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Good Financial Governance Programme (GFG) in Tanzania

Examination of taxation costs for market traders in Mwanza

Explanatory Note:

The study “Examination of taxation costs for market traders in Mwanza” was commissioned by GIZ and AMBERO Consulting within the context of the Good Financial Governance Programme in close cooperation with Mwanza City Council. The objective of the study is to follow up on previous findings of gender-based discrimination in market taxation in Tanzania. Mwanza CC and the GFG Programme are currently planning a gender-sensitive revenue incidence dialogue to discuss the results of the study and their implications with key stakeholders.

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Executive Summary

Our research provides additional evidence for the hypothesis that a focus on formal tax systems is insufficient for revealing the gender-differentiated patterns of use and funding of collective goods and services in Tanzania.¹ A look beyond formal taxes reveals that women traders face higher fiscal burdens to access public goods and services, especially toilets. Female market traders in Mwanza pay on average 3-times more for their use of market toilets than their market tax. As women traders use the market toilet more frequently than their male counterparts and have less alternatives, this is undoubtedly a gender issue.

Table 1 Median income of official market traders

Monthly median income of official market traders	
Gross sales income	< TZS 204,000

Table 2 Overview of financial charges imposed on official market traders

All financial charges imposed on official market traders (median values)

Type	Amount	Frequency	Monthly Amount
Market Tax (Ushuru)	TZS 10,000	Monthly	TZS 10,000
Security	TZS 2,000	Weekly	TZS 8,000
Toilet Fees	TZS 300	Per usage	TZS 27,900
Garbage Collection	TZS 2,500	Monthly	TZS 2,500
Cleaning	TZS 1,000	Weekly	TZS 4,000
Total			52,400

In the fiscal year 2017/2018, the Mwanza City Council collected a total of TZS 1,692,181,063 in market taxes and related fees. This constitutes an impressive 17% of the total own source revenue of the Mwanza City Council in this period. Over the past five fiscal years, market taxes and fees have consistently been the third or fourth most important own source revenue for the City Council², with an contribution to the overall own source revenue collection ranging between 12% and 17%³. The findings of this report as well as the recommendations in the last chapter, should be understood in the context of the importance of market fees as revenue source for the City Council.

¹ Siebert and Mbise (2018).

² Other important own source revenues of the Mwanza City Council include the service levy (36% of the overall OSR in 2017/18), specific service fees (23% of the overall OSR in 2017/18) and licenses and permits on business activities (16% of the overall OSR in 2017/18).

³ Ambero (2019).

Besides adding to the evidence of an earlier study on the nexus of gender, taxes and service fees in Tanzania, we identified indications of other potential biases of market taxation system in Mwanza:

- An implicit gender bias as market taxes are regressive and female traders on average have lower incomes than male traders.
- We found a strong tendency that female market traders are more likely than male traders to expect being verbally harassed by the tax collector for the late or non-payment of taxes.
- Informal petty traders (machinga) operating outside and inside the markets are widely regarded as unfair competition by the official market traders as they are not subject to the same taxes and fees as the officially registered market traders.
- Fees for security services, garbage collection and cleaning services are generally regarded as more negotiable and flexible than the market tax (ushuru), but traders are also significantly more afraid to become victims of verbal or even physical harassment by the payment collector if they do not pay the fee.
- Market traders with rural origins are more likely to perceive the market tax rate as too high and arbitrarily levied than traders with an urban origin. Rural traders also have stronger doubts that everyone who should pay the market tax really does so. This does not necessarily constitute a bias but could simply be due to diverging perceptions. To gain a better understanding of the perceived or actual differences between rural and urban traders more research is needed.

1. Introduction

This report examines discrimination and bias in market taxation based on different demographic factors in Mwanza City, Tanzania. In other words: Does the market taxation system in Mwanza discriminate against women, the elderly (or young), uneducated or disabled? Are there any biases on grounds of ethnic identity, language or whether a person was raised in an urban or rural environment?

We know that the mobilisation of domestic resources is gaining significance in Africa. Policy debates emphasize the importance of effective taxation as a tool to provide African countries with a reliable and sustainable stream of revenues to finance the post-2015 development agenda. But we do know very little about the impact of the different tax systems on different demographic groups. To shed some more light on this, we set out to collect primary data from market traders in one of Tanzania's busiest cities: Mwanza, the port city on the shore of Lake Victoria.

We decided to focus on market traders because market taxes constitute a major revenue source for municipal councils in Tanzania, as in many other African countries. In the fiscal year 2017 – 2018, the collected market taxes and fees amounted to TZS 34,178,346,029 in Mainland Tanzania. This is equivalent to 6.4% of the total own revenue collection of all local government authorities in the country.⁴ As shown in the introduction, this percentage is even higher for the Mwanza City Council. Furthermore, petty traders at the marketplaces have a huge female representation and gender is one of the most interesting demographic factors we wanted to gain a better understanding of. Recent research on the market taxation in Dar es Salaam⁵ has shown that a gender-aware perspective on market taxation requires a holistic research approach that captures all financial charges imposed upon market traders by the government as well as non-government actors. The daily business realities of market traders are characterized by the coexistence of official taxes, various service levies and fees which are imposed by different actors. Especially toilet fees have been identified as a significant financial burden on female market traders.

Building on the findings on market taxation in Dar es Salaam, we decided to cast our net as wide as possible and explored discriminatory impacts of various taxes and fees, such as toilet fees, security fees and garbage collection fees. We moreover explored if the toilet fee problem exists in other relevant public institutions such as bus terminals.

⁴ PMO- RALG (2018).

⁵ Siebert and Mbise (2018).

2. Taxes versus fees – theoretical discussion

This research focuses on taxes as well as service fees. Why did we take this approach and what is the main difference between taxes and fees? The literature tells us that a tax is a mandatory financial charge imposed upon a taxpayer by a governmental organization in order to fund various public expenditures. A tax is assessed based on certain characteristics, such as income or consumption.⁶

If someone chooses to use a specific service provided by the government or a non-governmental actor and the actor imposes a financial charge upon the usage of this service, we are talking about a user fee. The user fee is charged to fund the specific service. If you use a service, you pay for it. If you do not use the service, you do not pay. The fee is proportional to the use of the service.⁷

However, when trying to categorize the different taxes and fees that traders are paying at marketplaces in Mwanza, the distinction is not that easy. Traders must pay a regular market tax for the “usage” of the market and the market facilities, or more specifically the trading space assigned to them. Every trader is paying the same market tax rate, irrespective of his or her income. Only at some markets, the value of the market tax varies based on the size of the market space occupied by the trader. Toilet fees for municipal toilets at the market are charged every time a market trader is making use of the toilet.

It can be argued, that both charges are not that different: For a market trader both charges are mandatory as traders usually spend 12 hours or more at the market and do not have other adequate options to ease themselves apart from the market toilets. This is more true for female traders than for male traders.

Even when we focus on the usage of the revenues from toilet fees, things are blurry: The toilet fee and the revenue raised from the market toilets are disproportionately high compared to the costs of operating and maintaining the toilets.

As both taxes and fees have a very similar impact on the daily realities of petty traders operating at Mwanza’s marketplaces, we applied a very broad view during our research and aimed to capture all financial charges imposed upon market traders by the government as well as non-government actors.

⁶ Spitzer (2003).

⁷ Ibid.

2 Methodology

The research design is essentially comparative. We compare different groups in an attempt to draw conclusions about different impacts of the taxation process on these groups. As outlined in chapter 1, gender is the demographic factor of greatest interest for this study. Therefore, the purpose of the comparison is to assess whether women and men in the informal sector trading at marketplaces and bus terminals are affected differently by the tax policies in Mwanza. Adopting a broad-based research approach, the study is not limited to formal taxes, and gender is not the only demographic factor examined. To gain a holistic understanding of the subject matter, the study employs both quantitative and qualitative methods and the data is used in triangulation.

2.1 Research Design

The activities and outputs were conducted between 20.02.2019 and 09.03.2019.⁸

2.1.1 Quantitative Survey

The research on gender and taxation in Dar es Salaam provided the exploratory groundwork for us to establish a problem which we now wanted to quantify, validate and expand in a different setting. We therefore decided to use a quantitative survey with a correlational research design. The survey was conducted with a total of 200 traders at markets and bus stands in Mwanza. Traders targeted in the study were male and female, both registered and unregistered. We purposely selected Soko Kuu market, Kirumba market and Nyegezi bus terminal as survey areas. The selected areas are among the busiest trading spaces in Mwanza with a high population of market traders. Kirumba market was selected based on local information of past protests against tax collection at the market. The study population was split as follows: 68 traders (36 women and 32 men) at Soko Kuu market, 66 traders (30 women and 36 men) at Kirumba market and 66 traders (27 women and 39 men) at the Nyegezi bus terminal.⁹ The study only includes traders that conduct their daily businesses at the markets or at the bus stand. The traders' group pay various forms of taxes, levies and service fees within their trading spaces. In addition, this group is dominated by women and hence the need to understand their operations and how they are affected by the taxation policy. The inclusion of men in the study is aimed at deriving comparisons on the differential impacts of tax on women and men.

