



Tax Equity Implications of Differential Tax Treatment in Tanzania's Gaming Industry: Evidence from Dar es Salaam Region

Nduti Kidayi & Jeseoph Kiria

Mzumbe University, Department of Accountancy and Finance, Tanzania

Email: ndutikida@gmail.com/jkiria@mzumbe.ac.tz

Abstract: This article evaluated Differential tax treatment in the Gaming industry in Tanzania, based on the experience in Dar es Salaam Region, from a tax-equity perspective. It was concerned with the relationship between shifts in the tax base, tax rates, fixed obligations, methods of payment, and enforcement of the tax and the principles of horizontal equity, vertical equity and ability to pay. The article adopted Interpretivist paradigm, the approach used was Qualitative and the type of the research was Descriptive Comparative Case Study. Documentary study and semi-structured interviews with purposively selected representatives from gaming-businesses, officials of Tanzania Revenue Authority, officials of the Gaming Board of Tanzania, gaming business tax practitioners and experts were used to generate evidence. Data from the interview and documentary were analyzed using the themes and the qualitative content analysis with NVivo. The results indicate that differential treatment is not necessarily unfair given that there are different game types concerning models, regulatory risks, technologies and revenues. However, equity concerns are present if the effective burden (or cost) on comparable operators is materially different, but there is no defensible difference, or if there are fixed obligations which are only weakly related to economic capacity, or if inconsistent enforcement of the obligations causes disadvantage for the compliant operators. The article concludes that the overall financial and administrative impact (not just statutory rates) should be assessed when determining gaming-tax equity. It suggests an alignment of fiscal and gaming authorities and more frequent equity reviews, with clear reasons for making any inequity, proportional assessments of fixed and variable obligations, and more effective use of technology to enforce the principles of equity.

Keywords: Equity, Taxation, gaming, fairness, compliance, Tanzania

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1. Introduction

Tax equity is fundamental to public finance as a tax system has to raise revenue, but also apply tax burdens that can be reasonably argued as justifiable. A starting point is the traditional one between horizontal and vertical equity. Horizontal equity looks to similar treatment of similarly

situated taxpayers, while vertical equity allows for shifting of burdens among taxpayers where there is a significant difference among them in economic capacity. These principles are not intended to suggest that all taxpayers are subject to the same rates of tax and/or tax collection methods under the statutes. Instead, a defensible link between the economic situation and the net tax load that is ultimately levied is needed. This is confirmed by the fact

that the importance of horizontal equity as a safeguard against arbitrary differences was found to hold in the years of Musgrave (1993) and Repetti and Ring (2012); and the extent of horizontal equity in practice can differ from its statutory purpose, as today's evidence from low- and middle-income countries highlights the role of administration, enforcement and taxpayer conditions in determining effective incidence (Bachas et al., 2024).

It is particularly significant in sectors with a diverse range of business models, the application of specialised regulation and technology-intensive transactions. One of the sectors is Gaming. Modern gaming contains casinos, sports wagering, lotteries, slot machines, virtual games and online products which bring in a lot of revenue, have different transaction volumes, require differing monitoring and have differing operating costs. In sub-Saharan Africa, digitalisation, mobile technologies and electronic payments have facilitated the increased accessibility to gambling and the swift development of commercial gambling (Bitanahirwe et al., 2022). The expansion also presents opportunities for domestic revenue mobilisation, but is also challenging the tax design for governments as they have to decide on whether to tax turnover, gross gaming revenue, gaming units, winnings, licences or a mix of these instruments. The benefits of different bases can enhance the administrative viability of some game types while the impact of the new bases can vary in different respects that may create concerns about similar treatment, proportionality and taxpayers' ability to bear the fixed and variable tax burdens.

There are examples from around the world to show why it is important to select the right gaming-tax base. Vidal-Puga (2017) demonstrates that there exist various market incentives when two types of taxes (taxation on betting volume and taxation on gross profit) are levied in online sports betting. When considering gambling machines, Garrett et al. (2020) found that changing the operator's fee model from a per machine charge to gross-profits based tax can lead to changes in operator behaviour, numbers of machines and revenues. These studies are not the basis for claiming that any one tax base is necessarily fair, but they do prove that design of the tax impacts the economic consequences. Thus, it is not sufficient to consider only the nominal rates to do an equity assessment. It should consider if the tax base is tied to business performance, if fixed obligations are related to the size of the operator, if the timing of payments impacts on the liquidity of the operator, and if regulatory and compliance costs add to statutory taxes and create materially different effective tax burdens, depending on the operator, even if the operators are otherwise comparably situated.

Tanzania plays an important role in such an evaluation due to the regulatory regime for games that is based on a

differentiated framework. This act is known as the Gaming Act, Cap. 41 R.E. 2023 identifies various categories of games, and sets category-specific requirements. It has rates based on gross gaming-revenue for some activities, but a fixed rate per month per machine for slot machines, in its Second Schedule. The framework thus explicitly differentiates between the various types of games but does not apply a uniform structure of the tax. The Government's Medium-Term Revenue Strategy 2025/26–2027/28 is also located in the context of other revenue mobilisation reforms in Tanzania's domestic revenue policy and highlights predictable, transparent and administratively effective revenue policy (United Republic of Tanzania, Ministry of Finance, 2025). The presence of differential treatment does not necessarily mean there is inequity. What is relevant is the connection between the differences and the differences in economic attributes, regulatory requirements and capacity to take on the fiscal and regulatory burden.

