rate of Business license fee	Total amount collected	Total Council collections	Contribution of B/License to Council collection in %
1. Nkasi	8	100,000.00	800,000.00	197,831,900.00	0.4%
2. Bukoba urban (Town Council)	15	100,000.00	1,500,000.00	174,411,484.15	0.8%
3. Morogoro Municipal	80	100,000.00	8,000,000.00	459,770,858.00 (2001)	1.7%
4. Temeke	181	130,000.00	23,530,000.00	6,351,669,483.17 (2001)	0.37%
5. Ilala	163	150,000.00	24,000,000.00	5,006,972,071.36	0.5%
6. Kilombero	56	100,000.00	5,600,000.00	360,000,250.00 (2000)	1.5%
7. Ulanga	20	100,000.00	2,000,000.00	215,709,500.00 (2001)	0.9%
8. Mbozi	24	150,000.00	3,600,000.00	514,293,732.00 (2001)	0.6%
9. Mbeya Municipal	51	150,000.00	7,650,000.00	478,182,400.00(2002)	1.6%
10. Mafia	2	150,000.00	300,000.00	46,240,203.35 (2001)	0.7%

Source: PORALG files

According to table X (a) above, contribution of business license fee to the actual Council collections range from 0.4 to 1.7%. With Government subsidy added on top, the trend is even worse ranging from 0.12 to 0.4%. Such contribution is actually insignificant and we therefore expect full support from Councils official when will be presenting a proposal for tax and business license reduction as observed during the study.

Table X (b) Contribution of business license fees collections from DLDBs to the Council collections plus Government subsidies.

	District	Number of DLDBs	Rate	Total collected	Council collections plus Government subsidies	Contribution of business license collections from DLDB to the Council income
1.	Bukoba urban	15	100,000.00	1,500,000.00	1,236,522,125.00	0.12
2.	Mbeya urban district	51	150,000.00	7,650,000.00	3,800,085,195.00	0.2
3.	Morogoro Municipal	80	100,000.00	8,000,000.00	1,889,834,062.00	0.4%

Source: PORALG files-DODOMA

- Reduction in taxes and fees (and business license fee in particular) will help to improve compliance in meeting tax obligations. This is anticipated

because, most dealers interviewed agreed in principle that it is their obligation to pay taxes and fees as stated by the authorities. However, the charged rates and the number of taxes obliged to meet is the stumbling block. As paying those taxes and fees for some would mean closing their business forever, because the amount charged is equivalent to their starting capital. It is hoped that, new rate would put into consideration what they are actually getting and therefore be in position to sustain their business.

- It is also anticipated that reduction in taxes and fees will improve collections, as most dealers interviewed said they would be ready to open ADDOs if the rate will be reduced. Some claimed that they would also be ready to open ADDOs in rural areas provided lower rate is set for rural areas than urban areas. Enforcement is expected to be easier too, because local Government official from ward level upwards, will be involved in regulation of ADDOs, in collaboration with the PB/TFDA inspectors to ensure compliance and hence ensuring that all ADDOs pay stipulated fees and taxes as agreed.
- Reduction will have no impact on council collections. (See table X a & b above).

As discussed above, we believe that, reduction of taxes and fees for urban ADDOs and total abolishment for rural ADDOs would have no impact on Council income. It is anticipated that, the move with all proposed regulatory machinery in place and effective, will assure poor people with alternative to shortage of drugs in public facilities.

7.1 Reducing Income Tax for Potential ADDOs

As stated in many reports, a drug shortage in our public facilities is a reason for starting supplementary service by DLDB. Owners feel that they are not playing a full business like role. For instance even if the Government has subsidized essential items such as sugar and food, the business people continue to be assured of supplying the items. In drugs, they are only expected to meet shortages about 20 to 30%. It was observed that when there are no shortages, no business is guaranteed. The potential ADDOs owners would like to be considered by tax assessors, as a special category of business, which can make money only in specific cases.

For example in the 3 bands used for assessment of Income tax, findings shows that, when one is starting a new DLDB, is always assessed at lowest band i.e. volume of sales of 0 – 7,000,000/= and therefore obliged to pay 50,000/= p.a. During the second year one can be told that your now in the next band, i.e. 7,001,000 – 14,000,000/= and therefore 165,000/= p.a. The situation is precipitated by the fact that most DLDB owners neither issue receipts nor keep records of purchase or sales and therefore, assessors of tax insist that they are making a lot of money out of it. It was also observed that, there is variation in the amount paid in terms of Income tax (3-bands) from one DLDB to another. It is possible to find one DLDB paying 60,000/= and another one 150,000/= etc as Income tax. Neither of these figures is in the 3-bands system as shown in table I above. The only assumption is that tax assessors think that DLDB are making a lot of money, to find such a discretion is not easily understood by tax payers since variation differ from one person to another, therefore complaints that suggest room for corruption.