Systematic random sampling technique using a database supplied by the market committees in combination with snowball sampling was used to select survey respondents. Snowball sampling was used to select unregistered traders (machinga).

⁸ Find the dates for the interviews/data collection in the Data Collection Report attached.

⁹ Men were oversampled due to availability.

2.2.2 Focus Group Discussions

We purposely selected participants for Focus Group Discussions (FGDs) out of the group of survey respondents. The selection was based on the respondent's knowledge on the topic (mostly respondents with a good understanding of the taxation process, but also some traders with limited knowledge), their interest and availability. The researchers also aimed to include interesting cases such as respondents who reported discrimination in the quantitative survey to give them room to narrate and discuss their experience in greater detail. 6 to 8 women and men were invited for gender separated FGDs which lasted 30 – 45 minutes. The purpose of these discussions was to explore discrimination on grounds of other demographic factors such as age, education, language, ethnicity, rural vs urban, poverty and disability. They also helped to gain a more in-depth understanding of the taxation practices in Mwanza, compared to the quantitative survey.

2.2.3 Key Informant Interviews

To validate the information received from the survey and the FGDs and collect more insights from people with first-hand knowledge, key informant interviews were conducted. Interview partners were the Chairmen of Soko Kuu, Kirumba and Nyegezi.

3. Research Findings

3.1 Demographic composition of survey respondents

We interviewed a total of 93 women and 107 men at the two markets and the Nyegezi bus terminal. As the study at the bus terminal also focussed on the unofficial market operating at the terminal, we will henceforth refer to the Nyegezi bus terminal as market for the purpose of simplicity.

The median education level for male and female market traders (see figure 1) is the same, with primary education being the median value for the highest level of education attained. Slightly more male than female respondents have attained a secondary education.¹⁰ The vast majority of both female and male market traders fall in the age group of 17 – 50, with very few traders younger than 17 or older than 65 (see figure 1).

Figure 1 Population: Gender and Education

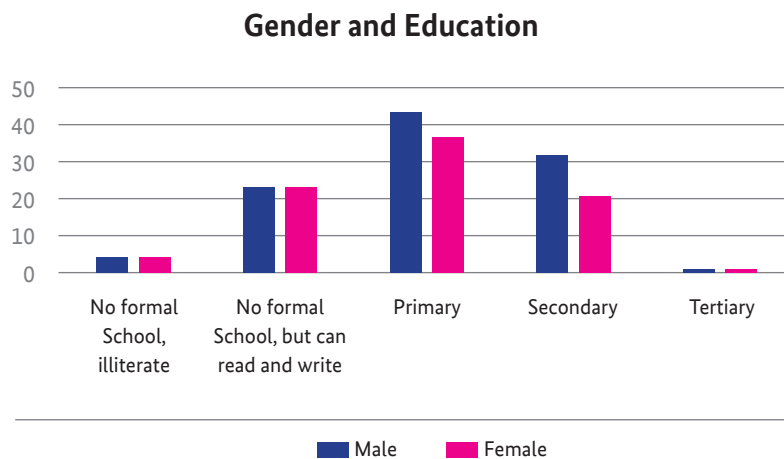
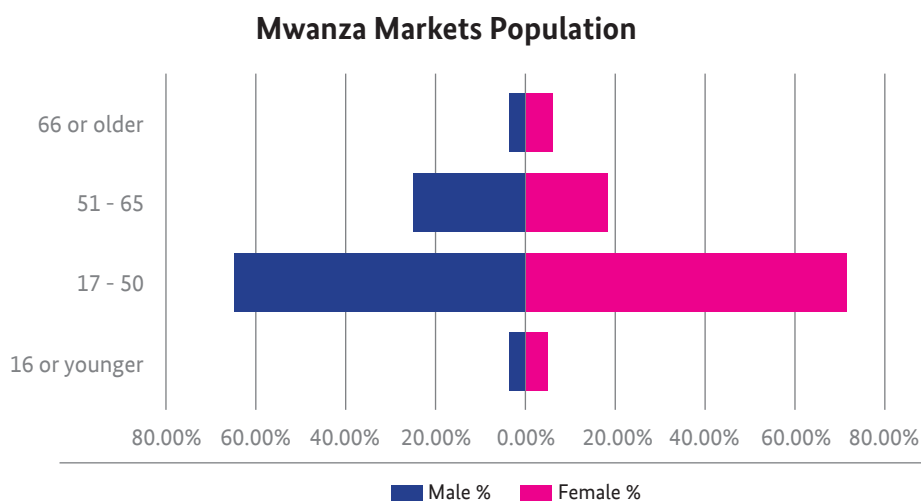


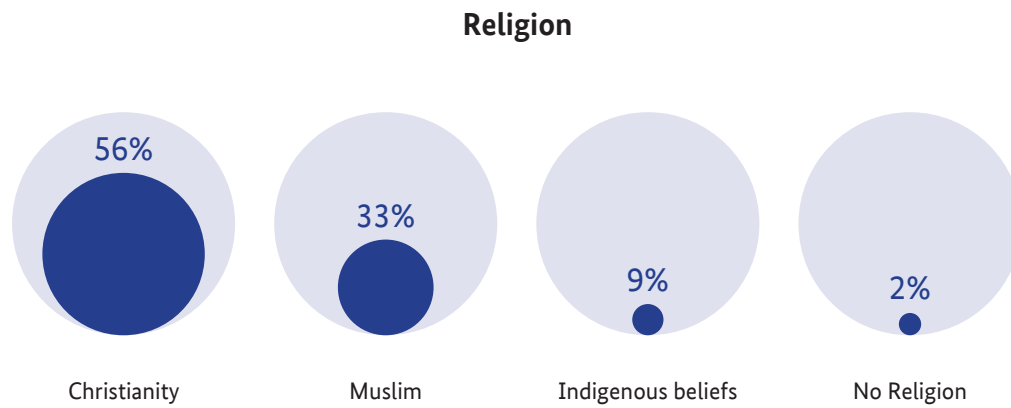
Figure 2 Population: Age and Gender



¹⁰ The Tanzanian educational system has 7 years of primary school and 6 years of secondary school (4 years ordinary level and 2 years advanced level). Tertiary education takes a minimum of 3 years.

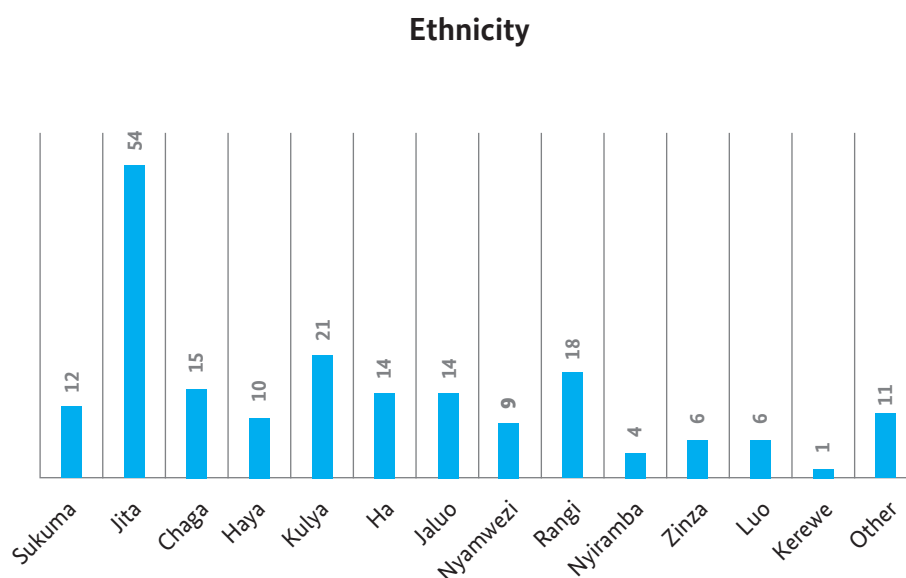
The majority (56%) of the survey respondents identified themselves as Christians, a third (33%) of the respondents answered that they are Muslims and 11% declared that they follow indigenous beliefs or no religion at all (see figure 3).

