# 1. Objective of the study

Business cycles are output fluctuations that involve movements in GDP overtime in alternating periods of expansion in economic activity (boom) and contraction in economic activity (recession). GDP/output being a base of tax revenue, business cycles are usually associated with fluctuations in tax revenue.

The main objective of carrying out this study is to enable TRA to monitor and track the developments in macroeconomic variables so that TRA can adopt measures that will cushion tax revenue from the adverse effects of swings in the economic activity (business cycles).

# 2. Methodology

## 2.1 Literature Review

Both theoretical and empirical literature related to business cycles and the behaviour of tax revenue over the business cycle will be reviewed. The main aim of this review is to guide the choice of analytical techniques for carrying out the assignment.

## 2.2 Data collection

Secondary data will be used. Time series data for macroeconomic variables (including tax revenue) will be obtained from official publications (database kept) by the Bank of Tanzania (BOT), the National Bureau of Statistics (NBS), and Tanzania Revenue Authority (TRA). The International Financial Statistics (IFS) will be another source of time series data for the variables. Qualitative information will be obtained from the publications; and if necessary, from interviews with officials from the institutions.

## 2.3 Data Analysis

### 2.3.1 Estimation of trend and cyclic components of variables

Standard filters such as the Hodrick – Prescott (HP) and Baxter King (BK) filters will be used to estimate the trend and cyclic components of the variables.

### 2.3.2 Econometric Analysis

Econometric analysis will be used to examine the factors that influence business cycles in Tanzania. Econometric analysis will also be used to examine the link between business cycles and tax revenue.

# 3. Work plan

*Table 3.1 Estimated number of man-days for the assignment*

|  |  |  |
| --- | --- | --- |
| ***Sn*** | ***Task*** | ***Number of Days*** |
| 1 | Preparation of inception report | 6 |
| 2 | Preparation of draft report | 18 |
| 3 | Preparation of final report | 6 |
|  | **Total man-days** | **30** |

The 30 man-days will be spread over 8 weeks.