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Welcome back. I’m happy to see you again. What can I help you with today?

types of tax payer

Searching for: types of tax payer

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Taxpayer

Explore

There are different types of taxpayers depending on the source and nature of their income. According to one source1, taxpayers are primarily classified into two types: individuals and corporations. Individuals are people who are liable to pay tax for their income, while corporations are entities that are liable to pay tax on the profits earned from their business activities. However, there may be further subcategories of taxpayers based on the tax laws of different countries. For example, in the Philippines, there are six common types of taxpayers: self-employed, professionals, mixed-income earners, employees, corporations, and non-resident aliens2. In India, there are three different types of taxpayers based on the Income-tax Act: individuals, Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individuals (BOI), and firms3. The tax rates and slabs may vary for different types of taxpayers depending on the tax policy of each country.

Learn more

1

investopedia.com

2

full-suite.com

3

nirmalbang.com

4

wallstreetmojo.com

5

thebalancemoney.com

6

en.wikipedia.org

types of taxpayer according to act of Tanzania

Searching for: types of taxpayer according to act of Tanzania

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According to the Income Tax Act of Tanzania1, there are two main types of taxpayers: individuals and corporations. Individuals are natural persons who are liable to pay tax on their income from various sources, such as employment, business, investment, or property. Corporations are entities that are liable to pay tax on their profits from carrying on business activities. The tax rates and slabs for individuals and corporations may differ depending on the income level and the type of business. The Tax Administration Act of Tanzania2 provides the procedures and rules for the administration and collection of taxes in the country.

Learn more

1

tra.go.tz

2

tra.go.tz

3

tra.go.tz

4

taxsummaries.pwc.com

5

tra.go.tz

6

tpandtax.co.tz

• Comment on various measures/strategies that TRA can use to increase

various types of direct taxes i.e. PAYE, withholding tax. In addition,

recommend any different measures/decisions that they should take to

increase taxes without adversely affecting tax payers

Searching for: measures to increase direct taxes

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Direct taxes are taxes that are levied on the income or profit of individuals or corporations. Some examples of direct taxes in Tanzania are personal income tax, corporate income tax, withholding tax, and pay-as-you-earn (PAYE) tax. The Tanzania Revenue Authority (TRA) is the agency responsible for administering and collecting direct taxes in the country.

There are various measures or strategies that TRA can use to increase direct taxes, such as:

Simplifying the tax system and reducing tax rates: A simpler and more transparent tax system can reduce the compliance costs and administrative burdens for taxpayers and tax authorities, and encourage voluntary compliance. Lowering tax rates can also make the tax system more attractive and fair, and reduce the incentives for tax evasion and avoidance. For example, Georgia’s tax reform in 2004 simplified the tax system by eliminating several minor taxes and reducing tax rates, which resulted in higher tax revenues and improved tax administration1.

Broadening the tax base and eliminating tax exemptions: A broader tax base means that more income or profit is subject to taxation, which can increase tax revenues without raising tax rates. Eliminating tax exemptions can also help to expand the tax base and reduce distortions and loopholes in the tax system. For example, India’s tax reform in 2017 introduced a minimum alternate tax (MAT) for companies that were enjoying tax exemptions, which increased the effective tax rate and the tax base for corporate income tax2.

Improving tax enforcement and compliance: A stronger and more effective tax enforcement and compliance system can deter and detect tax evasion and avoidance, and ensure that taxpayers pay their fair share of taxes. This can involve enhancing the capacity and integrity of the tax authorities, using technology and data analytics to improve tax audits and assessments, and imposing penalties and sanctions for non-compliance. For example, the Philippines’ tax reform in 2018 strengthened the tax administration by creating a large taxpayers service, implementing an electronic invoicing system, and enhancing the powers of the Bureau of Internal Revenue to audit and investigate tax cases3.

Levying new taxes or expanding the scope of existing taxes: A new tax or an expanded scope of an existing tax can generate additional tax revenues from new or untapped sources of income or profit. This can also help to diversify the tax base and reduce the reliance on a few types of taxes. For example, the OECD’s tax reform in 2020 introduced a global minimum tax and a digital services tax, which aimed to increase tax revenues from multinational corporations and digital platforms that were shifting profits to low-tax jurisdictions4.