Figure 3 Religion



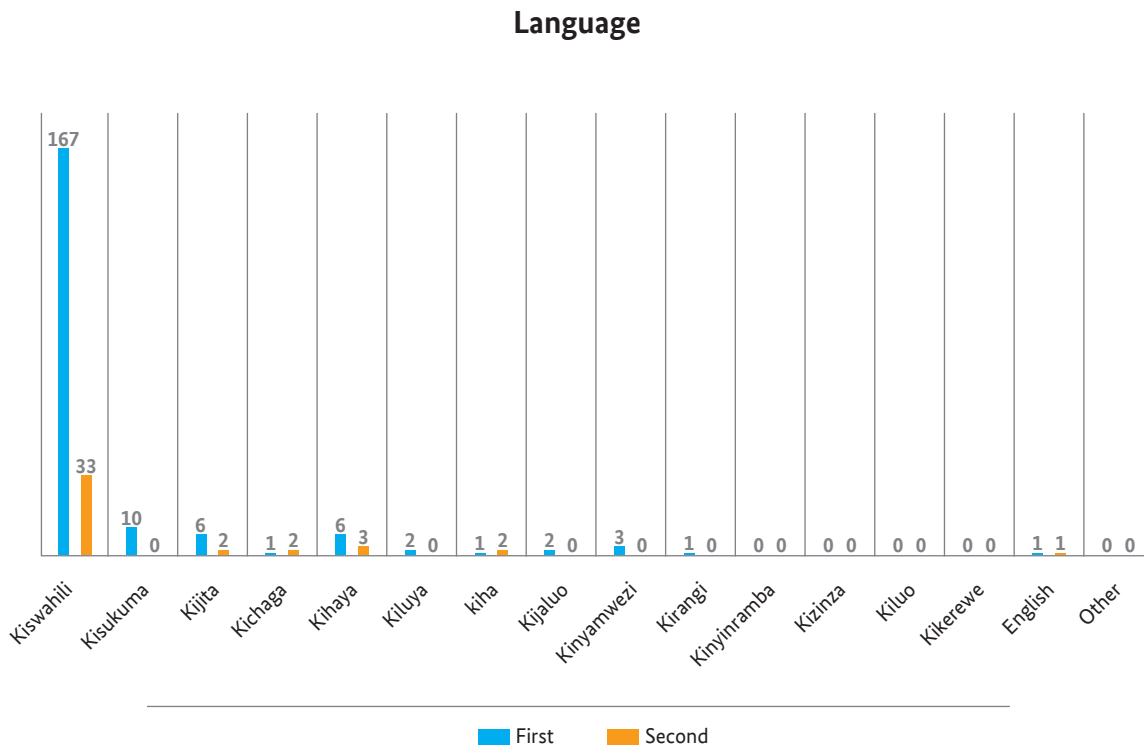
The ethnic composition of the respondents is diverse with 54 Jita, 21, Kulya, 18 Rangji, 15 Chaga, 14 Ha, 14 Jaluo, 12 Sukuma, 10 Haya, 9 Nyamwezi, 6 Zinza, 6 Luo, 4 Nyiramba and 11 respondents of another ethnicity.

Figure 4 Ethnicity



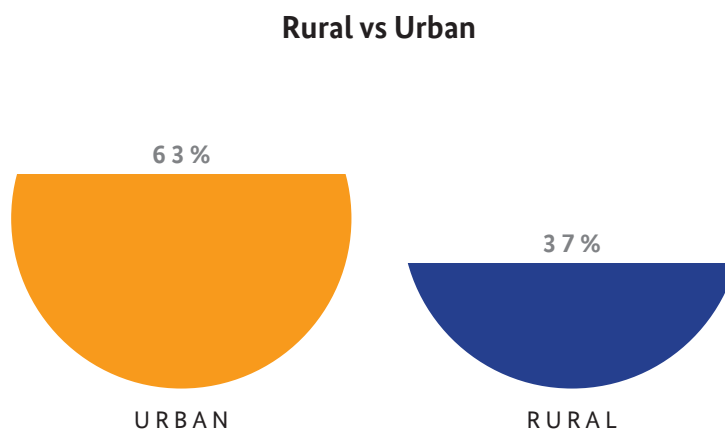
All respondents can speak Swahili and all interviews were conducted in Swahili language. 167 respondents reported that Swahili is their first language while 33 reported that it is their second language.

Figure 5 Language



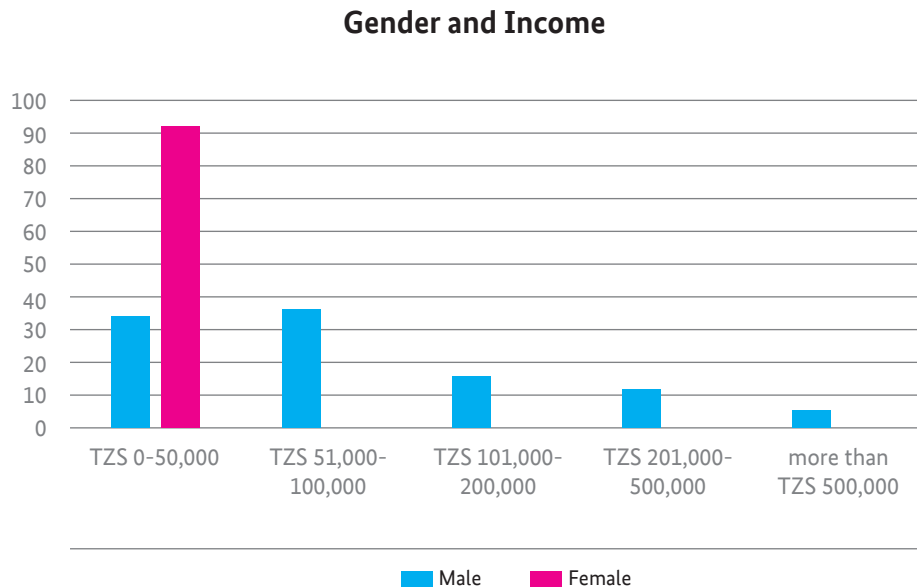
63% of the respondents were raised in an urban environment, while 37% were raised in a rural environment. 7 respondents identified themselves as disabled.

Figure 6 Rural vs Urban



When analysing the correlation between gender and income, it becomes evident that all female survey participants reported an average weekly gross income of less than TZS 51,000.

Figure 7 Gender and Income



A multinomial logistic regression with gender, age, education, religion, ethnicity, rural vs. urban origin and disability as independent variables and the income level as dependent variable unsurprisingly reveals a perfect prediction of the income based on the respondent’s gender. It moreover reveals a very significant p-value for the independent variable “disability”. Six out of seven disabled persons reported a weekly income of less than TZS 51,000 and one disabled person reported an income between TZS 51,000 and TZS 100,000 per week. The multinomial logistic regression also reveals a perfect prediction of the income for respondents below the age of 17. All respondents who identified themselves as 16 or below reported an average weekly income of less than TZS 51,000.

When reducing the complexity of the model to a binary logistic regression by performing an income category 0 (TZS 0 – 50,000) against all other income categories (more than TZS 51,000) analysis (see figure 7), we can also identify a significant impact of the variable education on the income level of a respondent. The more educated a trader is, the more likely it become that she/he earns more than TZS 50,000 / day.

Findings for the demographic attributes religion, ethnicity and rural versus urban origin are not significant.

Table 3 Binary logistic regression: Income

		Variables in the Equation							
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 ^a	Gender	-4.559	.757	36.321	1	.000	.010	.002	.046
	Age	.258	.361	.510	1	.475	1.294	.638	2.627
	Education	.667	.265	6.326	1	.012	1.949	1.159	3.279
	Religion	.569	.435	1.709	1	.191	1.767	.753	4.146
	Ethnicity	-.069	.058	1.437	1	.231	.933	.833	1.045
	Rural/Urban	-.159	.437	.132	1	.716	.853	.362	2.010
	Constant	-7.785	.905	.751	1	.386	.456		

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Ethnicity, Rural/Urban.

3.2 Market Tax

All registered traders with a designated trading space at Soko Kuu and Kirumba market must pay the regular market tax called ushuru. Different from the market tax collection system in Dar es Salaam, the market tax is not paid on daily basis to a tax collector at the marketplace. Traders at Soko Kuu and Kirumba market in Mwanza pay the market tax quarterly by bank deposit. This automation of the tax collection process means that no physical interaction between taxpayer and tax collector is required and that the room for negotiation of the tax rate, personal favours or harassment by the tax collector during the tax collection process is very small or not existent. The automation also means that taxes are not responsive to changes in local economic realities which may have a negative impact on traders' livelihoods.

The non-payment of the market tax eventually results in the loss of the trading space for the defaulting traders. The Municipal Council sends the names of the traders who failed to pay to the Market Disciplinary Committee. The committee, which is compiled of the Market Officer and elected Market Leaders, evaluates the trader: if they find no good reasons for the trader not to comply (acceptable reasons are sickness/ being admitted to the hospital), they advise him or her to pay immediately. If the trader still doesn't pay, the Municipal Council issues a letter to the trader to vacate the table. In case the trader does not vacate the table voluntarily, the Municipal Council can ask Community Police (Mgambo) to forcefully remove the trader.¹¹

The market tax rate at Soko Kuu is TZS 10,000 per month for a *Kizimba*, which is a table or small open space in the market assigned to the trader. At Kirumba market, the monthly market tax rate is TZS 9,000. Unregistered traders, operating in or outside the market without a designated trading area do not pay ushuru (for more information on unregistered traders, refer to the subchapter on machinga). Disabled market traders are granted tax exemptions. In December 2017, protests by market traders against a significant increase of the market tax rate at Kirumba

¹¹ We did not find any evidence of this happening in practice. According to our research, the main reason for traders to default is sickness and, in most cases, late payments are accepted without additional fees once the trader recovered.

market resulted in physical violence exercised by the police force against market traders and the temporary imprisonment of several market trader and leaders.

