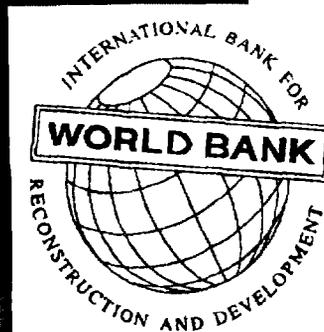


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# Findings

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## Property Tax in Anglophone Africa - Issues and Constraints

The purpose of this manual is to provide an easily accessible guide to property tax administration in anglophone Africa. This is not an academic text book. There is much already written on property tax by economists and academics. There are plenty of text books on valuation. There are few, if any, books on how to organize a revaluation. The intended readership is valuation officers in Africa, project leaders in the World Bank and other lending institutions, consultants designing property tax systems, and African legislators, senior civil servants concerned with local government, and politicians.

This manual is the result of a joint initiative by the UK Overseas Development Administration (ODA) and the World Bank. It was developed under the aegis of The Municipal Development Program for Sub-Saharan Africa (MDP) - a collaborative undertaking of development agencies and African institutions established to help provide the analytical capabilities and resources to enhance the effectiveness of African urban local governments. The manual is part of a series of publications to support the MDP objective of promoting the analysis and debate of policy, strategies, and state-of-the-art thinking on topics vital to local government in Sub-Saharan Africa.

In general the advice and guidelines in the manual are prescriptive. They will not fit every circumstance without adaptation. The suggested solutions are not the only ones that can work. Of the many locally raised sources available, property tax is often the most effective. It is a very visible tax. It is hard to avoid. It has the potential to yield about 10 percent of the total tax revenue from all sources, whether collected nationally or locally. Property tax is generally cheap to administer. Collection only requires determination and neither valuation nor collection depend on a high level of technology. Why then does property tax account for a small proportion of tax revenue in many African countries? Many articulate voices will be raised in protest causing political difficulties. When considered in relation to other taxes this is usually its weakest point.

The manual contains eight chapters. Chapter 1 deals with Preliminary Planning and the importance of establishing a sustainable policy framework. It lists four broad policy issues that must be addressed before attending to the practical difficulties of improving and/or introducing a property tax. They are:

i) The level of decentralization and central-local government financial flows. Property tax is always a central issue in the question of decentralization since this is usually a local tax. *How committed is government to the decentralization?* In many instances, a decision to improve property tax may be initiated to give local government the financial resources to fulfill its obligations. Before any decision or action is considered on local government finance, it is necessary to assess: first, how much devolved power local government already has both in theory and in practice; and second, whether there is a policy to make a greater devolution of power; and third, the extent to which central government is in practice prepared to give up its control over local government.

ii) *Where does property tax fit within the general tax structure?* No tax can be considered in isolation. Any proposed improvement to property tax must be looked at in the context of the tax system generally, and not only in relation to locally-generated revenue. There are two main areas of concern. The first aspect to examine is how far other taxes affect property and whether this could affect proposed improvements to property tax. The second aspect is how will the combined burden affect the property owner? It is obviously undesirable to over tax a particular sector, for both political and practical reasons.

iii) *Property tax as an efficient and effective means to mobilize local government revenues.* Property tax, or an increase in property tax, should be considered along with other taxes, fees and licenses. The first task is to identify all the sources of locally-generated revenue collected at present and assess what percentage each represents of all locally-generated funds. What are the possibilities for increasing the level of tax, fees, or licenses? Are they buoyant with inflation? How are the levels decided? Are there administrative problems to raising the levels? How much will the improved tax or fee yield?

iv) *How to improve the property tax system.* A step-by-step guide describes the necessary steps to examine and assess existing records, carry out a field exercise, and estimate a potential yield after improvements or a revaluation. There will be defects. There will also be some strong points which can be built on.

Two "design questions" are presented and covered in detail. The first design question addresses the issue of organizing valuation and estate management resources within the public and private sector. Appropriate institutional and political modalities and administrative arrangements are provided. The second design question addresses the institutional and implementation issues involved in instituting a Property Valuation system. It addresses practical questions such as what measures should be used to make the assessment? How should property be valued? Does the law clearly stipulate who is liable to pay tax?

Chapter 2 provides guidelines on *how to set up a Valuation Office* including the kind of staff skills required, examples of organizational charts for valuation departments/structures (centralized, decentralized and privatization of the valuation function), short and long term strategies to meet critical skill gaps, upgrade staff and equipment requirements including the costs and benefits and suitability of computerization over manual rolls.

Chapter 3 deals with *Collection*. Collection is the last stage in the sequence of Property Tax Administration following Discovery, Valuation, Assessment, and Billing. Technically, the process of collection may be less demanding than assessment, but it is equally important in that it is a common cause of failure. Early improvements in the collection system must run parallel to preparation for a revaluation. Other factors vital to a smooth collection process include galvanizing political will, developing management skills and where possible utilizing the private sector.

The core of the book is Chapter 4 which gives practical instructions on *how to get a revaluation done*. This chapter details the step that need to be taken to develop a plan for the revaluation, a process for property identification and discovery so that each entry into the valuation list can be identified on the ground by staff in the valuation office, collection office and by the general public. An identification check list is included. This chapter addresses practical questions such as: What is the critical information needed for the valuation list and how do you collect it? What is the difference in using mass appraisal versus an individual valuations approach? Practical suggestions are provided regarding what key office records to keep, how to develop a property classification system and a national codes. The chapter concludes with how the Valuation Office can deal with queries, and formal appeals of taxes assessed by property owners.

Chapter 5 covers management issues related to the *day-to-day running of the valuations office*. The key message is this: The efficient and effective execution of routine administrative duties and maintenance of an up-to-date information base guarantee that future revaluations will be done on a regular basis with minimum effort. This will require obtaining information on new properties and alterations on existing ones; continuous referencing through reinspections in established areas and new inspections in expanding areas. Quality and technical control of information collection and assessments is key to maintaining an up-to-date accurate roll.

*Making property tax politically acceptable* is the theme of Chapter 6. The public must be informed of the link between the levels of property tax and the level of services received. The key is to share the burden of property tax. There must be "safety valves", the most important of which is an easily accessible and honest valuation appeal and tribunal.

Finally, Chapter 7 lists briefly some *key performance indicators and criteria by which success may be measured*. Targets are provided as a reality check.

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*Simon Keith. 1993. Property Tax - A Practical Manual for Anglophone Africa. Technical Paper No. 209. Africa Technical Department. Washington, D.C.: WorldBank.*

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