

**An Exploratory Overview of  
Property Taxation in the  
Commonwealth of Nations**

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and  
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## Abstract

This study provides an overview of the property tax systems in the 53 member states of the Commonwealth of Nations, as well as Zimbabwe (a member state until its withdrawal in 2003) and Montserrat, a British dependency. An annual tax on property is levied in 49 of the 55 countries studied. For a variety of reasons property tax is not utilised optimally in any one of the 46 developing countries studied. However, it is generally recognised in most of these countries that property tax could and should become a more important source of own revenue for especially urban municipalities or, in respect of the various small island states in the Caribbean and the Pacific region, where local government does not exist, at central government level.

Although comprehensive property tax legislation exists in most of the jurisdictions studied, giving practical effect to the provisions of the law presents problems in many of these countries – with the developed countries the general exceptions. A wide variety of tax bases are used and typically the property tax coverage in many if not most of the developing countries is unsatisfactory. With the exception of Cameroon and Dominica, all of the other jurisdictions use a form of *ad valorem* property tax as the preferred system. For an *ad valorem* system to function efficiently and equitably, the implementation and maintenance of credible and defensible valuation rolls are critical factors. In this context the lack of properly qualified and skilled valuers presents itself as a serious stumbling block in most jurisdictions in Africa, in Asia and in the Pacific region, as well as in some jurisdictions in the Caribbean. An untenable attachment to outdated policies and/or legislation, in many instances retained from the pre-independence era, hampers the revenue potential of the property tax. In many jurisdictions collection and enforcement are also generally poor and the relationship between councils and taxpayers strained.

If the current situation is to improve significantly, capacity building in the areas of professional, technical and management skills, training, computerisation, collection and enforcement procedures is imperative. However, in some countries it is even doubtful whether the appropriate legal, institutional and organisational frameworks exist to ensure that the present system can function effectively at any time in the near future. For these countries it may be worthwhile to consider alternative systems to the *ad valorem* approach, or a simplified methodology for determining taxable value. Recent developments in India indeed suggest that the latter approach is being considered.

This study provides a mere exploratory overview of the systems in place as described in current legislation. Further research is required to get a better understanding of the political, constitutional and legal environment within which property assessment and property taxes are administered, and to address the present weaknesses of the respective systems. Only then can properly justified recommendations regarding suitable amendments be made.

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# **An Exploratory Overview of Property Taxation in the Commonwealth of Nations**

## **Introduction, Terminology, Research Methodology and Outcomes**

In the context of the world-wide focus on decentralization, there is a growing awareness of the need for all levels of government, but especially at sub-national levels, to maximize their potential own sources of revenue. Part and parcel of the reform agenda in many developing countries, in many instances fuelled by funding agencies and the donor community, is local revenue enhancement. It is generally accepted that through enhanced local revenues, local governments should become more accountable to taxpayers and could more readily provide improved levels of public services, appropriate infrastructure, as well as the operation and maintenance thereof.

It is also widely acknowledged that the property tax is an ideal tax to be levied and collected by local government. Not surprisingly, therefore, property tax – in one form or another – is an important source of revenue, especially at local government level, in many developed and developing countries across the world.

This study aims to extend the international coverage pertaining to property taxation by collating and reporting on the property taxes levied in all the member states of the Commonwealth of Nations (hereinafter “the Commonwealth”). By adopting the Commonwealth as the focus of the research, it covers 53 countries. Of the current member states, 46 states from Africa, Asia and the south Pacific, and Latin America and the Caribbean can generally be described as developing countries, whereas seven member states can be classified as developed countries.<sup>1</sup> The 46 developing countries within the Commonwealth represent a significant number of the total number of developing countries world-wide. To a lesser or larger extent these countries share a common colonial heritage and were therefore also exposed to the legendary British administrative system.

This project links into the existing patchwork of country information on land and property taxation that is currently available. In this regard the following comparative and/or descriptive reviews of property taxes in various countries have recently been published –

- Youngman, J.M. and Malme, J.H. 1994. *An International Survey of Taxes on Land and Buildings*, Kluwer: Boston;
- Rosengard, J.K. 1997. *Property Tax Reform in Developing Countries*, Kluwer Academic Publisher: Boston;
- McCluskey, W.J. (ed.) 1999. *Property Tax: An International Comparative Review*, Ashgate: Aldershot;
- Almy, R. 2000. *Property Tax Policies and Administrative Practices in Canada and the United States*;
- Brown, P.K. and Hepworth, M.A. 2002. *A Study of European Land Tax Systems*, Lincoln Institute of Land Policy;

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<sup>1</sup> Namely Australia, Canada, Cyprus, Malta, New Zealand, Singapore and the United Kingdom.