64% of the interviewed market traders responded that they understand how the market tax rate is determined which indicates a moderate transparency of the rate setting process.

We conducted a binary logistic regression with the demographic factors gender, age, education, religion, ethnicity, rural vs. urban origin and disability as independent variables and the level of understanding (Yes/ No) of the determination of the tax rate as dependent variable to identify if traders with certain demographic attributes have a higher probability to understand how the tax rate is set. The regression revealed a statistically significant impact of the age and level of education of the trader on his/ her understanding of the tax rate determination: Older and better educated traders are significantly more likely to understand how the market tax rate is set (see table 2).

Table 4 Binary logistic regression: Understanding of market tax setting

		Variables in the Equation						95% C.I.for EXP(B)	
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 1 ^a	Gender	.271	.568	.227	1	.633	1.311	.431	3.990
	Age	1.226	.551	4.960	1	.026	3.408	1.158	10.025
	Education	.953	.392	5.909	1	.015	2.594	1.203	5.594
	Religion	-.187	.608	.094	1	.759	.830	.252	2.735
	Ethnicity	.025	.090	.075	1	.784	1.025	.860	1.222
	Rural/Urban	-.011	.638	.000	1	.986	.989	.283	3.453
	Constant	-3.165	1.412	5.020	1	.025	.042		

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Ethnicity, Rural/Urban.

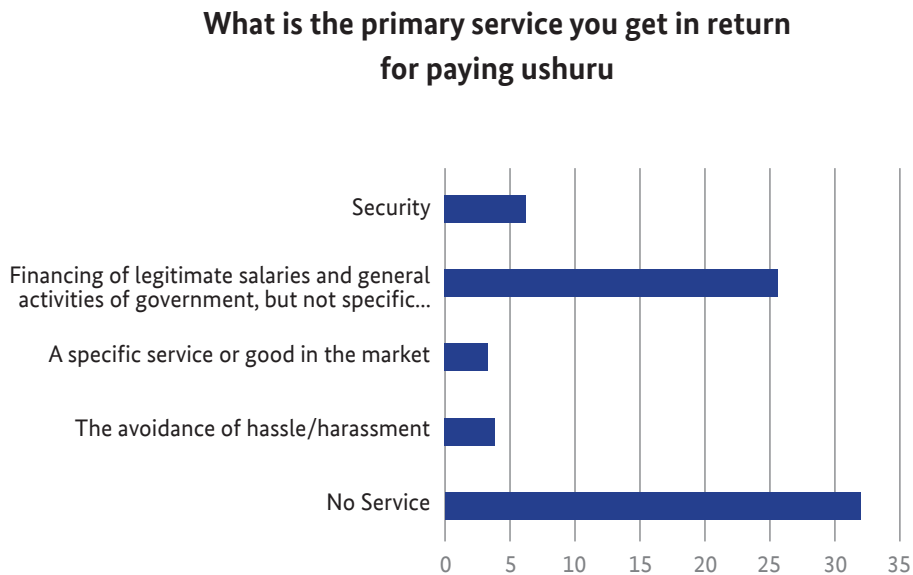
14% of the respondents think that the market tax is arbitrarily levied, while most respondents (86%) think that the tax is levied fairly. A binary logistic regression shows that traders with a rural origin are significantly more likely to feel that the taxes are levied arbitrarily (P 0.007). Findings for other demographic attributes are insignificant.

87% of the respondents think that everyone pays their fair share, while 13% answered that not everyone pays their fair share. Again, a binary logistic regression reveals significant findings for the demographic factor "rural versus urban": Traders who grew up in a rural environment are more likely to think that not everyone is paying their fair share (P 0.01).

To establish whether there are perceptions that reciprocal services are tied to the market tax, we also asked the traders about the primary service they get in return for paying the tax: 45% of the respondents do not think that they receive any service in return, 37% think that their market tax payment is financing legitimate salaries and general activities of the government but no specific services and 8% of the respondents think that they receive security as

primary service in return for their market tax payment. 5% responded that the only thing they receive in return for their market tax payment is the avoidance of hassle, harassment and/or stress only 4% of the respondents think that their market taxes are used to finance a specific service in the market (see figure 8).

Figure 8 Market Tax Reciprocity



The majority of survey respondents think that the market tax rate is too high (see figure 9). To examine demographic factors that impact the perceived individual fairness of the market tax and reduce the complexity of the regression model, we focussed on those traders who responded the rate is too high versus traders who responded anything else (“it is reasonable” or “I would be willing to pay more”) and performed a binary logistic regression. This analysis again showed statistically significant results for the demographic factor “rural versus urban”: Traders of rural origin are statistically significant more likely to respond that the market tax rate is too high (see table 3).

Figure 9 Market Tax Individual Fairness

Is the rate you pay too high, reasonable, or would you be willing to pay a higher rate?

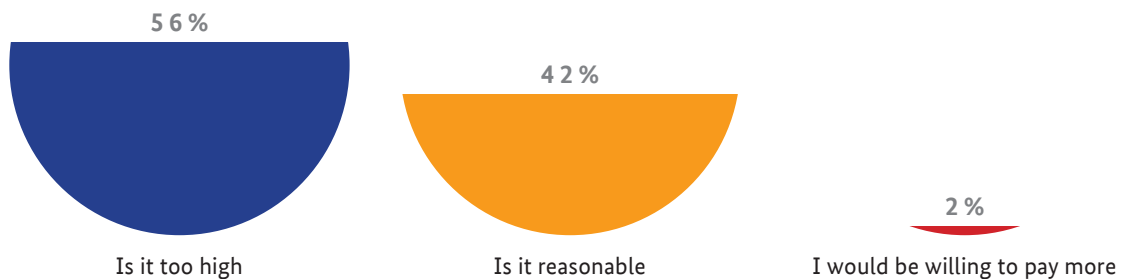


Table 5 Binary logistic regression: Individual Fairness

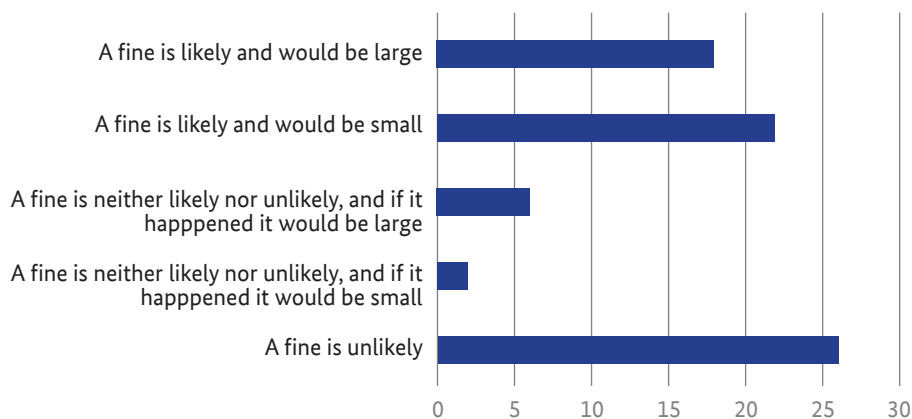
		Variables in the Equation					95% C.I. for EXP(B)		
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 1 ^a	Gender	.338	.558	.367	1	.545	1.402	.470	4.185
	Age	-.710	.485	2.141	1	.143	.492	.190	1.273
	Education	-.440	.382	1.327	1	.249	.644	.305	1.361
	Religion	-.813	.609	1.785	1	.182	.444	.135	1.462
	Ethnicity	.000	.087	.000	1	.999	1.000	.843	1.186
	Rural/Urban	1.661	.646	6.619	1	.010	5.264	1.485	18.657
	Disability	21.387	40192.854	.000	1	1.000	1942415041	.000	.
	Constant	-20.462	40192.854	.000	1	1.000	.000		

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Ethnicity, Rural/Urban, Disability.

Interestingly, market traders have very different perceptions on whether a fine would be levied for non-payment of taxes: 35% think that a fine is unlikely, while 54% think a fine would be likely.

Figure 10 Market Tax Fine

How likely do you think it is that a fine would be levied for non-payment of this tax? If likely, would this fine be big or small?



A multinomial logistic regression did not reveal any significant differences based on the demographic attributes of the respondent.