Findings did not show, the possibility of income tax reduction, however, it is argued that, for ADDOs to be able to pay a fair rate as per the band

requirement, is for them to keep and maintain good records for all transactions taking place in their facilities. It is also anticipated that, once those records are in place it would be easier either through their association or other related bodies to fight for a fair rate or its reduction.

7.2 Business license fee

Although we could not manage to collect data on business license fee rate for all regions, table IV give a hint that the rate range from 100,000 to 150,000.00, with some authorities charging lower rate for rural and minor settlements. It is therefore noted that, the amount paid varies from one region to another and sometimes from one facility to another. Other authorities were observed to charge sub-licensed amount while the facility was not supposed to e.g. in Dodoma some facilities were charged at 70,000 and others at 80,000.00.

The argument here is not to comment again on the need of the fee to be reduced, as we have already done above, but rather to show how officials have not been adhering to agreed rate either deliberately or because the current Financial bill amendment are not effectively distributed to the responsible officials. As shown in the table III, almost all authorities are charging contrary to the current financial bill amendment, financial Act supplement **no. 14 of 2001 18/10/2001** which amended business license Act i.e. Financial Act supplement No. 1 of 14/6/2001.

It is therefore clear that, because DLDB owners are not aware of what they are actually supposed to pay in terms of income tax, stamp duty and even business license fee, either the DLDB owners are overcharged or the central Government and the Councils are loosing a lot of revenue because of their officials not following agreed rates.

7.3 Impact of reduction to the Government/council collections.

It is important to understand that fee is not supposed to be among the sources of revenue for the Council. According to the PS, Prime Minister office, Directors in the Ministry of Commerce and PORALG, business-licensing fee, is only a regulatory tool and the amount charged should be in-line with the kind of service that the authorities will offer in return to the applicant. The fee is also supposed to consider the sensitivity of the product to the consumers. It also needs to consider the ownership of the business (foreigner or indigenous). These argument help to understand clearly why business license fee should not be regarded or considered as a primary source of income to the Council. Table VII show that the main source for the Council is subsidy from the Government. Collections for 4 Council contributed a small amount ranging from 7.71% to 32.2%, the rest was in form of a subsidy from the Government. On the other hand, the contribution of collections of business license fee from DLDBs to the Council also is almost insignificant ranging from 0.4 to 1.7%(see table X a & b). It is also important to point out that, the number of DLDBs, currently complying with that obligation is equally small, on average estimated to be only 50%, the rest enjoy illegal tax and fee holiday. This has not only brought a lot of complaints from those who comply but has also weakened their commitment in adhering to that obligation. The reason given above not only show that, reduction in business license fee rate will have no impact on Council income, but also anticipated to improve collections from it. This is because, the proposed ADDOs program, has effective enforcement machinery from ward level upwards, which will first ensure that none of the ADDOs facility operate without either business license or PB/TFDA license, second the system is expected to lower collection costs as when inspectors inspect TFDA license,

business license will be checked too. Also, all approved applicant would be required to obtain a business license before opening.

7.4 DLDB Incomes and Expenditure

As shown on the (table VIII a & b) above, most of the DLDB owners are on business when there are no drugs in the public facilities. The table stipulates how much the DLDB is saving out of service they provide in their area of locality. The situation is even discouraging in the rural areas, particularly in the village where there is minimum volume of sales and people experience lower purchasing power. The DLDB in the village, which is a current trend in most regions like Ruvuma, is expected to pay the same 150,000/= business license fee plus other taxes, like the one located in Mbinga urban or Songea urban. The average daily sales for such facility is between 2,000 to 3,000.00 if it operate honestly as DLDBs

According to our findings, DLDB in the village will only be able to meet those taxes and fee, by carrying out unauthorized clinical practice and selling of part I Poisons. Is it real worth taxing such a DLDB?

The service in rural areas, particularly in the village will only improve if it will be regarded as a service rather than a business. We still propose the possibility of tax freedom for those who will be ready to invest in the village.

7.5 Benefit of lowering the fee

As commented above the following are some of the advantages of reducing taxes and fees:

- It is anticipated that the move will help to minimize complaints from an average of 50% dealers who comply with that obligation. This is because most think the Councils are making a fortune out of their payments.
- Since the regulatory machinery is expected to be very effective, as stated above, it is anticipated to improve collections in terms of amount collected and reducing collection costs currently experienced.
- It is also anticipated that reduced rate, will attract more people into the business, and thus possibility of more collections.