The Tanzanian gaming industry is an important industry, further underlining the policy relevance of this question. According to the Gaming Board of Tanzania (GBT) report of 2025, the Gambling Industry has so far raised TZS 922.25 billion in tax revenues, and over the 4-years period, created over 30,000 direct and indirect jobs, with the Board itself having collected tax revenues of more than TZS 260.21 billion during the same period (Mpofu, 2022). These statistics show that gaming also is not an ancillary fiscal activity anymore. The growth of the sector could impact on public revenue as well as competition between operators and how fair it is perceived to be, due to varying taxation, licensing and compliance frameworks. The Region of Dar es Salaam is analytically interesting as it is a main commercial hub in which various forms of licensed gaming are regulated by the same national law and institutional structures. Examining operators and institutions within this common regulatory environment permits comparison of category-specific obligations while limiting differences arising from separate national tax systems. The article therefore focuses on the tax-equity implications of differential treatment as experienced and interpreted by gaming businesses, tax administrators, gaming regulators and taxation professionals in Dar es Salaam. This article is part of a larger dissertation about the various ways to collect gaming taxes, but it intentionally focuses on the third, specific objective of the dissertation.

1.1 Statement of the Problem

Over two decades, Tanzania has experienced the financial growing of gaming industry. However, despite the growing financial importance of the industry, the tax quality implications of differential treatment across gaming activities remain insufficiently examined (Mpofu, 2022).

Existing arrangements apply different tax bases, rates, payment mechanisms, licensing requirements and regulatory obligations. Although such differences may be administratively or economically justified, they raise concerns about whether gaming businesses bear burdens proportionate to their economic capacity and operating circumstances. The central problem is whether differential taxation is consistent with horizontal equity, vertical equity and the ability-to-pay principle. Gross-gaming-revenue-based taxes may respond to revenue performance but not necessarily profitability or liquidity, while fixed obligations may impose proportionately heavier burdens on smaller operators. Cumulative taxes, licence fees, compliance fees, compliance costs and uneven enforcement may further create unequal effective burdens.

Existing African literature largely addresses gambling expansion, digitalisation, regulation and social consequences (Bitanirwe et al., 2022, while international studies examine how gaming-tax bases influence operator behaviour and market outcomes (Vidal-Puga, 2017; Garrett et al., 2020). However, limited empirical evidence establishes whether Tanzania's differentiated gaming-tax obligations produce equitable burdens. This study addresses that gap by examining differential tax treatment through the explicit criteria of horizontal equity, vertical equity and ability to pay, using evidence from Dar es Salaam Region. It focuses on whether differences in tax bases, payment arrangements, fixed and variable obligations, compliance requirements and enforcement can be justified by relevant economic, operational or regulatory differences. The article contributes empirical evidence to the debate on whether differentiated gaming taxation in Tanzania represents justified differentiation or produces inequitable outcomes among comparably situated businesses.

1.2 Research Questions

The article was guided by the following research question:

- i. What are the implications of differential taxation of the gaming businesses to tax equity in Tanzania?

2. Literature Review

2.1 Empirical Literature

Tax equity is a subject of debate both from a normative and an operational perspective in the design of taxes. Musgrave (1993) considers horizontal equity to be a separate issue since the lack of subjectivity in the treatment of similarly-situated taxpayers ought not to be arbitrary. Reppy and

Ring (2012) also present two definitions of horizontal equity: "equals treated equally" and vertical equity "appropriate differentiations among non-equals." The emphasis of these concepts is that they reject two simplistic assumptions which are central to this study: the first is that the same treatment as prescribed by statute is always fair; and the second is that any differentiation is always discriminatory. Identical rules can have different economic impacts in a heterogeneous industry and different rules can be justified if operating conditions vary. Tax-equity analysis thus involves determining the nature of the differences in treatment and whether they reflect the nature of the differences in the businesses, in a reasonable and transparent way.

Ability-to-pay reasoning is used to add emphasis on economic capacity to what is already known about horizontal and vertical equity. The "classical proposition" of Smith is that tax liabilities should be proportional to the taxpayer's income. However, in today's business taxing it is impossible to capture the concept of capacity using only one measure. Each of the measures (turnover, gross gaming revenue, net income, liquidity, fixed operating costs and scale) may reflect a different dimension of the economic state of a company. This is especially relevant in the gaming industry as gross gaming revenue (GGR) is the revenue generated from wagers minus winnings, but excluding all the cost of doing business such as technology, labour, premises, licensing and regulation expenses. A revenue responsive tax might thus be more adaptive than a fixed amount without having to be a perfect proxy for ability to pay. Whether the overall fiscal responsibility continues to be equitable on a holistic basis is an empirical question.

The result of gaming-tax research is that the tax base structure has an impact on market and fiscal results. Vidal-Puga (2017) models' taxation in online sports betting and separates taxes on betting volume from gross profit taxes, highlighting the different incentives it may have for the bookmaker. The study is interesting because it proves that the evaluation of tax instruments cannot be carried out by only the percentage rate but the base on which the rate is applied is essential. In the context of Tanzania, this means that it is important to look at how each react to fluctuations in business activity when making comparisons of a gross-gaming-revenue percentage with a fixed per-machine obligation. A percentage on gaming revenue will change with changes to the gaming revenue, whereas a fixed amount per machine will remain constant over the time period regardless of the actual gaming revenue generated by a specific machine during the time period. The resulting inequity is a concern over equity when the burden is somewhat related to the economic capacity.