To establish if there are other sanctions or enforcement mechanisms for non-payment of taxes, we also asked the respondents whether they think that they would be denied access to service, face verbal or physical harassment from the actor levying the tax, whether their goods would be confiscated, they would be imprisoned or face peer pressure for non-payment of the market tax.

26% of the respondents answered that it is unlikely that access to service would be denied if they do not pay the tax, while 55% answered that it is likely. The remaining respondents answered that it is neither likely nor unlikely that access to a service would be denied. A multinomial logistic regression and a binary logistic regression (“likely” versus all others) did not reveal any significant findings.

25% of the respondents reported that they would likely face verbal harassment from the actor levying the tax, with 68% responding it is unlikely and 7% that it is neither likely nor unlikely. A binary logistic regression with the answer categories of the dependent variable reduced to “likely” versus all others did not reveal any statistically significant findings below the cut-off for significance (alpha of 0.05). The analysis however revealed an important tendency for the gender variable with a p-value of 0.054 (see table 4). There seems to be a tendency that female traders are more likely to report verbal harassment, but the sample is too small to reveal a statistically significant probability. This might likely change with an increased sample size.

Table 6 Binary logistic regression: Market Tax Verbal Harassment

		Variables in the Equation					95% C.I. for EXP(B)		
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 1 ^a	Gender	-1.291	.670	3.716	1	.054	.275	.074	1.022
	Age	-.190	.491	.149	1	.699	.827	.316	2.165
	Education	-.573	.403	2.020	1	.155	.564	.256	1.243
	Religion	.424	.654	.420	1	.517	1.528	.424	5.503
	Ethnicity	.059	.092	.412	1	.521	1.061	.885	1.272
	Rural/Urban	-.737	.681	1.173	1	.279	.478	.126	1.816
	Disability	-21.739	40192.933	.000	1	1.000	.000	.000	.
	Constant	22.378	40192.933	.000	1	1.000	5231392317		

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Ethnicity, Rural/Urban, Disability.

81% of the respondents answered that physical harassment is unlikely, with the remaining 19% answering that it is likely. No significant difference could be found based on the different demographic attributes of the respondent.

The same is true for the question whether respondents think that their goods would be confiscated in the case of non-payment of the tax. 15% of the respondents think it is likely and 85% think it is unlikely with no significant differences for the different demographic variables.

11% of the respondents reported that it is likely that they would be imprisoned for non-payment of the market tax with 89% responding that imprisonment would be unlikely. A binary logistic regression revealed a significant p-value of 0.039 for the independent variable “education”: Respondents with a lower level of education are more likely to be afraid of imprisonment than those with a higher level of education (see table 5).

Table 7 Binary logistic regression: Market Tax Imprisonment

		Variables in the Equation					95% C.I. for EXP(B)		
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 1 ^a	Gender	-.200	1.090	.033	1	.855	.819	.097	6.937
	Age	-.920	.769	1.434	1	.231	.398	.088	1.797
	Education	-1.577	.762	4.279	1	.039	.207	.046	.920
	Religion	-.647	1.316	.241	1	.623	.524	.040	6.910
	Ethnicity	-.052	.197	.069	1	.792	.950	.646	1.396
	Rural/Urban	-19.441	5803.703	.000	1	.997	.000	.000	.
	Disability	-42.773	40609.831	.000	1	.999	.000	.000	.
	Constant	45.778	40609.831	.000	1	.999	7.607E+19		

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Ethnicity, Rural/Urban, Disability.

The vast majority of respondents think that peer pressure or social ostracism would be an unlikely effect to a non-payment of the market tax. Only one respondent reported that peer pressure would be neither likely nor unlikely and no respondent thinks that it would be likely.

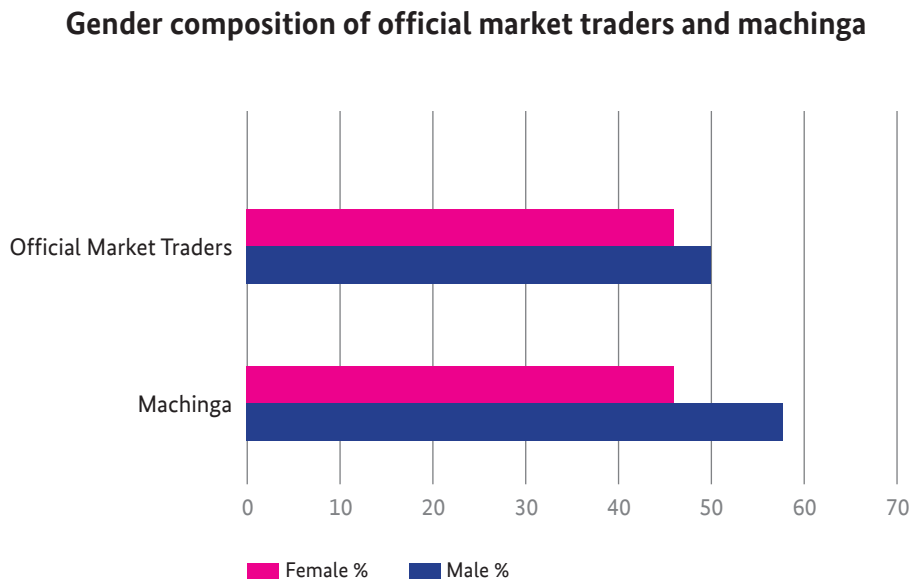
3.3 Machinga Tax

The central government recently introduced the so called “Machinga ID” for previously unregistered traders. Machinga are small informal petty traders, operating near or even inside the market without a designated trading space. The card can be obtained for an annual fee of TZS 20,000 and exempts machininga from any other tax payments such as the market tax. Machinga are also not paying for other market services such as cleaning or garbage collection, even though they contribute to the littering of the market space. This unequal treatment in combination with a feeling that machininga are “stealing” the customers of registered market traders by meeting them before they enter the official market, leads to strong resentments between the two groups and raises legitimate questions regarding a fair competition at the market spaces.

The market space at the Nyegezi bus terminal is not officially recognized by the government authorities and all traders are therefore regarded as a machininga and qualify for the machininga ID, even though some have tables or use other temporary structures to pursue their business. The structures do not belong to the municipality but were constructed by the traders themselves. At the time the research was conducted, not all traders had complied with the new machininga regulations with some traders waiting to pay close to the deadline set by the local government authority.

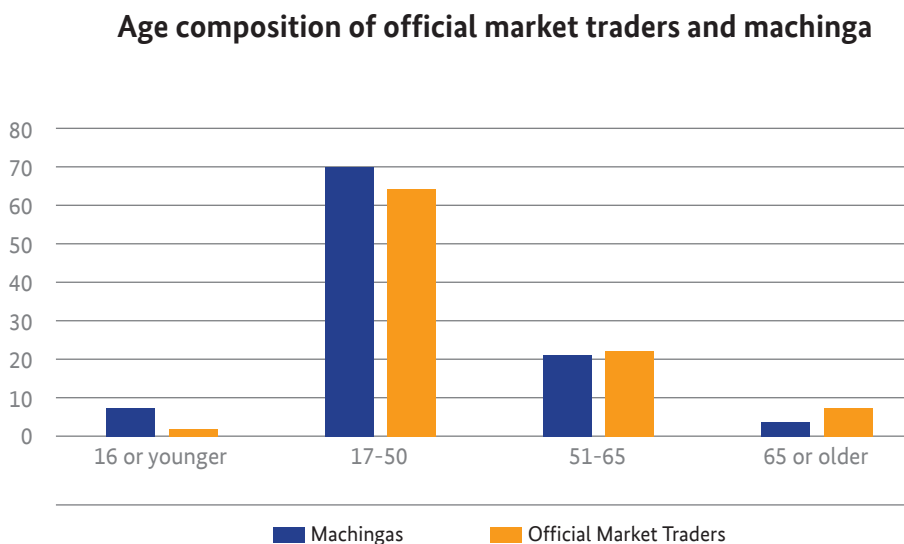
52% of the market traders covered in the survey are machininga and 54% of the machininga are men. Machinga have a slightly higher male representation than registered market traders (54%, see figure 11).