7.6 Differential fees between urban and rural areas

As clearly discussed above, rural areas unlike the urban areas experience minimum volume of sales and people in those areas have low purchasing power. As shown in the findings, some interested dealers either closed their business in rural areas or did not see the need to do so because, there is no difference in fees paid between the urban and rural areas irrespective of the experience given above. Most dealers interviewed were of the opinion that, they would be ready to open either branches or new facilities of ADDOs in rural areas provided the fee rate is reduced and differentiated.

It is therefore anticipated that, differential fees between the two localities will motivate dealers to invest in rural areas. It is also reasonable to have

a different tax and fee for urban areas and lower tax and fee or total abolishment for rural areas. Although the Parliament made this provision in the Act amendment number 14 of 18/10/2001, as noted earlier it has not been implemented. The proposed ADDOs are expected to start with the fee as per the current financial bill amendment stated above. However, we still think that, there is a need to propose further reduction for ADDOs and lower or total abolishment of business licensing fee for rural ADDOs.

This will help to keep drug prices down in-line with purchasing power of the villages. One observation in Dodoma revealed that DLDB owners are discouraged to go to the minor settlement and one had to close his shop due to the magnitude of taxes he had to pay. He therefore opened a second shop in town where the subsidiary tax was lower. He was willing to shift the second shop to rural areas if taxes were reduced.

8.0 Recommendations: the way forward:

For purposes of this discussion, short-term recommendations are defined as those that could be implemented with little delay and long-term recommendations where the implementation process could be lengthy.

8.1 Business License

- Short-term: **urban** ADDOs should pay 100,000/= for principal license and 80,000/= for subsidiary license and **rural** ADDOs should pay 50,000/= (principal) and 30,000/= (subsidiary) as provided by the Financial Amendment Act No. 14, 2001, October 18, 2001.
- Long-term: reduction or suspension of license fee for new ADDOs in rural areas for a defined period of time.

8.2 Income Tax

- Short-term: ADDOs located in urban areas should be placed in Band II with a fixed rate of 165,000/= and ADDOs located in rural areas shall be placed in Band I with a fixed rate of 50,000/=. Thus, ADDOs will only pay

the fixed flat rates and will not be required to pay any additional tax at the end of the year regardless of annual income.

- Long-term: ADDOs shall be required to provide audited accounts and taxes will be based upon actual income.

8.3 Stamp Duty

- Short-term: ADDOs should have a flat rate of stamp duty based upon rural or urban location. In rural locations, the recommended rate shall be 3500/= per month (calculated from average in Band I multiplied by 1.2%). For urban locations, the recommended rate shall be 10,000/= per month.
- Long-term: For ADDOs in rural areas, stamp duty shall be exempt.

8.4 Other taxes and contributions

- Short-term: For ADDOs, the directive from the minister of PORALG stating that taxes and contributions, other than income tax, should not be linked to issuance of a business license should be enforced by local government.
- ADDOs should pay the same flat rate as that paid by any citizen in a respective district.
- ADDOs should not be charged for signboards displaying the ADDOs logo.

9.0 Next Step

- Approval of recommendations by the PB
- PB shall arrange a meeting with Regional and District authority in the project area including: RAS, RMO, Regional Pharmacist, DAS, Town Director, DCs, DMOs, Regional TRA officials, Regional and District Trade Officers. The purpose of such meeting will be to discuss the recommendations and develop an action plan for implementation.
- To discuss the impact of proposed changes on the revenue of the Government and Local Authorities and its social impact.
- Ensuring agreed policies are known to all members through stocking copies of essential documents such as Finance bills, guidelines on drug shops and updated pamphlets.
- Create a climate for attracting supply of quality drugs by a selected vendor.

- Establish and implement self-inspection techniques in line with DTAC supervision instructions.

10.0 Conclusion

The principle objective of this study was to evaluate the taxes and fees that DLDB are paying and determine the possibility of government to establish different rates for ADDOs.

The findings indicate that the present DLDB are supposed to pay a number of taxes as covered in the study but good a number is either paying less than that stated or not paying. This obviously is not a healthy situation for starting ADDOs which are expected to comply with all regulations and standards set for operations while providing expected services to their clients.

The government has continued to play its regulatory measures but has not been able to control illegal sales of Part I drugs in the shops for the communities need such drugs which are often out of stock in the public facilities especially in rural areas.

Since ADDOs will supply some of the Part I drugs they are expected to comply with all regulations including compliance in paying all taxes and reasonable remunerations to the dispensers. The study has shown a remarkable decision that the Government has made on taxation for drug shops and it is therefore anticipated that if ADDOs start on the line of complying with the made decisions they should not have a heavy burden of taxation. On the other hand such decisions can be used as a starting point for ADDOs to propose further reduction of the current taxes and fees for the benefit of both ADDOs owners as service providers and consumers as recipients.