This empirical evidence is further supported by Garrett et al. (2020) who found that it was appropriate to analyse fixed and revenue responsive gaming obligations separately. Their analysis of the UK study of electronic gaming machines looks at how a change from a per-machine licence fee to a gross-profits based Machine Games Duty has affected them. The authors conclude that the reform had impacts on both the numbers of machines and revenue, where operators' choices and the consequences of the reform for the sector were influenced by the design of the tax, even if it was a neutral reform. It is not the model of the United Kingdom to be directly imported into Tanzania, but rather fixed charges and gross-profit/gross-revenue taxes represent different types of economic relationships. A revenue responsive instrument is subject to changes in the taxable base, while a fixed obligation provides predictable and administrative ease. An assessment of equity needs to now consider if fixed obligations are proportionate to the varying scales and productivity of operators and if cumulative fixed and variable obligations result in unintended disparities.

In the broader African context, the focus has been on the development and control of gambling, its digitalization and the social impact of gambling, whereas tax studies have often focused on revenue generation, compliance, and administrative ease. Bitanihirwe et al. (2022) demonstrate how much gambling has evolved in sub-Saharan Africa using new technologies like mobile, internet and multiple payment methods. Their report highlights the growth and intensification of commercialised gambling and suggests that it needs to be well regulated to meet new technologies. In the area of tax policy, such a shift also may need to be periodically evaluated. An economically justifiable classification for gaming in the physical space might not be as favourable in the online world with virtual products, mobile payments and multiple distribution channels. It is only when the justification for the differential treatment continues to reflect meaningful differences in the economic activity, risk to the regulation or administrative needs of the relevant activity that it is legitimate. It is therefore an equity mechanism: periodic review enables the policy maker to check if the rates, charges and licensing regimes that are thus attached to the activities are still representative of the current nature of the activity.

In contrary, Mpofu (2022) shows the tax policy and administrative challenges faced by different African economies due to digitalisation. In addition to providing insight into the institutional environment, these studies do not necessarily determine if the differentiated obligations among gaming businesses meet horizontal and vertical equity. In the same way, international research on taxation of betting and machines unveils the economic impacts of specific tax bases but fails to consider the degree of perceived fairness of the different tax bases in practice as

seen by the operators, regulators and tax professionals in Tanzania. Likewise, international research on the taxation of betting and machines reveals the economic impacts of specific tax bases but does not consider the degree of perceived fairness of the different tax bases in practice as seen by the operators, regulators and tax professionals in Tanzania.

Besides, Majani (2023) reveals the differences in treatment which is provided for in the Tanzanian legal framework *per se*. In addition to the Gaming Act, Cap. The Gaming Board of Tanzania was established under 41 R.E. 2023 which regulates the gaming licences and charges gaming taxes. The Second Schedule sets apart between various types of gaming products: sports betting, SMS games, national games, forty machine sites, virtual games and other licensed games are taxed based on percentages of the gross gaming revenue and slot machines are taxed based on a fixed amount per machine per month. This legislative framework would show that there is already an understanding in Tanzania of the differences in materials of games. There is thus no question as to whether there should be differentiation or not. Instead, the effectiveness of the treatment that is generated by the mix of base, rates, licences, payment conditions and compliance costs is defensible across categories, and within categories as well, especially when operators vary significantly in the size of the operation, the stability of the revenue stream, technology costs, and the distribution of the product or service.

The literature is, therefore, characterized by three gaps which are the basis for the current article. First, gaming tax studies from around the world provide evidence of the economic significance of tax bases, and have limited evidence on the differentiated regime in Tanzania. Second, African studies focus more on the issues of digitalisation and regulatory issues and less on horizontal and vertical equity in gaming establishments. Third, classical tax-equity theory offers guidelines as to what is fair, but once more, requires evidence of comparable circumstances and economic capacity, in a specific industry. This article aims to tackle these gaps, by comparing qualitatively the gaming business operating within the same national legal framework in the city of Dar es Salaam. It measures differential treatment, across 5 interrelated dimensions based on the dissertation evidence: horizontal equity, vertical equity, ability to pay, fairness of cumulative burden and enforcement equity. These dimensions can be used together to provide a more comprehensive evaluation than can statutorily rates.

2.2 Theoretical Literature Review

The article uses complementary lenses of the Tax Equity Theory and Ability-to-Pay Theory. There is a horizontal equity and vertical equity that is distinguished using Tax Equity Theory (Bizioli & Reimer, 2020). Horizontal equity requires that gaming businesses in basically the same situation, both economically and operationally, are treated in a similar manner. Vertical equity is asking if differences in burden can be explained in terms of differences in economic ability and/or other characteristics. The framework does not assume that casinos, sports-betting companies, operators of slot machines and virtual-gaming companies are subject to the same tax. They can have different transaction models, regulatory risks and costs that could justify differentiated mechanisms. The analytical criterion would be that these differences should have a defensible basis, and should not create arbitrary differences between businesses which are otherwise similarly situated. This interpretation is compatible with the wider equity literature which views equality as primarily as a reasoned comparable instead of as a mechanical uniformity (Musgrave, 1993; Repetti & Ring, 2012).

The Analysis is reinforced by the Ability-to-Pay Theory, which looks at the reasonable connection between resulting obligations and the economic capacity (Seriah, 2024). Capacity is considered to be multidimensional in this research as the revenue generated, size of game, operating costs, liquidity, the amount of game technology and game commitments can vary among gaming businesses. Gross gaming revenue is pertinent since several of the gaming taxes in Tanzania are correlated to GGR, however the study does not view GGR as equivalent to the net profitability. Likewise, a fixed obligation is not necessarily considered inequitable because it is not subject to changes with revenues. This is because its equity relies on the size of the commitment to the economic situation of the operators that will be affected and on the continuing strength of the policy's argument. Combining both theories, then, can help the article differentiate between justified differentiation and potentially inequitable treatment, and determine if it is reasonable for the entire fiscal impact to be proportionate for all gaming operations.