Figure 11 Gender composition of official market traders and machinga



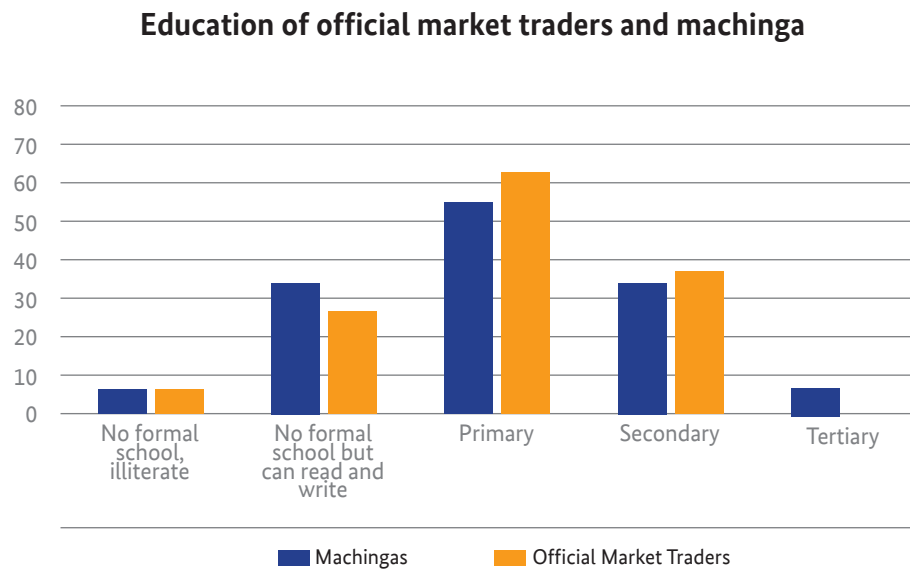
Machinga are more strongly represented in the younger age groups, especially in the age group “16 or younger” (86% of the traders in this age group are machinga), while registered traders are more strongly represented in the age groups of “51 – 65” (51% of the traders in this age group are official market traders) and “66 or older” (64% of this age group are official traders, see figure 12).

Figure 12 Age composition of official market traders and machinga



Official market traders tend to be slightly better educated than machinga: 56% percent of the traders who responded that they did not receive a formal education are machinga and 52% of respondents who attended primary, secondary or tertiary school are official market traders (see figure 13 for more details).

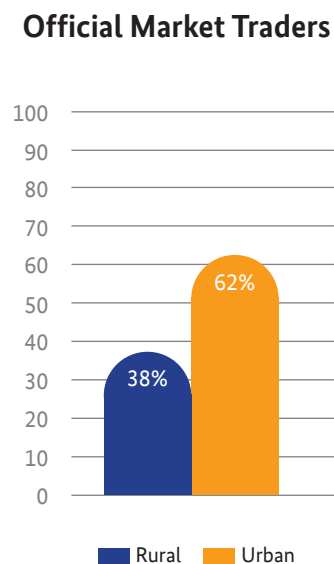
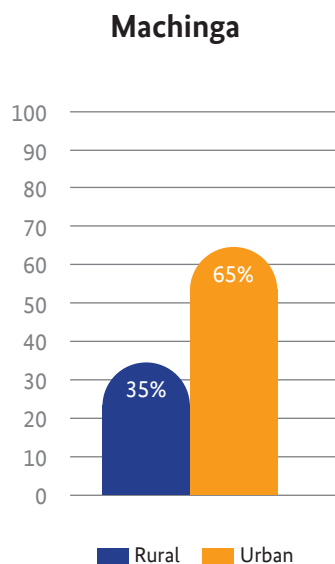
Figure 13 Education of official market traders and machinga



The group of official market traders has a slightly higher proportion of traders who originate from a rural area (38%, see figure 15) than the machinga subpopulation (35%, see figure 14).

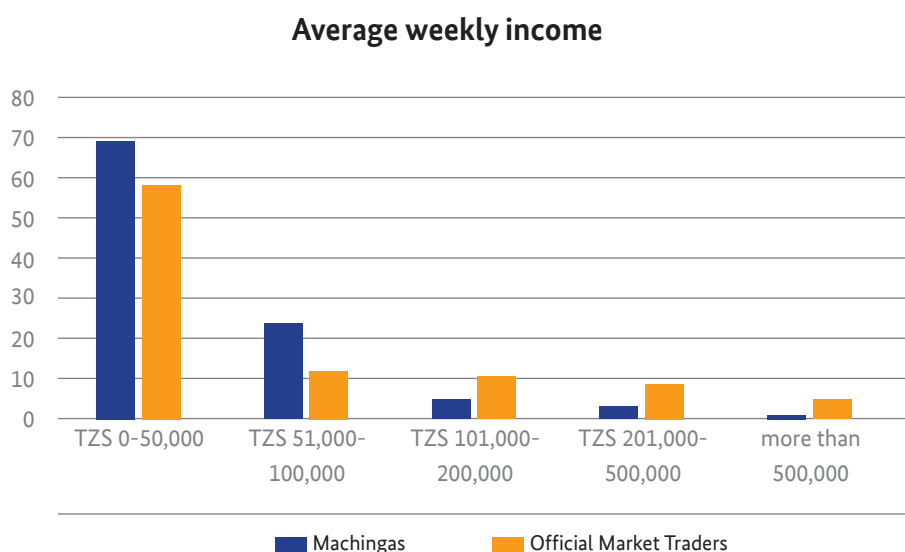
Figure 14 Machinga: Rural vs Urban

Figure 15 Official Market Traders: Rural versus Urban



As highlighted in chapter 3.1, the majority of survey respondents earns an average weekly income below TZS 51,000. When disaggregating the data into the subpopulations of machinga and official market traders, it becomes evident that official market traders are stronger represented in the income groups above TZS 100,000, while machinga are stronger represented in the income groups below TZS 101,000.

Figure 16 Average weekly income of official market traders and machinga



98% of the machinga traders answered that the rate of the “machinga ID” tax is not negotiable but only 49% understand how the rate is determined. We used a binary logistic regression model to analyse if the level of understanding of the machinga subpopulation on how the tax is set is influenced by certain demographic factors, similar to the analysis we performed for the market tax.

The analysis revealed significant p-values for factors the “education and “religion” (see table 6). Better educated machinga traders are more likely to think that they understand how the rate is determined (P 0.023) than less educated traders. Interestingly, Christians are also significantly more likely to answer that they understand how the market tax is set than followers of any other religion (P 0.002).

Table 8 Machinga: Binary logistic regression: Understanding of the tax rate

Variables in the Equation		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Gender	-.241	.505	.228	1	.633	.786
	Age	.966	.512	3.558	1	.059	2.626
	Education	.781	.345	5.134	1	.023	2.184
	Religion	-1.040	.333	9.748	1	.002	.354
	Language	-.003	.160	.000	1	.985	.997
	RuralvsUrban	-.865	.624	1.920	1	.166	.421
	Disability	.339	1.761	.037	1	.847	1.403
	Constant	-1.416	2.172	.425	1	.514	.243

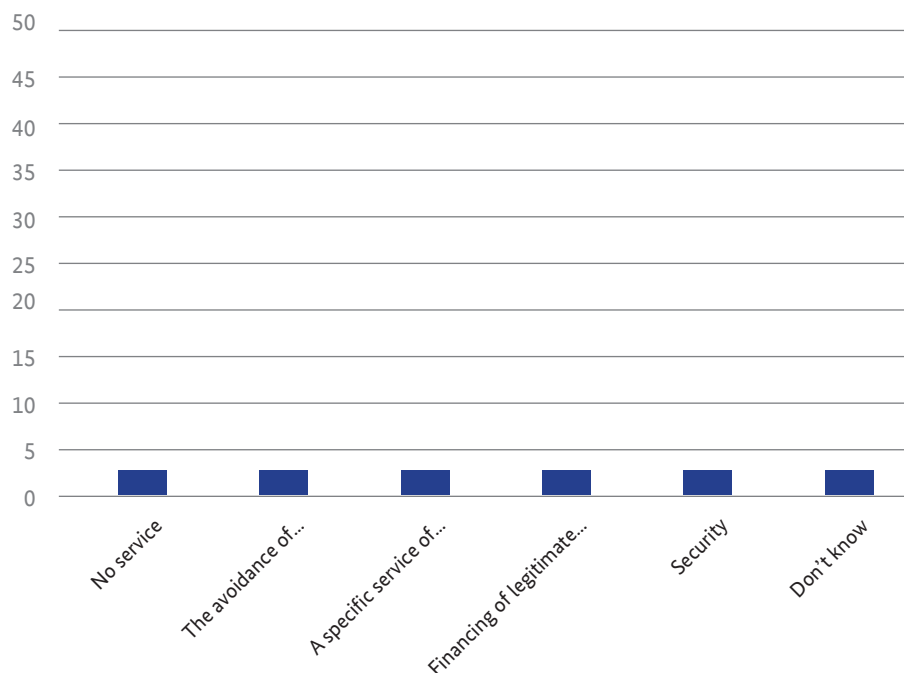
a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Language, RuralvsUrban, Disability.

91% of the respondents think that the “machinga ID” tax is fairly applied and 86% responded that everyone pays their fair share. A binary logistic regression does not reveal any statistically significant impact of the demographic factors on the respondents’ answers.

When asked about the primary service they receive in return for paying the machinga tax, 46 traders responded that they do not receive any service in return, 39 said that the primary service is the avoidance of hassle, harassment and/or stress, 5 said that their machinga tax payment finances a specific service in their community and 3 respondents answered that it finances legitimate salaries and general activities of government, but not specific services (figure 17). We could not identify any statistically significant impact of the respondents’ demographic attributes on their perception of the primary service they receive in return for the tax payment.