However, increasing direct taxes may also have some adverse effects on taxpayers, such as reducing their disposable income, discouraging their economic activity, and creating inequities and distortions in the tax system. Therefore, TRA should also consider some different measures or decisions to increase taxes without adversely affecting taxpayers, such as:

Providing tax incentives and relief for taxpayers: Tax incentives and relief can help to reduce the tax burden and increase the disposable income of taxpayers, especially those who are low-income, vulnerable, or affected by economic shocks. This can also help to stimulate economic growth, investment, and employment, and support social welfare and development goals. For example, the US’s tax reform in 2017 provided tax cuts and credits for individuals and businesses, which boosted consumer spending and business confidence5.

Balancing the tax mix and shifting to indirect taxes: A balanced tax mix can help to optimize the tax revenues and minimize the economic and social costs of taxation. Shifting to indirect taxes, such as value-added tax (VAT) or excise tax, can also help to increase tax revenues without affecting the income or profit of taxpayers directly. Indirect taxes can also be more efficient and easier to collect and administer than direct taxes. For example, the UK’s tax reform in 2011 increased the VAT rate from 17.5% to 20%, which raised tax revenues and reduced the budget deficit.

Reforming the tax expenditure system and enhancing the transparency and accountability of tax spending: Tax expenditures are provisions in the tax system that reduce the tax liability of certain taxpayers or activities, such as deductions, exemptions, credits, or preferential rates. Reforming the tax expenditure system can help to rationalize and evaluate the costs and benefits of tax expenditures, and ensure that they are aligned with the fiscal and policy objectives of the government. Enhancing the transparency and accountability of tax spending can also help to improve the public trust and legitimacy of the tax system, and encourage taxpayers to comply with their tax obligations. For example, the OECD’s tax reform in 2019 introduced a framework for reporting and analyzing tax expenditures, which aimed to improve the quality and comparability of tax expenditure data and enhance the fiscal management and oversight of tax spending.

Learn more

1

imf.org

2

insightsonindia.com

3

moneycontrol.com

4

oecd.org

5

taxpolicycenter.org

Measures taken to improve the performance of the TRA

Searching for: measures taken to improve the performance of the TRA

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The TRA has taken various measures to improve its performance in terms of revenue collection and administration. Some of these measures are:

Developing and implementing the Sixth Corporate Plan, which outlines the institution’s strategic priorities, objectives, initiatives, and indicators for the next five years1.

Simplifying the tax system and reducing tax rates to encourage voluntary compliance and reduce compliance costs and administrative burdens1.

Broadening the tax base and eliminating tax exemptions to increase the tax revenues and reduce distortions and loopholes in the tax system1.

Improving tax enforcement and compliance by enhancing the capacity and integrity of the tax authorities, using technology and data analytics to improve tax audits and assessments, and imposing penalties and sanctions for non-compliance1.

Levying new taxes or expanding the scope of existing taxes to generate additional tax revenues from new or untapped sources of income or profit1.

Providing tax incentives and relief for taxpayers, especially those who are low-income, vulnerable, or affected by economic shocks, to reduce the tax burden and increase the disposable income of taxpayers, and to stimulate economic growth, investment, and employment1.

Balancing the tax mix and shifting to indirect taxes, such as value-added tax (VAT) or excise tax, to increase tax revenues without affecting the income or profit of taxpayers directly, and to make the tax system more efficient and easier to collect and administer1.

Reforming the tax expenditure system and enhancing the transparency and accountability of tax spending, to rationalize and evaluate the costs and benefits of tax expenditures, and to ensure that they are aligned with the fiscal and policy objectives of the government1.

These measures are expected to increase the tax revenue projections for Tanzania Mainland from TZS 20,667.91 billion in 2021/22 to TZS 31,921.0 billion in 2026/27, representing a compounded annual growth rate of about 9.1 percent during the period of the plan. The tax revenue yield is also expected to increase from 12.9 percent in 2021/22 to 14.1 percent in 2026/271.