

10th May, 2025



Introduction

In a functioning tax administration governed by the rule of law, fairness must be the cornerstone of every process. In our country, the Tanzania Revenue Authority (TRA) is mandated to enforce tax laws with integrity and efficiency. However, this enforcement must be matched with equal diligence in refunding legitimate tax claims. Strict timelines are imposed on taxpayers for the payment of taxes, interest, and penalties; therefore, the same level of accountability must apply to the Commissioner General in ensuring timely refunds.

Legal Framework for Tax Refunds

Section 72(1) of the Tax Administration Act, Cap 438, imposes a clear legal obligation on the Commissioner General to refund tax within ninety (90) days of a taxpayer's application. It provides, *"The Commissioner General shall consider and make a refund decision on an application made under section 71 within ninety days from the date of the receipt of the application."*

Further, Section 73(3) and (4) of the same Act stipulate that if refunds are delayed, the Commissioner General is liable to pay interest on the delayed amount. These provisions serve a dual purpose: enforcing timely refunds and compensating taxpayers for any unjustified delays.

"(3) Where the Commissioner General refunds an amount of tax to a person, he shall be liable to pay that person an interest in accordance with the provisions of the relevant tax law."

"(4) The interest under this section shall be calculated at the statutory rate and shall be for the period commencing on the date the refund decision is issued and ending on the day the refund is made."

These provisions reflect Parliament's intent to uphold fairness, efficiency, and taxpayer confidence in the refund process.

Challenges in the Refund Process

Despite the legal clarity, the practical implementation of refund provisions remains problematic. Often, even after TRA determines the taxpayer's refund entitlement, a portion of the refund is used to offset outstanding tax liabilities yet the remaining balance is not refunded. This partial fulfillment erodes the trust between taxpayers and tax administrators.

Another alarming issue arises from Section 51(7) of the Tax Administration Act. Taxpayers are required to deposit a portion of the disputed tax when lodging an objection:

"...an objection to tax decision on assessment or notice of liability to pay tax shall not be admitted unless the taxpayer has... paid the amount of tax which is not in dispute or one third of the assessed tax decision whichever amount is greater."

Even after winning an objection or appeal, taxpayers often struggle to recover this deposited amount, especially when they have no outstanding tax liabilities. Worse still, the TRA sometimes invokes time-bar arguments to deny refunds despite the taxpayer's entitlement and absence of legal justification.

Comparative Practices in the Region

Neighboring countries such as Uganda and Rwanda have adopted more taxpayer-friendly refund mechanisms. There, amounts deposited during objections are automatically refunded with interest following a favorable decision. Time-bar arguments are not used to deny such refunds. These jurisdictions serve as benchmarks for our country to emulate in fostering fairness and taxpayer satisfaction.

Implications of Delayed Refunds

Delayed tax refunds have far-reaching consequences. For businesses, refunds represent crucial working capital. When these funds are withheld, business operations, reinvestment plans, and tax compliance are all negatively impacted. This undermines not just individual taxpayers but also the national economy by reducing overall revenue potential.

There is a growing perception that TRA sometimes views tax refunds as a threat to meeting monthly revenue targets. If true, this practice is counterproductive and short-sighted. Prioritizing collections over fairness damages taxpayer morale and jeopardizes the sustainability of voluntary compliance.

Restoring Integrity in the Refund System

To align with principles of good governance and progressive tax administration, the Commissioner General must act decisively. Refunds that meet all legal requirements should be processed promptly. TRA officers handling refunds must fully comply with the law, refrain from arbitrary decisions, and avoid misinterpreting statutes to delay or deny refunds.

Taxation is not merely about enforcement; it is a legal relationship governed by statutes. Just as taxpayers are penalized for delays or defaults, TRA must be equally accountable for delays in fulfilling its obligations. Holding both parties to the same legal standard ensures justice and reinforces trust in the system.

Conclusion

A modern and progressive tax system one that the Commissioner General continues to champion must treat timely refunds with the same urgency and seriousness as tax collections. Failure to do so undermines compliance, disrupts businesses, and leads to unnecessary disputes and interest costs for the government.

We urge the Commissioner General to take concrete steps to clear all pending genuine refunds, enforce internal compliance with refund timelines, and establish a system that protects taxpayers' rights while promoting transparency and accountability.

Together, we build the nation fairly, equitably, and lawfully.

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