Figure 17 Machinga Tax: Reciprocity

What is the primary service you get in return for paying the machinga tax?



85% of the respondents perceive the machinga tax rate as reasonable while 15% think it is too high. We couldn't find any significant influence of a demographic attribute on this perception.

When asking if the traders think whether it is likely that a penalty would be enforced for non-payment of the machinga tax, we received mixed answers: 33% of the machinga traders perceive a penalty as unlikely, while 44% of them perceive it as likely. The rest think a penalty is neither likely nor unlikely. We performed a binary logistic regression by grouping the answer options likely versus all others (unlikely and neither likely nor unlikely) and discovered that Muslims are significantly more likely than Christians to perceive a penalty as likely action for non-payment of the machinga tax (P 0.013, see table 7).

Table 9 Binary logistic regression: *Machinga: Penalty*

		Variables in the Equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Gender	-.215	.463	.215	1	.643	.807
	Age	.482	.459	1.102	1	.294	1.620
	Education	.328	.306	1.143	1	.285	1.388
	Religion	-.710	.285	6.223	1	.013	.492
	Language	.085	.145	.349	1	.555	1.089
	RuralvsUrban	-.261	.316	.682	1	.409	.770
	Disability	.522	1.538	.115	1	.734	1.686
	Constant	-1.025	1.880	.297	1	.586	.359

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Language, RuralvsUrban, Disability.

16% of the respondents think that they would likely face verbal harassment and 4% think that they would likely face physical harassment from the actor levying the payment if they do not pay the *machinga* tax. 7% of the respondents think that they would likely be imprisoned. Multinomial and binary logistic regression models did not reveal any significant influence of demographic attributes on the dependent variables (perceived threat of verbal harassment, physical harassment and imprisonment).

3.4 Market Association Dues

Only 14 of the market traders we spoke to reported to pay membership dues to trader or market associations. The payment varies, depending on the association and ranges from TZS 1,000 to TZS 10,000 per month. The traders generally understand why they make the payment and how the rate of the payment is determined. Market dues are generally perceived as not negotiable and regarded as fair by the traders. Most respondents stated that their payment funds a specific service and that the rate is reasonably high. However, they also indicated that verbal harassment and social pressure are likely consequences of a non-payment of the association dues.

3.5 Security

65% of the survey respondents reported that they made payments to market leaders or watch organizations that organize community policing and security. Market leaders are market traders who were elected by their fellow traders to represent them. Their functions and responsibilities vary from one market to the other. The most basic function of all committees is to voice the traders' problems and requests to the Municipal Council and settle disputes and conflicts among the traders. They also organize market services such as market security. In most cases market traders commission private security firms or community members to guard the traders' goods, especially at night. The payments are generally done once per month, in cash. The amount paid ranges from TZS

1,000 to TZS 10,000. Security is organized by market leaders who employ security guards to look after the goods which the traders leave at the marketplace overnight.

21% of the traders responded that the rate is generally or sometimes negotiable, 72% understand how the rate is determined and 94% of the respondents perceive the tax as levied fairly. We could not establish any significant differences for the different demographic variables.

90% of the respondents perceive the rate of the security payment as reasonable, while 10% perceive it as too high. Our binary logistic regression model revealed significant findings for the independent variable “education”. Less educated market traders are significantly more likely to perceive the rate as too high (see table 8).

Table 10 Binary logistic regression: Security payments: Individual Fairness

		Variables in the Equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Gender	-.765	.677	1.274	1	.259	.465
	Age	.765	.662	1.336	1	.248	2.149
	Education	.962	.462	4.326	1	.038	2.616
	Religion	.269	.445	.367	1	.545	1.309
	Language	.116	.110	1.117	1	.291	1.123
	RuralvsUrban	-.036	.456	.006	1	.937	.964
	Constant	-.716	1.566	.209	1	.647	.489

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Language, RuralvsUrban.

Interestingly, the majority of market traders (59%) perceive verbal harassment as a likely consequence of a non-payment of the security fee. This is higher than for any payment type. A binary logistic regression (again, we grouped the answer categories: “Likely” against all others) shows that older traders (P 0.034) and Christians (P 0.021) are significantly more likely to expect verbal harassment when not making the security payment (see table 9).

Table 11 Binary logistic regression: Security payments: Verbal harassment

		Variables in the Equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Gender	-.079	.403	.039	1	.844	.924
	Age	.887	.418	4.503	1	.034	2.428
	Education	.106	.282	.141	1	.708	1.112
	Religion	-.647	.280	5.327	1	.021	.524
	Language	-.044	.056	.621	1	.431	.957
	RuralvsUrban	.449	.439	1.047	1	.306	1.567
	Constant	-.762	1.047	.530	1	.467	.467

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Language, RuralvsUrban.

3.6 Toilet fees

Toilet fees in Mwanza, same as in Dar es Salaam, follow a pay-per-usage model. Toilets were constructed by the municipality, but the toilet management and fee collection are outsourced to private agents. Our research revealed a statistically significant difference in the toilet usage of men and women. Women reported to use the market toilets on average 3.3 times per day while men reported to make use of the market toilets only 2.9 times on an average day. A t-test revealed a p-value of 0.019.



The market toilet fee at Soko Kuu and Kirumba market amounts to TZS 300 per usage¹² which results in average daily toilet payments of TZS 990 for women and TZS 870 for men. Extrapolating the daily payment for a full month, female traders pay on average TZS 29,700 every month for toilet fees which is about 3 times as much as the monthly market tax. Clearly toilet fees constitute a higher financial burden to market traders, especially female market traders, than the market tax.

Furthermore, toilet fees are paid by all traders, official market traders and machinga alike, different from the market tax, security payment and payments for other service such as garbage collection which are mostly paid by official market traders only. Therefore, the importance of toilet fees and their impact on the livelihood of market traders should not be underestimated.

89% of the respondents think that the fee is levied fairly but only 7% think that they receive the service of cleaning the toilets in return for their payment. This corresponds with the findings of our qualitative research and our own observations: the condition and cleanliness of market toilets is generally very poor.

Surprisingly only 57% of the respondents perceive the toilet fees as too high, while the remaining 43% think that the rate is reasonable. Considering the dissatisfaction with cleanliness of the toilets and the high financial burden this fee puts on traders, we expected the percentage of respondents that are dissatisfied with the toilet rate to be even higher.

Women are significantly more likely to complain about the amount charged for toilet fees (P 0.011) than men (see table 11). Our binary logistic regression revealed two more variables that have a significant influence on the likelihood that a trader is dissatisfied with the money they pay for the use of toilets: Education and age. Younger and less educated traders are more likely to regard the rates as too high. This is not completely surprising as we found that traders below the age of 17 all earned less than TZS 50,000 per week and that better educated traders were more likely to earn more than TZS 50,000 than less educated traders (see chapter 3.1).

Table 12 Binary logistic regression: Toilet fees: Individual Fairness of Toilet fees

		Variables in the Equation						95% C.I. for EXP(B)	
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 1 ^a	Gender	-.839	.331	6.448	1	.011	.432	.226	.826
	Age	.574	.274	4.375	1	.036	1.775	1.037	3.038
	Education	.576	.207	7.702	1	.006	1.779	1.184	2.671
	Religion	-.668	.343	3.798	1	.051	.513	.262	1.004
	Ethnicity	.029	.046	.386	1	.534	1.029	.940	1.126
	Rural/Urban	.415	.351	1.396	1	.237	1.514	.761	3.012
	Disability	1.733	1.171	2.190	1	.139	5.657	.570	56.143
	Constant	-2.645	1.329	3.964	1	.046	.071		

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Ethnicity, Rural/Urban, Disability.

¹² At Nyegezi market, the toilet fee is TZS 200.

3.7 Garbage fees

Garbage collection at marketplaces is outsourced to private agents and collected on a regular basis by the private agent physically at the marketplace. 29% of the survey respondents answered that the rate is generally or sometimes negotiable with the payment collector, but we could not discover any significant differences for the different demographics using logistic regression models.

How the garbage fee is determined depends on the agent collecting the garbage. We witnessed two systems: Determination based on garbage produced (payment for each trash bag) or a lumpsum payment per each trading space. 74% of the respondents say that they understand how the rate is set and 92% of the respondents think that the payment is levied fairly. Again, we could not find statistically significant differences based on the demographic attributes of the traders.

43% of the respondents answered that not everyone is paying their fair share, which is high compared to other forms of payments at the market. A binary logistic regression shows that rural people are significantly more likely to feel that not everyone is paying their fair share (P. 0.045).