3. Methodology

This section summarizes the methodology that was adopted for analysing the tax equity issues arising from differential tax treatment in the gaming industry in Tanzania.

3.1 Research Paradigm

The article had to adopt an interpretivist paradigm as tax equity was linked to meanings and experiences of tax obligations and tax burdens by the actors who are directly

engaged in gaming taxation in addition to formal tax structures. Interpretivism thus allowed for a study to incorporate documentary evidence and contextual narratives from gaming-business representatives, tax administrators, regulators, and taxation professionals.

3.2 Research Design

In understanding the reasons, application and outcomes of differential tax treatment, a qualitative method was used in this article. It analyzed the impact of gaming-tax mechanisms on business size, liquidity, fixed obligations and compliance but did not undertake the estimation of population parameters. Descriptive, comparative and case study designs were also used in the study. The descriptive element studied the tax structures and systems of tax payment; the comparative element studied the difference in tax burden. The case study was on Dar es Salaam Region where various types of games are conducted within the same national regulatory environment. Tax equity was measured not just by subjective notions of equity, but by horizontal and vertical equity and ability-to-pay criteria.

3.2 Sampling and Sample

The unit of study was the gaming business operating in Dar es Salaam Region and the unit of observation was individuals who had first-hand information about the taxation of gaming. The participants were purposively selected, and comprised 20 participants which include 10 gaming-business representatives, three officials from the Tanzania Revenue Authority, three officials from the Gaming Board of Tanzania, two tax practitioners/consultants and two tax academics/experts. The study aimed to draw participants who were able to offer evidence that was rich in information regarding tax structures, payment mechanisms, differential treatment and equity, hence the use of purposive sampling technique. This fits in with the information-power principle, which states that a focused qualitative study with specialised participants, that demands fewer cases, may be able to gather the needed information from a handful of participants who provide information with a high degree of relevance. Malterud et al (2016) describe that qualitative studies can be undertaken with a smaller number of participants if the sample has very relevant information, and the study purpose is narrow. A focused qualitative study, as shown by Hennink and Kaiser (2022) can also reach saturation with a relatively small number of participants.

3.3 Data Collection Tools

The research instruments used in the article were a guide for doing a documentary study and a semi-structured

interview guide. Documentary analysis is a substantive procedure that systematically analyzes documents as qualitative evidence and helps in the triangulation (Bowen, 2009). The documentaries guide included legislation, Finance Acts, regulations, policy documents, tax schedules and institutional publications related to gaming. The following categories of games, tax bases, rates, payment periods, remittance mechanisms, licensing requirements and differential obligations were attended to: The semi-structured interviews produced contextual evidence about implementation and economic impacts. Representatives from the gaming business discussed the issue of calculating taxes, the time of tax payments, and whether they were to be paid in advance or after. The tax administration and compliance, monitoring and enforcement issues were discussed by TRA and GBT officials and tax professionals and academics offered professional perspectives of tax burden and tax equity. The semi-structured format helped to maintain consistency and to delve into new issues.

3.4 Data Collection Procedure

Appropriate research clearance and institutional permissions were obtained and data collection began. Relevant legal, regulatory and administrative documents were identified and reviewed using the documentary guide. The participants were selected purposively based on their functions and knowledge on gaming tax. Interviews were preceded by an explanation and obtaining informed consent. The interviews were conducted after the semi-structured guide with probing used whenever clarification was necessary. Interviews were recorded and transcribed with permission; otherwise, detailed notes were kept. Personal names were replaced with participant codes which were based on the categories of the respondents. The documentary and interview materials were arranged in order to compare and analyze.

3.5 Data Analysis

All data from the interviews was organised, coded, retrieved and compared using thematic analysis and NVivo was used to support the process, while documentary evidence was analysed using qualitative content analysis. Thematic analysis, as described by Braun and Clarke (2006), is a flexible approach to identifying and analysing patterns that emerge in qualitative data. Transcripts were read and coded multiple times for categories and themes. These deductive codes were based on the objectives and the theoretical framework, and comprised: differential tax treatment, horizontal equity, vertical equity, ability to pay, tax burden and tax payment mechanisms.

Emerging issues included the enforcement, consistency of enforcement, costs and burdens of compliance, and

multiple exposure to taxes, fees, and licensing requirements, which were captured via inductive coding. Documents were coded based on the formal provisions of the tax and regulatory requirements. NVivo assisted with data management but did not supplant the role of the researcher in interpreting the data. Three types of evidence were used: documentary, interview. Triangulation was used to find convergence and divergence. Systematic procedures and qualitative trustworthiness principles such as triangulation and an audit trail of transcription, coding and theme development bolstered the trustworthiness of the data.

3.6 Ethical Considerations

Ethical principles were adhered to due to sensitive commercially and institutionally information in taxation, compliance and enforcement. Ethical procedures included institutional research clearance, informed consent, voluntary participation, confidentiality, codes for participants based on their roles and secure handling of research materials. The procedures were important because they were related to commercially and institutionally sensitive experiences related to taxation, compliance and enforcement. Participant codes (not names) were used to minimize the disclosure of names. Audio and video recordings, transcripts, notes and documents were managed and stored securely and for academic use. Every attempt was made to not disclose information that could identify participants or commercially sensitive information.

4. Results and Discussion

4.1 Differential Tax Architecture and the Meaning of Equity

The result is that participants did not recognize differential tax treatment as being inconsistent with tax equity. Gaming classifications have various business models, revenue streams, regulatory risks, technology and monitoring needs, and participants agree that these variations allow for different tax or regulatory approaches. When there was no convincing economic, operational or regulatory justification, the equity issue came to the fore when the differential resulted in materially different effective burdens. This is significant because it will make a difference between equity and absolute uniformity. An inequity might be found in having a single rate or the same payment mechanism for all the activities, when the activities are not all the same. On the other hand, rules which apply to specific categories can be inequitable if the categories are too wide, if the operator in one category has different cumulative obligations to that in another, or if the

economic impact of a rule is not related to the nature of the category to which it applies.