Annex I.

Document for reference

Place	Document	Author	Summary	Remarks
1. DSM	Finance Act Suppl. No. dated 18/10/2001 14 of 2001	GOT Gazzeted No. 42 Vol. 82 dated 18/10/2001	Amended Business License Act 1972	General Trading selling medicines urban Part I 200,000/= Principal license 100,000/= Sublicense Part II 100,000/= Principal license 80,000/= Sublicense Rural Part I 80,000/= Principal license 50,000/= Sublicense Part II 50,000/= Principal license 30,000/= Sublicense
	Finance bill 2001 No. 1 dated 14/6/2001	GOT Gazette NO. 24 Vol. 82 dated 15/6/2001	Amendment of Business License Act 1972	Selling medicines retail
2. TRA	Tax Administration & Structure in Tanzania January 2002	TRA Headquarters	Brief explanation of TRA tax structure of central & local government taxes	Part I – 200,000 Sub – 100,000 Part II 100,000 Sub. 80,000 PP 25 – 27 Stamp duty PP 35 – 37 and PP 39 – 43 relates to DLDB taxes
3. TRA	Taxes and duties at a glance January 2002	TRA	Income bands annual turnover up to 7 M taxation 50,000; 7 M to 14 M taxation 165,000 14M taxation to 20M. taxation 385,000	Para 8,9, 15 and 16 are relevant to DLDB
4. Peramiho	Peramiho Mission Hospital Annual Report 2000	Dr. Br. Ansgar Stufe	Review of health activities in Ruvuma by year 2000. The role played by hospital and PHC facilitations including availability of drugs and distributions of medical supplies	CBHC pp 53 Pharmacy PP 60-69 Dispensaries PP 56-89
5. DSM	Special Bill Supplement No.2 Financial bill 2002 started 11/7/2002	GOT Gazzeted No.28 Vol.83 dated 12/7/2002	No amendment on drug shops	Amended a few other items under general trending.
6. Dodoma	The Local Authority Financial Memorandum 1997	PMO Dodoma	Applies to both District & Urban authorities Does not specify mandatory limits	Places responsibility to local authorities and PORALG
7. MOH	Interim report	Benito R. Reverante &	Data analysis	Emphasis on data analysis

	Development of Fee Schedules & Payment system Proposal MOH HWP Component I U.R. Tanzania May 31, 1999	Maria Cristina G.B. Bautiste		
8. DSM	Seam mapping report Songea (U & R) and Mbinga District	MSH ADDOS Team Dr. R. Mbwasi et al GOT	Most relevant Report Providing Data laid down procedure for carrying assessment and collections Income Tax	Updated information
9.DSM	Income Tax Act No.33 if 1973	GOT	Act made provisions for collecting VAT from supplies good	Many item sold in drug shops are exempted from.. this tax – 2 nd schedule
10.	Dodoma	LGRP Action plan and budget July 1999- Dec.2004 Vol. I October 1999	Elaborated LGRP activities	ADDOS programme falls under LGRP strategy, of public Private mix
11.	Dodoma	Policy Paper on LGR	LG charges to improve LG system	Decentralization of powers to lower bodies on decision making and implementation
12.	Dodoma	Minister, PORALG, Order on the need of rationalizing, councils source of revenues	<p>The Councils financial Act No. 9 of 1982 empowered the towns and district councils to change various taxes and levies.</p> <p>To date there are more than 60 sources of revenues.</p> <p>Various research work has revealed that, those taxes and revenue are not in line with Government effort in fighting – against poverty in the community.</p> <p>It has also been observed that, the rate of tax evasion in 23 taxes is 62.2%.</p> <p>Need of rationalizing councils source of revenue:</p> <p>To motivate and speed up economic development need of having tax system that enable the public to fight against poverty</p> <p>Need of getting rid of taxes that collection costs are higher than the actual amount collected.</p> <p>Need of identifying taxes that can be easily collected and evaders effectively controlled</p> <p>Need of councils to have sources of revenue that are internationally, acceptable and are within the acceptable regulations.</p> <p>The councils are ordered to do the following</p> <p>Get rid of all taxes and levies that are charged to the poor people e.g. bicycle and “Mikokoteni” levy, business license fee for small businesses</p> <p>Get rid with all taxes that collection costs are higher than the amount to be collected.</p> <p>Nuisance taxes e.g. burial fee should be removed.</p> <p>An item should not be charge more than once.</p> <p>Timetable for nationalizing taxes and revenue collections:</p> <p>Jan-Nov, 2003 – Councils to identify all sources of revenues (taxes, levy) that need to be repealed according to the taxing and revenue Guidelines.</p> <p>April-May, 2003 – Do the budget review for 2003 and repeal all by-laws reflecting the</p>	