Table 13 Binary logistic regression: Toilet fees: Distributional Fairness of Garbage collection fees

		Variables in the Equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Gender	.761	1.152	.437	1	.509	2.141
	Age	-.122	.884	.019	1	.890	.885
	Education	.771	.792	.946	1	.331	2.161
	Religion	1.707	1.127	2.293	1	.130	5.512
	Language	20.011	40192.969	.000	1	1.000	490499748.7
	RuralvsUrban	-3.241	1.615	4.030	1	.045	.039
	Constant	-.997	2.676	.139	1	.709	.369

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Language, RuralvsUrban.

3.8 Cleaning

Most traders reported that they take care of market cleanliness themselves and do not pay anyone to provide the cleaning service. 25% of the traders who pay for the service say that the rate is generally or sometimes negotiable, which is high compared to other payments. We did not find any significant impacts of a demographic attribute on this perception. The median amount paid for the cleaning services is TZS 1,000 per week.

There is no uniform cleaning system. Groups of market traders, such as market associations groups are employing cleaners to clean specified areas in the markets. Payments are collected from the traders with a trading space in the area, but the fees vary depending on the area / group organizing the cleaning services. 57% of the traders who are paying for cleaning services understand how the rate they pay is determined. The factors age and

education were found to have a significant influence on the traders' level of understanding: Older (P 0.005) and better educated traders (P 0.027) are more likely respond that they understand how the rate is determined (see table 13).

Table 14 Binary logistic regression: Cleaning dues: Understanding of the rate

		Variables in the Equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Gender	-.835	.722	1.339	1	.247	.434
	Age	3.431	1.228	7.804	1	.005	30.898
	Education	1.241	.562	4.875	1	.027	3.458
	Religion	-.277	.548	.255	1	.614	.758
	Ethnicity	-.219	.100	4.805	1	.028	.803
	RuralvsUrban	1.128	.871	1.678	1	.195	3.089
	Constant	-5.189	2.427	4.570	1	.033	.006

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Ethnicity, RuralvsUrban.

84% of the market traders who pay for cleaning services think that the payment is levied fairly but 39% answered that not everyone is paying their fair share. 22% think the rates are too high. We could not find a statistically significant influence of a demographic attribute.

3.9 Taxing authority and tax morale

Most respondents feel that the number of individuals or groups that are demanding payments remained the same. Only 11% perceive that more individuals or groups are demanding payments relative to two years ago. Especially younger (P 0.015) and rural people (P 0.00) are more likely to feel that more people are demanding payments (see table 14).

Table 15 Binary logistic regression: Taxing authority

		Variables in the Equation						95% C.I. for EXP(B)	
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 1 ^a	Gender	-.354	.557	.404	1	.525	.702	.236	2.091
	Age	-.958	.393	5.932	1	.015	.384	.177	.829
	Education	.039	.356	.012	1	.912	1.040	.517	2.091
	Religion	.783	.556	1.985	1	.159	2.188	.736	6.506
	Ethnicity	-.039	.076	.265	1	.606	.961	.828	1.117
	Rural/Urban	-2.852	.677	17.748	1	.000	.058	.015	.218
	Constant	.116	1.078	.012	1	.914	1.123		

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Ethnicity, Rural/Urban.

The vast majority (90%) of respondents feels that it is wrong and punishable if someone does not pay taxes they owe. Traders with a rural origin (P.0.002) and younger traders (0.019) are more likely to perceive a non-payment of taxes as wrong but understandable (see table 15). 97% of the respondents agree that government tax authorities always have the right to make people pay taxes.

Table 16 Binary logistic regression: Tax Morale

		Variables in the Equation							95% C.I.for EXP(B)	
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper	
Step 1 ^a	Gender	.270	.540	.249	1	.618	1.310	.454	3.774	
	Age	.919	.392	5.496	1	.019	2.508	1.163	5.409	
	Education	.559	.351	2.543	1	.111	1.749	.880	3.477	
	Religion	-.271	.540	.251	1	.616	.763	.265	2.199	
	Ethnicity	-.026	.072	.128	1	.720	.974	.846	1.123	
	Rural/Urban	1.716	.562	9.344	1	.002	5.564	1.851	16.725	
	Constant	-.564	1.046	.291	1	.590	.569			

a. Variable(s) entered on step 1: Gender, Age, Education, Religion, Ethnicity, Rural/Urban.

4. Conclusion and discussion of findings

We analysed the demographic composition of market traders at Mwanza city markets and aimed to understand if the market tax system discriminates against traders based on their demographic identity.

The demographic analysis shows that female traders on average have a lower income than their male counterparts. This finding alone shows that women are more adversely affected by the regressive nature of the market tax which is charged independent of the trader's income.

The market tax collection process is automated and does not leave much space for negotiation between taxpayer and tax collector or harassment by the tax collector. Still, one in four respondents expects verbal harassment and one in five respondents expects physical harassment by the actor collecting the tax, in case of non-compliance. Female traders are more likely to expect verbal harassment by the tax collector than male traders. Most market traders perceive the market tax rate as too high but only a minority thinks that it is levied arbitrarily or that others are not paying their fair share.

Interestingly, traders who originate from rural areas, are more likely to perceive the way the tax is levied as unfair than traders who grew up and spent their life in a city and they also have stronger doubts if everyone else is paying their fair share. This finding correlates with comments of rural traders during our Focus Group Discussions that people who grew up in Mwanza city "know there ways around" while traders who recently came to the city are an easy target for justified and unjustified financial charges. Traders of rural origin are also more likely to perceive the market tax rate as too high compared to urban traders. Our research does not provide sufficient evidence, but the answers of rural traders indicate that the tax system could be biased against market traders with rural origins. Further research is needed to substantiate this hypothesis.

The general tax morale is high, and the vast majority of traders think that the government always has the right to make people pay taxes and that the non-payment of taxes is wrong and punishable. Still, a high proportion of traders does not think that they receive anything in return for their tax payments.

Machinga traders do not pay the regular market tax. This unequal treatment of official market traders and unofficial machininga traders is a major concern to most official market traders. It is understandable that official market traders perceive machininga as unfair competition as machininga are not subject to the same tax regime but are competing for the same customers as official market traders. The introduction of the machininga ID seems to cement this inequality. Potential adverse impacts on the businesses of official traders and potentially growing tensions between the two groups should be closely monitored.

Extending our focus beyond the official taxation regime, we add more evidence to the significant impact of toilet fees on the traders' livelihoods and the adverse impact of these fees on female traders in particular. We find statistic evidence that women are using the toilets more frequently than men and that women are more likely to complain about the high fee rate. This is amplified by our earlier finding that women traders have a lower income than male traders. The issue of toilet fees needs to be discussed and addressed. They impose a significant financial burden on women traders and could have potential adverse impacts on their health. Sanitation is recognized as a

human right and access to toilets is becoming an increasingly prominent topic within the international development discourse, not least because of the Reinvent the Toilet initiative by the Bill and Melinda Gates Foundation.

Other market fees for the provision of security or cleaning services and the collection of garbage do not reveal any significant biases. It is however noteworthy that more traders responded that it is possible to negotiate the rate of these fees than the rate of official taxes. This means that service fees are more responsive to changes in local economic realities and may thus have a more positive impact on the traders' livelihoods. At the same time, traders also reported a higher likelihood of verbal and physical harassment by the payment collector for the non-payment of these service fees compared to what would expect if they did not pay the official market tax.

5. Recommendations

Based on above listed findings, we recommend the following actions to overcome identified financial burdens of market traders in Mwanza:

Review of the toilet fee and management system

Toilet fees constitute the single largest financial burden for the average market trader in Mwanza. Still, the condition of most market toilets is poor. A potential alternative to the current system could be involving the elected market leaders in the management of the toilet facilities. Market places in Dar es Salaam made positive experiences with involving market leaders in the market tax collection. Research showed that market leaders are more responsive to the wants and needs of their fellow market traders so it is likely that involving them in the management of the toilets would lead to an improvement of toilet cleanliness.

In addition, a realistic assessment of the weekly costs to run a toilet should be conducted, considering the costs of labour, cleaning material and water. Based on this assessment a fair weekly toilet fee should be established to be paid by each trader for unlimited access to the toilet facilities. This would have the following benefits:

- Same financial burden for all traders, men and women;
- Avoidance of health hazards due to withholding of urine and defecation;
- Improvement of hygiene conditions at the market place and its surroundings due to less open urination;
- More stable source of income from toilet fees to be used for the cleaning of toilets;
- A fair fee, which is only used to cover the costs of running the toilets should moreover significantly reduce the overall financial burden for market traders.

As it is done with the market tax, market traders should be issued with a receipt of their tax payment which they can show at the toilet facilities as proof of payment.

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Examination of taxation costs for market traders in Mwanza

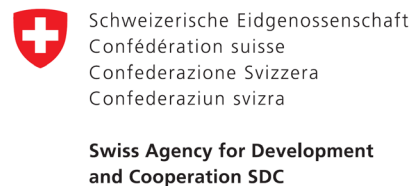
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