“A slot-machine operations manager captured the practical concern: “the charge will go with the machine—not necessarily with the income generated by the machine” (SMO1, 19 May 2026).

The empirical evidence shows that Tanzania consciously distinguishes between the various games and this is reflected in the statutory regime. The Gaming Act, Cap. Gaming products are allocated percentages based on the 41 R.E. (required expenses) and slot machines have a standard monthly amount per machine. This is an architecture that produces various types of responsiveness. Generally, when the gaming-tax is a percentage of GGR, the number of

dollars the government collects for gaming taxes will fluctuate in accordance with the gaming-revenue base. A machine obligation, by contrast, that is fixed per machine (regardless of machine type) is still the obligation and will continue to be paid even if a specific machine has relatively low revenue during a period. The participants did not consider this to be an automatic unfair distinction as activities conducted by machine can give rise to different regulatory and administrative issues. But they repeatedly insisted that the realistic economic impacts should be used to determine whether there is a fixed or variable obligation, particularly with smaller-sized operators, where there is fewer transactions, outlets or revenue streams to spread fixed obligations over.

4.2 Horizontal Equity and Comparable Treatment

Table 1: Differential tax features and their equity relevance

Tax feature	Observed form in the study	Equity relevance
Revenue-responsive obligations	Percentage-based liabilities linked to gaming revenue	Burden changes with the taxable revenue base, but GGR does not by itself measure net economic capacity.
Fixed obligations	Per-machine and other fixed regulatory commitments	Equal nominal charges may create unequal proportional effects across operators of different scale or productivity.
Licensing and category rules	Different requirements across casinos, betting, slots and virtual gaming	Differentiation may be justified where operating models and regulatory risks materially differ.
Payment and reporting mechanisms	Periodic remittance, withholding, electronic reporting and reconciliation	Timing and compliance costs can affect liquidity and the practical burden beyond headline rates.

Source: Researcher’s thematic synthesis of interview and documentary evidence (2026).

Comparable effective treatment was the first area of horizontal equity that came up as a question. Participants disagreed on the notion of fairness being equal taxation of all games. A tax practitioner said that horizontal equity is “similar treatment of taxpayers in similar situations rather than uniformity”, and that this argument can be made with regards to different types of games and different mechanisms, as long as there is an explanation of the tax burden on similarly placed operators (Tax Practitioner TPO2, 12 August 2026). A GBT officer contributed that virtual games, machines and casinos do not operate or need to be regulated in the same way and some difference in regulation is therefore required (GBT Officer GBTO2, 19 August 2026). These reports suggest that the participants had an understanding of the concept of comparability in context. It was not necessarily a comparison of the identical provisions of a statute, but an evaluation of differences in the working of the statutes relative to the reality of their operating conditions, legislative risk, and other clearly distinguishable policy features.

“A GBT officer also highlighted that there’s a difference in the way gaming categories are operated and they need different monitoring” (GBTO2, 19 August 2026).

This view is consistent with Musgrave’s (1993) concern for the protection of the tax-payer from arbitrary discrimination and the differentiation among unequals that is appropriate in Repetti and Ring’s (2012) understanding. When applied to gaming it’s a very challenging analytical problem to determine when operators are close enough to warrant the same treatment. Two casino operators may vary significantly from one another in some physical aspects of their operations, in the nature of their transactions and in the type of monitoring they require; two sports-betting operators that play games that are attractive to the same customers may be much more similar. The article thus recommends conducting tests for horizontal equity at more than one level. To assess differences between statutory gaming categories, one might also wish

to consider whether there are differences in the effective obligations (after accounting for taxes, licences, reporting systems and enforcement) among the operators in similar gaming categories. The same category of uniform treatment can result in unequal treatment if there are significant differences in implementation.

4.3 Vertical Equity and Ability to Pay

The issues of vertical equity and ability to pay came out of the discussion of revenue responsiveness, fixed obligations, operator scale, costs and liquidity. The general consensus was that the obligations based on gaming activity, such as GGR, are more responsive to changes in gaming activity as the taxable amount varies with the gaming activity. A sports-betting manager shared his view that a percentage that's based on gaming revenue will align with the gaming revenue base, but he cautioned that the fixed commitments will become more pronounced during down periods and can form a larger part of a smaller operator's costs (Sports-Betting Manager SBMO2, 25 August 2026). This evidence supports the proposition that the economic burden cannot be determined by using a statutory percentage only. The relevant question about vertical equity is whether the mix of obligations and revenues are still fairly balanced between operators of varying sizes, revenue stability and ability to cover the costs.

Participants also warned not to assume that GGR is a suitable gauge of ability to pay. Gross revenue is not a 100% indicator of economic capacity as gaming businesses have many cost components other than GGR, such as technology, employee, premises, licensing and regulatory costs, and an operator could see a significantly higher GGR and a comparatively small net profit after costs (Tax Consultant TCO1, 28 August 2026). This is not to say that GGR is not viable as a tax base. Instead, it narrows the uses and implications of the data for equity considerations. While GGR can serve as an administratively observable and activity-responsive base, there is a need to also take into account whether cumulative obligations are reasonable in light of the broader economic context when evaluating vertical equity. The finding is especially significant if there are licence fees or technology charges or fixed charges that do not fall as margins or liquidity deteriorate in addition to a GGR tax.

