

Tanzania's digital payment projects boost tax revenue and business

Many developing countries are grappling with how to modernise their economies, improve transparency, drive sustainable growth and advance financial inclusion. A new [study](#) from the United Nations-based [Better Than Cash Alliance](#) shows Tanzania's digital payment initiatives are producing very strong results so far.

“Tanzania’s results in driving the shift from cash to digital payments are very impressive. The country has developed significant experience that has led it to achieve gains in revenue at double digit rates while also delivering social benefits for its citizens,” said Dr Ruth Goodwin-Groen, managing director of the Better Than Cash Alliance. “Tanzania is building a firm foundation for strong and inclusive growth and we look forward to further progress.”



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- Empowered its tourism sector by reducing economic leakage from cash payments, such as conservation park entry fees, by over 40 percent, supporting investment and employment.
- Cut bureaucratic inefficiencies, including reducing import customs clearance times from nine days to less than one day.
- Increased transparency between citizens and governments, by digitising tax payments which has provided electronic proof of payments and protects people against fraud.

The study also provides important insights on how further expanding digitisation of payments in Tanzania can fast-track the country’s economic modernisation. Digitising value-added tax payments and supporting formalising businesses could increase tax revenue in Tanzania by at least \$477m per year, a significant increase for a country with a total GDP of around \$47bn and a low tax/GDP ratio of around 12%.

It also reveals how Tanzania overcame obstacles of adopting digital person-to-government (P2G) and business-to-government (B2G) payments. For example, when small traders were reluctant to digitise their point-of-sale payment capabilities because they were required to bear the full costs of purchasing electronic billing machines, the government partnered with the Tanzania Trader's Association to subsidise the costs.

Furthermore, these digitisation efforts contribute to benefits beyond just the economy. They have wide-ranging positive impacts across society, such as driving social inclusion within Tanzania. For example, Sheru Hadha, a Tanzanian customer noted how digital financial inclusion has empowered her in her daily life. "Digital payments help women be more independent. Before, when we just had cash, it was very tough. To transfer money, I had to go to the bank, and they would ask me for a lot of information and require documentation. I had to line up for a long time, more than three hours. It was a big hassle," she noted.

Other countries in the region have initiatives to digitise payments and, while many are in the early stages of their transition, the benefits are quickly being realised and becoming evident. For example:

- Kenya is targeting to double tax collections over the next three years through its tax filing electronic system, iTax.
- In Uganda, the Kampala Capital City Authority's automated tax collection system boosted revenue by 167% in a single year.
- Rwanda drove nearly 80% adoption of electronic VAT payments made by small and medium sized enterprises.

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