- Youngman, J.M. and Malme, J.H. 2001. *The Development of Property Taxation in Economies in Transition: Case Studies*, Lincoln Institute of Land Policy;
- McCluskey, W.J. and Franzsen, R.C.D. 2001. *Land Value Taxation: A Case Study Approach*, Lincoln Institute of Land Policy Working Paper WP01WM1;
- Franzsen, R.C.D. 2003. *Property Taxation within the Southern African Development Community: Current Status and Future Role of Land Value Taxation in Botswana, Lesotho, Namibia, South Africa and Swaziland*, Lincoln Institute of Land Policy Working Paper WP03RF1; and
- Bird, R.M. and Slack, E. (eds.) 2004. *International Handbook of Land and Property Taxation*, Edward Elgar Publishing Company.

This study must be viewed as an attempt to complement these recent comparative studies and as an effort to extend country-specific knowledge and expertise.

The Commonwealth is constituted of the 53 member states listed in Table 1.1 below.

**Table 1.1: Commonwealth Member States**

Antigua and Barbuda	Jamaica	Saint Lucia
Australia	Kenya	Saint Vincent & The Grenadines
The Bahamas	Kiribati	Samoa
Bangladesh	Lesotho	Seychelles
Barbados	Malawi	Sierra Leone
Belize	Malaysia	Singapore
Botswana	Maldives	Solomon Islands
Brunei Darussalam	Malta	South Africa
Cameroon	Mauritius	Sri Lanka
Canada	Montserrat	Swaziland
Cyprus	Mozambique	Tanzania
Dominica	Namibia	Tonga
Fiji	Nauru	Trinidad & Tobago
The Gambia	New Zealand	Tuvalu
Ghana	Nigeria	United Kingdom
Grenada	Pakistan	Vanuatu
Guyana	Papua New Guinea	Zambia
India	Saint Kitts & Nevis	

Source: <http://thecommonwealth.org>.

At the outset of the project it was premised that an analysis of the property tax systems of such a broad scope of developed as well as developing countries could lead to a better understanding of the international use of and evolutionary trends in respect of property taxation.

From a research perspective these countries allow for interesting comparisons to be made. Not only do these 53 countries on aggregate represent 1.8 billion people,<sup>2</sup> but individual member states are spread over six continents – facilitating inter- and intra-continental comparisons.

<sup>2</sup> See <http://www.thecommonwealth.org>.

Furthermore member states differ significantly in terms of size (ranging from Canada to Nauru), population (from India to Tuvalu), per capita income (from Canada to Sierra Leone), constitutional and political systems constituting federal states (e.g. Canada, India and Nigeria) versus unitary states (e.g. Barbados, New Zealand and South Africa), land tenure (private ownership versus leasehold versus communal and other forms of indigenous tenure), legal systems (common law (e.g. Jamaica and United Kingdom) versus civil law (e.g. Cameroon) versus hybrids of common and civil law (e.g. South Africa and Sri Lanka) versus hybrids of common law and indigenous law (e.g. Tonga and Tuvalu) as well as stages of economic development (Canada and the United Kingdom versus Kiribati and Malawi).

In the majority of the Commonwealth member states the legal system is still largely based on English law. This raises the issue as to the applicability of certain legal concepts, especially in the areas of the property law and land tenure where these seem to be in conflict with indigenous notions, legal principles and/or the gradual legal evolution acknowledging local custom that is taking place in a post-colonial phase in many of these countries. For example:

- Can a property tax system, designed with properties occupied in terms of ownership or leasehold in mind, be adapted to land occupied under communal or tribal tenure?
- Can an *ad valorem* property tax system operate effectively in a country where land has been nationalized (e.g. Mozambique and Tanzania) and/or tenure security is tenuous (e.g. Sierra Leone)?
- Can an *ad valorem* property tax system be sustained in countries experiencing severe capacity constraints as regards professional skills in the area of property valuation (e.g. India and Uganda)?

As indicated above, most of the Commonwealth member states inherited a sound administrative system when they gained their independence from the British in the 1960s and 1970s. In many instances they also inherited property tax legislation that was fashioned after the British rating system in existence at the time. This raises a number of important questions:

How relevant and appropriate was the British property tax heritage at the time of independence?  
How relevant is it today, where no or only insignificant amendments have been affected since independence?