The importance of the operator scale was underlined by a gaming-business finance officer, who gave his explanation that the identical fixed paying of two £100,000 fixed payments can have very different effects on two businesses with the same type of licence. A larger operator will have many outlets and transactions, and can spread the payment amongst them, while a smaller operator will have less

outlets from which to spread out the same payment (Gaming-Business Finance Officer GBFO1 31 August 2026). This discovery is an example of the fact that formal and economic equality can be different. An identical fixed charge meets a narrow rule-equality test, but can be a much higher percentage of the resources for a smaller business. It's important that relative impact be examined through ability-to-pay analysis. While this does not imply that each fixed charge should be proportional to firm size, it does imply that periodic policy review should be done to see if fixed amounts are still proportional to firm size and if their combination with variable charges creates unintended vertical inequities.

The conclusion on fixed obligations echoes Garrett et al. (2020)'s research on gambling machines, which found that the different types of taxation – based on per machine or gross profits – can have different behavioural and revenue impacts. Their findings indicate that base-change can have an impact on the economics of machine operation and they generally conclude that there is no economic equivalence between fixed and revenue responsive instruments. The Tanzanian evidence builds on this understanding of an equity lens. Not only the operator incentives, but also the viability of the fixed commitments on machines and businesses of different productivity and scale were of concern to the participants. A lump sum per machine charge is thus not intrinsically equitable, given that all machines have the same charge. Consequently, a per machine charge is not necessarily equitable, as there is no reason why each machine should be charged the same amount. The principle of equality of nominal charge must be separated from the principle of equality or proportionality of economic effect particularly if there is a significant difference in machine utilisation and revenue.

4.4 Payment Timing, Liquidity and Compliance Burden

The other dimension of ability to pay was with respect to time of payment and liquidity. The overall results of the dissertation revealed that regular remittance deadlines can help in revenue administration, but this can be achieved through a coordinated remittance schedule with the gaming business on the one hand and with their other commitments like salary payments, technology purchase, licence payments, etc. on the other. The importance of timing in the focused equity analysis is in relation to capacity. If two companies have the same nominal annual tax, but different cycles of payment and cash flow, the impact on the finances of each company will be different. Transaction-linked or frequent remittance can lower the risk of non-collection by the government, but can also result in additional working capital stress for operators that experience fluctuations in their margins. Payment systems

should, therefore, be taken into account when assessing equity and not just treated as an administrative detail. This interpretation is consistent with the idea of distributional effects of administrative design, as proposed by Bachas et al. (2024), who argue that even if statutory policy is neutral.

Compliance costs extended the definition of tax burden to include costs outside of the statutory gaming tax. Participants identified electronic reporting, transaction reconciliation and recordkeeping, licensing, and interacting with regulatory systems as needing financial, technological and human resources. These needs can be vital for clear regulations and proficient income collection, especially in high-volume online gaming. However, the price of their operation may be different depending on the operator size and the model of the technology used. A large platform can have a lot of compliance staff and systems on a large volume of transactions, while a smaller platform can have the same number of compliance staff and systems on a big volume of transactions. The article thus considers compliance requirements as relevant to equity but does not imply that compliance requirements that are necessary should be removed. The policy implications are: to review if the regulation requirements are set at the correct level and if there is a possibility to make compliance rules easier to follow without compromising on quality of monitoring and revenue integrity due to technology.

4.5 Enforcement Equity and Competitive Fairness

A consistent application of the basic theory proved to be the most viable practical elaboration of the initial conceptualization. Participants repeatedly highlighted how, despite being formally equitable, rules can lead to inequitable outcomes in the market if the operator complying with the rules is bearing the full burden from taxes, licences and reporting requirements; and the competing operator is not reporting or operating without the required licence or is hard to monitor. The notion of fairness is not only one of 'the tax rate', but also when a comparable operator does not meet equivalent tax or regulatory requirements, the compliant firm would be put at a competitive disadvantage (Tax Practitioner TPO3, 2 September 2026). This discovery takes tax-equity issues from the legislative design stage to implementation. The effective burden depends on the consistency of the identification, monitoring and enforcement of obligations

within businesses that serve the same market by the law as well as the possibility of the authorities to do so.

This was particularly true for online and cross border gaming. A Gaming Board officer said online transactions can involve crossing jurisdictions and that there may be online gaming providers that may serve Tanzanians even if they don't have a physical presence as the domestic gaming licensees. The officer stated that the need for enhancement of technological monitoring to avoid creating disadvantage of businesses that meet domestic standards is a necessity (GBT Officer GBTO3, 4 September 2026). This issue reflects on general African literature on digital tax, in particular. While mobile and internet technologies are increasingly a part of African gambling markets, as Bitanihirwe et al. (2022) report, digitalisation may also have a negative impact on transparency and make jurisdiction and enforcement more complex, as pointed out by Mpofu (2022). Enforcement equity will therefore more and more rely on regulatory technology that can detect economically comparable activity, whether it is provided in a traditional facility or digitally. The Tanzanian evidence thus indicates that regulatory technology that allows enforcement to detect economically similar activity, irrespective of whether it is provided in a traditional facility or a digital channel, will increasingly drive the concept of enforcement equity.

A gaming-business compliance manager raised the same question with respect to a licensed gaming business, saying he or she has the same expectations for his or her competitors as the gaming business does, when it comes to fee payments, records keeping and tax remittances. If the non-compliant or unlicensed operator continues to operate without having to pay the same costs, then there is an invisible disadvantage in the compliant business (Gaming-Business Compliance Manager GBCMO1, 7 September 2026). This evidence is important since it shows the impact of using enforcement on incidence. Sometimes the same law imposes the same duties on two similar companies, but while one company fulfils its obligations, the other does not and this imposes a higher real cost on the company that complies. Comparability of rules is thus necessary, but it is also important that the rules are implemented in a sufficiently consistent manner across the board. Enforcement, then, is an essential component to equity in taxes, and not just an administrative objective.

4.6 Integrated Tax-Equity Implications

Table 2: Illustrative respondent evidence by equity theme

Theme	Illustrative respondent evidence	Analytical meaning
Horizontal equity	Tax Practitioner TPO2: similar situations require similar treatment rather than mechanical uniformity.	Comparable operators should face defensibly comparable effective treatment.
Vertical equity	Sports-Betting Manager SBMO2: fixed commitments become more visible during weaker revenue periods.	Burden should respond reasonably to differences in economic capacity.
Ability to pay	Tax Consultant TCO1: GGR alone does not capture technology, labour, licensing and regulatory costs.	Capacity should be assessed using a broader economic picture than gross revenue alone.
Enforcement equity	GBT Officer GBTO3 and Compliance Manager GBCMO1: uneven monitoring can disadvantage fully compliant operators.	Fairness depends on consistent practical enforcement as well as statutory design.

Source: Researcher's thematic synthesis of interview and documentary evidence (2026).

The five equity criteria obtained from the thematic synthesis of the article were interrelated. First, horizontal equity demands equal circumstances for equal effective treatment, and thus the need for some sort of basis for differentiation. Second, vertical equity calls for some consideration of burden to consider meaningful differences in economic capacity and fixed and cumulative charges are subjects of a proportionality review. Third, capacity is determined by both revenue and scale, and operating costs and liquidity, so GGR alone is not an indication of overall capacity. Fourth, fairness of burden must take account of taxes and licences/compliance costs together since operators bear the costs as a package. Fifth, if monitoring and compliance are not similar in different operating models, then enforcement equity is compromised, as it may be an advantage to businesses that are compliant. These criteria offer a sensible means of assessing a differentiated gaming-tax system with a non-absolutist approach that does not presume a uniform tax to be uniformly fair nor a statute to imply a uniform tax.

The results also provide an understanding of the legal-economic link. The differentiated treatment was accepted better when the classification matched observable differences in the way that the gaming activities functioned, the risks that they caused and how they produced revenue. Increase in the concern about equity where there was an apparent lack of a link between the economic impact of an obligation and the basis for classification. This indicates that the reason behind a policy has to be transparent, that is, important. The more operators can understand the rationale behind differentiated obligations (government's explanation about why the use of a specific tax base is warranted, why the charge is fixed, and how it was determined), the more likely they are to be

able to grasp the differentiated obligations. While transparent justification does not guarantee the equity of a policy, it can help to assess the link between classification and burden and allows for regular review in cases of technology advances, market structure and operating costs.

The article's main contribution to the debate in Tanzania on gaming taxes is the difference between the concept of justified and unjustified differentiation. If there were a demand for the same taxes on all games, material differences between casinos, betting platforms, etc. and slot machines and virtual products would be ignored. But if any statutory differences are accepted based on their presence in the law, it would also not align with tax-equity analysis. The right middle course will be evidence-based differentiation (where appropriate differences exist, there may be appropriate differences in mechanisms, but the policymaker must be able to show that the burden resulting from the differences is reasonably connected to the differences). This way of doing it is in keeping with horizontal equity and vertical equity. It safeguards similar operators from arbitrary differences to ensure that legitimate differences when the economic capacity, revenues, technology, monitoring needs or regulatory risks are not the same. In this regard, tax equity is found in the proportionality based on reasoning rather than uniformity.

4.7 Theoretical and Empirical Interpretation

The results of the theory substantiate the complementary use of the Tax Equity Theory and the Ability-to-Pay Theory. Based on Tax Equity Theory, there is a need to consider horizontal and vertical criteria for differentiation, not uniformity. The discussion is extended by the need to consider economic basis for the burden in the Ability-to-

Pay Theory. Both theory is not mechanically adequate. Horizontal equity involves making a judgment that determines which gaming businesses are truly comparable, and ability to pay involves making a defensible understanding of capacity. From the empirical evidence, it can be seen that the gaming business is not alike as far as revenue model, fixed costs, technology and regulatory requirements are concerned and thus, there is no one indicator to answer either of the two questions. Theories combined allow one to pose a question about the fairness of differentiation, about whether the burden of differentiation is appropriate, and about whether enforcement results in the same treatment in reality. The outcome is a more contextual and specific approach to tax equity in specific regulated sectors.

4.8 Scope and Interpretive Boundaries

However, the Dar es Salaam evidence needs to be considered in the context of the qualitative and case-study

nature of the study. The research focuses on mechanisms, experiences and equity considerations, not on the computation of category-specific effective tax rates by audited firm-level financial statements. It is not therefore capable of providing an accurate measure of the incidence of each tax and regulatory requirement for all the gaming industry in Tanzania. Nor does it make any assumption that all operators in a category go through the same condition. It is analytical and empirical, not only in that it identifies when the differential treatment was justified, or not, in the eyes of the stakeholders, but also by triangulating these accounts against the formal framework. Based on these results, future quantitative studies may be conducted which can be used to determine representative game category effective burdens based on revenue and cost/liquidity data. This type of effort would help to demonstrate the scale of proportionality issues that were identified qualitatively and would bolster evidence on which to base future rate and/or fee calibration.

Table 3: Tax-equity implications emerging from the findings

Equity criterion	Dominant empirical finding	Implication
Horizontal equity	Comparable circumstances should attract comparable effective treatment	Differentiation requires a defensible basis
Vertical equity	Burden should reasonably reflect differences in economic capacity	Fixed and cumulative charges require proportionality assessment
Ability to pay	Revenue, scale, costs and liquidity jointly shape capacity	GGR alone is not a complete measure of capacity
Fairness of burden	Operators experience taxes, licences and compliance obligations together	Headline rates alone cannot establish equity
Enforcement equity	Compliance and monitoring differ across operating models	Uneven enforcement can disadvantage compliant businesses

Source: Researcher’s thematic synthesis of interview and documentary evidence (2026).

5. Conclusions and Recommendations

5.1 Conclusions

There is no a priori reason why the differential tax treatment in the Tanzania gaming industry is in conflict with tax equity. Gaming activities vary with regard to their operating models, revenue structures, technology, regulatory risks and compliance monitoring needs, and these distinct characteristics may merit different tax bases, rates, and administration regimes for gaming type taxes. The question is whether there is a clear and explainable connection between the differentiation and relevant economic and/or regulatory conditions. Horizontal equity is disturbed when there is a lack of material equality between the effective obligations of different operators in comparable situations for which there is insufficient reason. Vertical equity is at stake when obligations are not responsive to economic capacity (are fixed) and when they also increase with economic capacity (are cumulative), or

when the relative cost of the obligations is disproportionately high for the smaller operators. It is reasonable and proportionate to rely on evidence for equitable gaming taxation, rather than a mechanical approach or a blind acceptance of statutory differentiation.

Statutory rates also are not enough to measure gaming-tax equity. However, the effective tax burden is generated by the combination of tax bases, tax rates, fees, licences, timing of payments, reporting obligations and the cost of technology—as well as other compliance requirements. GGR-based taxation is more likely to be sensitive to gaming revenue but GGR is not a measure of net profitability or total economic capacity. Fixed obligations provide administrative certainty, but can have unequal relative impacts between operators depending on the scale and productivity of the operators. Equity reviews should, therefore, analyse the gaming businesses' overall fiscal situation, and not each obligation in isolation. Besides, enforcement is as crucial but do not necessarily provide similar effective treatment if monitoring and compliance

are not similar. When operators who avoid the equivalent licensing and regulatory obligations – such as through under-reporting or by operating online without suitable means of monitoring – get a competitive advantage, it can be a disadvantage to licensed operators. Consistency in enforcement should thus be acknowledged as an aspect of horizontal equity and technology aided enforcement monitoring is especially crucial in the digitalization and cross-border of gaming.

5.2 Recommendations

The article makes recommendations to promote tax equity, consistency of tax enforcement, compliance and policy adjustments based on evidence for the gaming sector in Tanzania. They need to be implemented through collective effort of government institutions, gaming companies, industry associations and researchers to achieve sustainable improvements.

5.2.1 Introduce regular reviews on Gaming-Tax Equity.

Regular reviews of the gaming-tax equity by the Ministry of Finance should be included in addition to the revenue-performance assessments. Such reviews should assess the continued need for and justification of disparities in tax rates, tax bases, fixed charges and payment systems for various gaming activities based on economic and regulatory attributes. They should evaluate accumulated obligations and consider if fixed obligations have become disproportionate due to inflation, technological change, or market concentration, based on the size of the operators. If there is any differential treatment, the policy basis for this needs to be communicated in the following, and regularly reviewed. Equity review does not necessarily mean that taxes should be lowered, but rather that they must be calibrated on the basis of evidence to provide a domestic revenue mobilisation framework that is proportionate, predictable and is not impossible for operators to pay.

5.2.2 Strengthen Coordinated and Technology-Based Enforcement

Enforcement of the laws by the Tanzania Revenue Authority and Gaming Board of Tanzania is recommended to be coordinated, risk-based and technology supported. There would be greater value in increased information sharing between the taxation and gaming regulatory systems to detect differences in gaming activity reporting and to allow comparison of operators engaging in similar gaming activities on different platforms. Special focus should be given to online and cross border gaming, as there may be a lack of enforcement in these areas, which could lead to disparate treatment between remotely operated and

domestically licensed gaming providers. It is also important that joint guidance on tax bases, remittance procedures, record keeping and gaming classifications and technology requirements be prepared by TRA and GBT. The clarity of institutional responsibilities would decrease uncertainty, increase compliance and mitigate enforcement asymmetries between gaming establishments that offer similar games.

5.2.3 Improve Record-Keeping, Transparency and Industry Engagement

For gaming businesses, it is important to keep good money and operations records, ensure that regulatory and tax data is timely filed and improve the transparency of reporting. The cumulative tax, licence fees, fixed charges, payment schedules and compliance requirements should be systematically shown by industry associations to impact on various gaming-business models. Operators should show how these duties relate to revenues, operating expenses, liquidity and business size. This would enhance periodic equity reviews and help in determining whether an equity concern is truly on a proportional basis or merely an instance of ordinary tax compliance or avoidance. More interaction between operators, TRA and GBT will also help to clarify gaming classification, obligations arising from this classification and its practical implications for the operator in the event of tax and regulatory changes.

5.2.4 Expand research on Effective Tax Burdens

Going forward, future studies should attempt to measure effective tax loads at the business level, based on financial metrics like the gross gaming revenue, net margins, fixed charges, licence costs, compliance expenses, and payment timing. Comparative studies should be done across different regions of Tanzania to investigate the different experiences that the market size and nature of the operators and enforcement of the markets have had in the region as compared to the experience in Dar es Salaam. Technological change is making it harder to distinguish land-based and online gaming, so special research focus should be placed on digital and cross-border gaming. Longitudinal studies also would allow for an evaluation of the effects of changes in taxation, regulation, technology and market structure on horizontal equity, vertical equity and ability to pay over time.

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