			<p>changes made above.</p> <p>June 2003 – Submit draft budget to regional secretariat = shall evaluate to see whether the government instruction have been adhered in the whole exercise.</p> <p>June, 2003 – Councils to approve the reviewed 2003 budget.</p> <p>What the Government will do?</p> <p>Increase Government subsidies to the councils annually.</p> <p>To allow the councils collect business license fees for buses traveling in urban areas.</p> <p>To increase councils income for tourist fee collected within the council area by 25%.</p> <p>Increase Income as a result of land rent from 10% - to 20% of the revenue collected within the council area.</p> <p>To order the council to remove all road checkpoint, established for the purpose of revenue collect one.</p>	
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Source: Government documents

Annex II.
People met and interviewed

No.	NAME	TITLE	PLACE
1.	Major General Kalembo S	Regional Commissioner	Ruvuma Region
2.	Mr. Kitambi, J.	Regional Administrative Secretary	Ruvuma Region
3.	Dr. S. R. Kabuma	Medical The Regional - Officer	Ruvuma Region
4.	Mr. Dia, S. J.	The Regional Hospital Secretary	Ruvuma Region
5.	Mr. Ngowi, J. P.	Regional Pharmacist	Ruvuma Region
6.	Dr. Br. Ansgar Stufe OSB	Medical Director Peramiho Hospital	Ruvuma Region
7.	Ms. Lukongo, S.	Director, health Service,	Songea archdiocese
8.	Sister Kayombo,	R.Medical Officer Don Bosco Dispensary	Ruvuma Region
9.	Mr. Madamba, A.	Chairperson Ruvuma Medical Services Association (RUMESA)	Ruvuma
10.	Mr. Saidi, H.	Owner Duka la Dawa Baridi (DLDB), Songea Urban (owner of two DLDBs)	Ruvuma
11.	Dr. Maeda, F.	Formerly Clinical Officer, now specialized in ENT as AMO	Ruvuma
12.	Mr. J. S. Ngonyani	Owner of DLDB	Ruvuma
13.	Mr. Lukas, N.	Owner of DLDB An Assistant Clinical Officer	Ruvuma
14.	Dr. Ngowi I. M.	Acting Regional Medical Officer, Ruvuma Regional Hospital. Eye Specialist at Ruvuma Regional Hospital	Ruvuma
15.	Mr. Shamkupa,	District ct Administrative secretary, Songea Urban	Ruvuma
16.	Ms. Mende, H. B.	District Commissioner Songea Rural	Ruvuma
17.	Mr. Mandia H.	Acting District executive Director, songea urban	Ruvuma
18.	Ms Namanyasi, E.	District Nursing Officer Songea Rural	Ruvuma
19.	Mr. Frederick Manyanda	State Attorney	Ruvuma
20.	Mr. Ausila Chande	Ag. TO	Ruvuma
21.	Mr. A.C. Haule	Deputy Regional Revenue	Ruvuma

		Officer TRA	
22.	Mr. S.M.H Fadhili	Tax Assessor	Ruvuma
23.	Mr. Mbwilo, j. M.	District Commissioner Mbinga District	MBINGA
24.	Mr. Njovu, B	DAS	
25.	Mr. Nchimbi, J	Acting District Nursing Officer	MBINGA
26.	Mr. Lupoli, G	DLDB Owner	MBINGA
27.	Mr. Mustafa	DLDB owner, Mbinga	MBINGA
28.	Ms. Ngowi, J.	DLDB owner, Mbinga	MBINGA
29.	Mwamtende, A.	Ward Executive Officer Namtumbo (WEO)	Namtumbo
30.	Ngonyani, A.	Acting Clinical Officer 1/c, Namtumbo Health Center	Namtumbo
31.	Hebuka, S.	Office Supervisor Namtumbo	Namtumbo
32.	Sister Yasinta	Namabengo, Health center, Namtumbo	Namtumbo
33.	Ms. Ndunguru, F,	Clinical Officer Liula Dispensary	
34.	Mr. Mtuhi, A.	Nurse Assistant Liula Dispensary	
35.	Ms. Komba, E.	Matimira Mission Dispensary	Songea
36.	Ms Ngombaza, F.	Matimira Mission Dispensary	Songea
37.	Ms. Manyunda, J.	DLDB owner Matimira	Songea
38.	Mr. Ngwata, L.	Secretary, RUMESA	Songea Mjini
39.	Mr. Kamwela, J.	Clinical Officer Madaba, Health Center	Madaba
40.	Ms. Anastazia L.	DLDB Seller	Songea Rural
41.	Mr. Lukongo N.	DLDB Seller	Songea Rural
42.	Ms. Maristela P	DLDB Seller	Songea Rural
43.	Mr. Anthony M.	DLDB Seller	Songea Rural
44.	Ms. Pili Mbilinyi	DLDB Seller	Songea Rural
45.	Mr. Kisinga, A.	Clinical Officer	Mahanje
46.	Ms. Mbele, L	Nurse Midwife	Mahanje
47.	Mr. Luambano, D.	Laboratory Assistant	Mahanje
48.	Sr. Bernad, L.	Medical Officer	Mahanje
49.	Ms. Senyagwa, D	Regional Administrative Secretary	Dodoma
50.	Mr. Luumi, M	Regional Pharmacist	Dodoma
51.	Ms. Kwiluhya, M	Municipal Director	Dodoma
52.	Prof. Mwaga, D.	MP for Kibakwe Constituency	Dodoma