How appropriate is it to retain the essence of this heritage when significant reform opportunities arise?

Present-day realities existing in many developing countries in the Commonwealth regarding the nature and administration of their respective property tax systems seem to suggest that outdated systems and/or inappropriate concepts need to be reconsidered as a matter of urgency.

Furthermore, the gap between the law as contained in legislation and the law as practiced on a daily basis seems to be significant in many of the countries studied.

## Terminology

This study must be approached and considered with some caution. It is a mere cursory overview of the property tax systems of the relevant jurisdictions, and thus limited in scope and depth. In the case of comparative research of this scope and nature, especially in areas underpinned by legislation (as is the case with a study of property taxation), special care must be taken to ensure that the terminology used are correctly understood and applied uniformly across various countries or jurisdictions. Specific statutory and common law terms may indeed have very different meanings in different jurisdictions.

In an attempt to overcome at least some of the problems regarding terminology, the following terms used in this report are used consistently as defined below – unless the contrary is explicitly indicated.

**“Annual value”** refers to the basis of the property tax where the taxable value is related to an estimate of the annual rental value of the rateable property.

**“Capital improved value”** refers to the market value of a property, i.e. the value of the land plus all improvements as a single taxable object.

**“Commonwealth”** refers to the 53 member states of the Commonwealth of Nations.

**“Immovable property”** refers to land, buildings and all permanent fixtures affixed to land, which, in some jurisdictions, is generally referred to as “real property”.

**“Land rent”**, also referred to as “ground rent” in some jurisdictions, refers to a charge for the occupation or lease of land owned by the national government or held under customary tenure.<sup>3</sup>

**“Land tax”** refers to an annual tax on the ownership of unimproved or improved land, generally with reference to the size or value of the land only, i.e. excluding all or most of the improvements effected to the land.

**“Land value taxation”** (LVT) refers to a property tax with land as only taxable object, i.e. ignoring the value of improvements (and is thus often synonymous with “site value rating” or “unimproved value taxation”).

**“Property-related tax”** refers to any tax in terms of which immovable property is the (or could be a) dominant taxable object or item to determine the taxable value, e.g. value-added tax (VAT), capital gains tax, estate tax or death duties, gift or donations taxes, (real) property transfer taxes, and, of course, property and land taxes in the strict sense.

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<sup>3</sup> For purposes of this report land rent is not viewed as a tax – as it is generally a fee payable for the privilege to occupy state-owned or customary land and does not relate to general or specific public services rendered by government.

**“Property tax”** refers to an annual tax levied on the ownership or occupation of immovable property, be it land only, land and improvements, or improvements only.

**“Rates”** refers to a system of property tax levied at local government level in many of the member states of the Commonwealth.

**“Rating”** is a term used to depict the property tax system in the United Kingdom and many former British colonies where the property tax is referred to as “rates”.

**“Site value rating”** (SVR) refers to a property tax system in terms of which the tax is levied on the value of the land only (i.e. excluding the value of any improvements where property is improved).

**“Split rate taxation”** refers to a property tax system in terms of which the land and the improvements thereon are valued separately and taxed at different rates and is also referred to as “composite rating” or “differential rating”.

**“Unimproved value”** is a term used to describe the tax base of a land-only based property tax, used especially in Australia and the Pacific Region, and is sometimes used synonymously with “site value”.

Table 1.2 below provides a list of most of the legislated terms used to describe – what is in essence – an annual tax on the ownership or occupation of immovable property.

**Table 1.2: Terminology used for Property Taxes in Commonwealth Countries**

<b>Tax</b>	<b>Zone 1</b>	<b>Zone 2</b>	<b>Zone 3</b>	<b>Zone 4</b>
Alien land holdings tax		St Vincent		
Assessment rates	South Africa			
Betterment tax			Pakistan	
Building tax		Grenada Montserrat		
Business rates				United Kingdom
Council tax				United Kingdom
Developed property tax			Papua New Guinea	
General rate	Swaziland			
Holdings tax			Bangladesh	
House tax		Dominica St Kitts & Nevis St Lucia Trinidad & Tobago		
Land and building tax		Trinidad & Tobago		
Land and house tax		St Kitts & Nevis St Lucia		
Landownership tax	Cameroon			
Landowners tax			Kiribati	
Land rate		Dominica St Lucia	Fiji Solomon Islands	
Land tax	Namibia	Jamaica Montserrat St Kitts & