



LEGAL AND HUMAN RIGHTS CENTRE

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Dissect of Issue for Advocacy **Property Tax Collection through Utility Services: Legal and Policy** **Concerns on Tenant Financial Burden in Tanzania**

Introduction

Legal and Human Rights Centre (LHRC) is pleased to share analysis on the integration of property tax into LUKU payments and its implication to tenant protection and tax equity in Tanzania. This is a pure human rights matter especially on socio-economic rights.

Therefore, this piece intends to call for fair and equitable tax administration in Tanzania caused by shifting of property tax burden to tenants through the LUKU Payment system.

Background of the Problem

The central issue arises from the interaction between section 67(1)(d) of the Tax Administration Act, Cap. 438 R.E. 2023 and the administrative practice of collecting property rates through the LUKU electricity payment system. Legally, the provision establishes the timing and mechanism of collection by requiring payment of property rate at the time of purchasing electricity. However, in practice, because electricity is commonly purchased by occupants particularly tenants the operational effect is that persons who are not legally responsible for the property become the immediate payers of charges attached to that property.

Conceptually, there is an important distinction between tax liability and tax collection mechanism. Tax liability refers to who the law intends to bear the obligation to pay the tax¹. Collection mechanism refers to how government obtains payment². Under ordinary taxation principles, property related taxes are generally connected to ownership, possession, control, or economic benefit arising from the property.

Landlords derive rental income and retain ownership interests while tenants merely consume the use of premises. Therefore, while government may use electricity systems as a convenient collection channel, administrative convenience should not alter substantive legal responsibility.

Analysis of the Issue

¹ <https://groww.in/p/tax-liabilities> [Accessed on 27th May 2026].

² <https://www.mdpi.com/2071-1050/14/14/8836> [Accessed on 27th May 2026]

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- a) The current arrangement creates practical displacement of economic burden. Although the legal obligation may remain attached to the property owner, the immediate financial burden falls upon tenants because electricity cannot be accessed unless the embedded charges are paid. In rental arrangements where rent agreements do not expressly allocate responsibility for property-related charges, tenants may effectively finance obligations that are ordinarily associated with ownership. This creates a situation where landlords enjoy uninterrupted rental income while tenants absorb additional costs through electricity purchases.
- b) From an advocacy perspective, this arrangement raises concerns under the principle of tax equity and fairness. Tax systems are generally expected to operate according to the principle that taxes should correspond with the person who receives economic benefit or possesses the taxable asset. When a tenant pays embedded property-related charges through LUKU, the system may produce a mismatch between legal incidence and economic incidence of taxation. Even if government does not legally transfer the tax obligation to tenants, the practical outcome may resemble such transfer.
- c) On 19 August 2021 the Tanzania Revenue Authority clarified that the landlord is responsible of paying property tax.³ Therefore, if a tenant purchases electricity and the system deduct property-related charges, that does not automatically convert the tenant into the person legally obligated to pay the tax.

On the other side, the issue also raises questions about consumer rights and access to essential services. Electricity is a basic utility required for ordinary living. Linking access to electricity with payment of property related charges creates indirect pressure on tenants to settle obligations unrelated to their own conduct. In practical terms, a tenant who refuses to absorb those costs may be denied access to electricity despite not being the legal subject of property taxation.

From a public policy perspective, the current model may achieve higher revenue collection efficiency but create distributive concerns. Efficient tax administration is a legitimate government objective however, efficiency alone should not override fairness, predictability, and accountability.

³ <https://bongo5.com/tra-wafunguka-anayetakiwa-kulipa-kodi-ya-majengo-kupitia-luku-kati-ya-mpangaji-na-mwenye-nyumba-08-2021/> [Accessed on 27th May 2026].

Recommendations

1. There should be a separate billing mechanism apart from LUKU system to protect tenants from unfair payments.
2. There should be enactment of real estate law which should clearly put a mandatory disclosure requirement by landlords on whether property related charges are included in rent.
3. TANESCO should not interrupt tenant access to electricity solely due to unpaid owner related property charges. Alternatively, should document and report the unpaid charges to the landlord.
4. There should be a right to reimbursement, where tenants pay embedded property charges he or she should recover it from landlord or rent adjustment.

Ultimately, the advocacy concern is not opposition to taxation itself. The concern is whether a collection system designed for administrative convenience unintentionally shifts economic burdens from property owners to tenants and whether that outcome complies with the principles of fairness, transparency, accountability, and equitable taxation.