53.	Mr. Rwegerera, P	Municipal Legal Officer	Dodoma
54.	Mr Lucas Banuke	District Trade Officer	Dodoma
55.	Mr. Kamara, E.	Municipal Trade Officer	Dodoma
56.	Dr. Chaula, Z.	Medical Doctor in charge of NHIF - Dodoma Hospital	Dodoma
57.	Mr. Mushi, C. J.	Municipal Economist	Dodoma
58.	Dr. Magonira, C.	Acting Municipal Officer of Health	Dodoma
59.	Ms. Marshall, R.	Manager, Mackay House Pharmacy	Dodoma
60.	Mr. Manyilika, D.	Teacher, Chinangale Municipality Primary School	
61.	Ms. Mmari J.	Teacher, Kaloleni Primary School	Dodoma
62.	Ms. Gangata,	Teacher, Iyumbi Primary School	Dodoma
63.	Ms. Lemwayi, A.	Teacher Kaloleni Primary School	Dodoma
64.	Mr. Maduma, S	Teacher, Ipala Primary School	Dodoma
65.	Ms. Josephat Philipi Swai	DLDB	Dodoma
66.	Ms. Monika Buziku	DLDB	Dodoma
67.	A. Mpiluka	Mvumi DLDB	Mvumi
68.	Emmanuel Mziwande	Kibakwe Kongwa	Kibakwe Kongwa
69.	Mr. Lucas Banuka	DLDB owner	
70.	Dr. Richard, N.	Medical Officer in charge	Mvumi Hospital
71.	Mr. Myili, D.	Accountant	Mvumi Hospital
72.	Mr. Shirima, I.	Regional Commissioner,	Dodoma
73.	65. Dr. Marko Machalo	Acting Regional Medical Officer	Dodoma
74.	68. Mr. Claudia B	Assistant Director Local Government Authorities	Dodoma
75.	Mr. Mvungi	Regional Trading Officer	Dodoma
76.	Mr. Dobogo, G.	Teacher	Makangwa, Dodoma
77.	Mr. Jigwa, J.	Teacher	
78.	Mr. Lubote, J.	Teacher	Makangwa, Dodoma
79.	Mr. Ndahani, D.	Teacher	Makangwa, Dodoma

80.	Ms. Madeje	Teacher	Makangwa, Dodoma
81.	Ms. Mkali, M.	Secretary, Mackay House Dispensary	Dodoma
82.	Mrosso, F.	Nurse Midwife, Mackay House Dispensary	Dodoma
83.	Njiliho, C.	Accounts Assistant	Dodoma
84.	Dr. Chomola, A.	Doctor, in charge	Dodoma
85.	Dr. Machibya, M	DMO, Morogoro Rural	Morogoro
86.	Dr. Nkulila, P.	Assistant to DMO, Morogoro Rural	Morogoro
87.	Mr. Mwenda, M.	Clinical Officer in charge	Morogoro
88.	Ms. Otaro, B.	Nurse Midwife	Morogoro
89.	Mr. Kabumbu, V.	Ward Education	Morogoro
90.	Mr. Mwinyaku, O.	Lab Technician Secretary	Morogoro
91.	Mr. Mloka, M.	Teacher, Melela Primary School	Morogoro
92.	Ms. Rose K. Nyirenda	Maternal Child Health Coordinator	Morogoro
93.	Barnabas Mtwene	DACC	Morogoro
94.	Nicodemo Matonange	District Health Officer	Morogoro
95.	Edith Namanyosi	District Nursing Officer	Morogoro
96.	Irmunda Komba	District Maternal Child Health Coordinator	Morogoro
97.	Elijah C. Mapunda	District Cold Chain Officer	Morogoro
98.	Kangeka V. Ndawana	District Tuberculosis and Leprosy Coordinator	Morogoro
99.	Mathew B. Nyirenda	DEC	Morogoro
100.	Mhando, S. A.	Acting DMO	Morogoro
101.	Komba, V. G.	DEDPC	Morogoro
102.	Mrs Rose Lugembe	PS, PMO	Dar es salaam
103.	Mr. M.M.S. Mtimila	Director of Commerce.	Dar es salaam
104.	Mr. Tija	DPS Treasury	Dar es salaam
105.	Mr. Joseph Malya	Finance Manager LGR	Dar es salaam
106.	Mr. Kabagine	Program manager LGR	Dar es salaam
107.	B. Claudion	Assist. Director LG (urban)	Dodoma
108.	Mr. Tomeck	Planning Officer L.G	
109.	Mr. Sayine	Planing officer L.G	

Annex III. Terms of reference

Reduction of taxes and fees to encourage ADDOs.

A common complaint of existing duka la dawa owners is that they have to pay higher business license fees and levies than other types of business. Other taxes are also considered a burden.

It is anticipated that extensive and thorough consultations with relevant national and local authorities will be required to prepare this report. A report should be written that identifies those fees/levies/taxes with the best potential for playing an incentive role in the ADDOs programme. Detailed recommendations will be made on the steps necessary to implement the reports' recommendations. At a minimum the report should:

- Clarify and document all taxes and fees that drug shops are supposed to pay.
- Establish what taxes etc. drugs shops are actually paying and how they are assessed.
- Investigate the feasibility of reduced business license fees being an incentive for becoming an ADDO, taking note of the reduction already agreed by parliament in 2001 e.g. if the fees
- are only TSh 50,000 in rural areas will it be much of an incentive to reduce them to TSh30, 000.
- Investigate the possibility of establishing a pre-arranged tax structure for ADDOs that would not require an assessment of shop revenue e.g. assume revenue of TSh 7 million
- In consultation with the relevant authorities, and drug shop owners, investigate other potential incentives related to taxes and business fees
- Establish actual revenue and expenses of a number of duka la dawa baridi in Ruvuma districts in order to evaluate burden of tax and likely benefits of reducing them.
- The recommendations should also identify the need for further specialized technical work
- Using an economist or tax expert for instance. This might cover some of the following, for example, the effect of lowering fees, levies, and/ or taxes on government revenues and compliance with payment requirements.
- The potential for reductions leading to an increase in the number of ADDOs
- The potential for using differential fees, levies, and/ or taxes to encourage ADDO's to open in rural and peri –urban areas that are underserved by private sector drug shops.

Should the initial report be able to shed light on these broader, technical issues that would be welcomed.

Annex IV.

Comparison of drug shops business license fee and other general shops as approved by the Government

	Business	June		October	
		Principal	Sub-license	Principal	Sub-license
1.	Carrying on a Dispensary, health center, clinic or hospital	80,000/=	50,000/=	80,000/=	50,000/=
2.	Selling medicines retail: Part I poison shop Part II poison shop	150,000/=	100,000/=	150,000/=	100,000/=
3.	Hardware and building materials Retail: City/municipal District Minor /settlement	200,000/= 150,000/=	150,000/= 100,000/=	200,000/= 150,000/= 60,000/=	150,000/= 100,000/= 50,000/=
4.	Workshops & Garage City Municipal District Village	150,000/= 120,000/= 100,000/= 30,000/=	100,000/= 100,000/= 100,000/= 30,000/=	150,000/= 120,000/= 100,000/= 30,000/=	100,000/= 100,000/= 100,000/= 30,000/=
5.	Bakeries: a) City /municipal b) District c) Minor settlement & village	100,000/= 80,000/= 60,000/=	50,000/= 30,000/= 30,000/=	100,000/= 80,000/= 60,000/=	100,000/= 80,000/= 60,000/=
6.	Timber and furniture retail. a) City/municipal District/town	200,000/= 100,000/=	100,000/= 50,000/=	200,000/= 100,000/=	100,000/= 50,000/=
	Bookstore and stationary Retail City/municipal b) District / town c) Minor settlement and village	100,000/= 80,000/= 20,000/=	80,000/= 50,000/= 20,000/=	100,000/= 80,000/= 20,000/=	80,000/= 50,000/= 20,000/=

**Annex V:
Potential ADDOs expenses**

ITEM	I	II	III	IV	V	VI	VII	VIII
Revenue Stamp	60,000	60,000	60,000	36,000	36,000	55,000	36,000	100,000
Security Bund		240,000						
Damage/Expiry						150,000	500,000	100,000
B/license	150,000	150,000	150,000	50,000	50,000	50,000	100,000	30,000
D/levy	10,000	30,000						
Salaries	840,000	2520,000	900,000	540,000	540,000	775,000	1,519,000	382,000
Rent	480,000	1,440,00	240,000	180,000	180,000	100,000	360,000	105,000
Telephone \$Postage	280,000	840,000	360,000	60,000	60,000	950,000	161,000	60,000
Traveling		610,000	150,000	150,000		346,000		
Electricity	136,000	480,000	54,000	33,000	33,000	50,000	173,474	75,000
Repair &Maintains	130,000	390,000	60,000			128,000		
Parking Material	60,000	180,000	150,000					
Stationery	38,000	24,000	24,000	172,290	80,000			
Bank Charges	3600	10,800	92,000			34,000		
Sundries	120,000	8,250						
Depreciation			43,750	8,667,000	8,667	354,122	758,500	
Accounting fees			30,000	30,000	30,000	54,000		
Donation					50,000	169,000	70,000	

Permit Fees		10,000	10,000	10,000	10,000	10,000	10,000	
Guide Books T/B								60,000
Pay roll Levy								33,480
NSSF Contribution								44,000
Motor Vehicle								371,000
Clearing Materials & Soap								54,000
Advertisement								134,000
Income tax								172,950

Source: DLDB interviews

Annex VI.
Suggestion for tax rate charges

Region	Present rate	New rate suggested	Remarks
1. Dodoma	100,000	70,000	Application of new shops 2003 i.e Dodoma (U) 23 (R) 8 Kongwa 7 Kondoa 14 Mpwapwa 4
2. Kagera	100,000	80,000 (u) 50,000 (r) 20,000 (v)	
3. Mara	120,000 (u) 30,000 (r)		

Annex VII.

Discussion on taxes & fees related to proposed ADDOs

NAME OF TAX & FEES	DESCRIPTION	RATES	DATEDUE	VIEWS OF INTERVIEWED	DISCUSSION	RECOMMEN DATION	REMARKS
1. Individual Tax Rate from small trades	Income tax depends on 3 bands according to turnover up to 7,000,000 up to 14,000,000-20,000,000 Above 20,000	50,000 165,000 385,000 Vat	Quarterly 31 st March 30 th June 30 th September 31 st December	Rates not followed due to lack of records. Assessments are on the higher side.	Many DLDB have fewer turnovers than 7m. but accessed more than 50,000/=	Tax for ADDOs in new areas	This will encourage spread of ADDOs
2. Stamp Duty	Paid by all traders. If turnover is more than 1 million T.shs must enter into composition agreement	Composition Agreement 1.2% Other income 4% Rental income 1.5%	Within 21 days following 14 days month of business within 30 days	Rates not adhered to due to lack of records	Though a source of government revenue receipts are not issued in rural areas	This taz for ADDOs to encourage issue of receipts.	Client of drugs should have a receipt for all drugs purchased
3. Business License	Fees paid annually to get a Trade License	Determined by Finance bill at present should be 5.	Before starting business renewed annually	Regulatory measure but also a source of revenue	Ministry of Trade advice on the rate of this tax. It was high to limit drug shops but it has not limited the shops. Instead a lot of multi practices and illegal sales to realize the tax. Non-compliance has resulted to many shops operating without license.	Reduce the B/L from ADDOs in line with other retail shops in urban areas and use PB permit to regulate shops in rural areas	Will assist distribution of ADDOs in trade centers encourage owners of proposed ADDOs urban to open Subsidiary shops in rural areas

4. VAT	An indirect tax paid on supply of Service or goods by a VAT Vendor	No VAT for drug shops usually	N/A	Proposed ADDOs should be exempted from collecting this tax	VAT is paid by the customer license increase cost of drugs	ADDOs should be exempted from collecting this tax.	
5. Permit	PB issues a permit against a fee	10,000/=	Yearly basis	Some owners would like fess to be reduced	Proposed ADDOs will be an accredited DLDB and should continue to pay a fee form permit	The fee will service DTAC activities	
6. Dev. Levy	Fall tax paid by people over 18 years	Differs sometimes based on of the B/License	Yearly	Based on 20% of Business License. A flat rate should be paid by all residences rather than graduated services.	This tax is based on B/L, which is determined by central Government. Owners are also working as civil Servants, and this levy is deducted from their salary. Hence double payment of tax	It is recommended this tax to be charged uniformly at a fixed rate per adult of 18 years or above.	
7. Contributions	Various contributions such as construction of Classrooms, Uhuru torch etc	5,000/= Torch 1-3000	As demand arises.	Leaders seen to follow – up these shops from time to time and this can be expensive to a shop owner.	Though contributions are necessary the should be limited and voluntary demanded to avoid double charging taxpayers.	This problem can be tackled by proper planning for resources and activities- hence less contributions	

Source: 1. TRA: Taxes & duties at Glance Jan. 2002 2. TRA: Tax administration & structure in Tanzania.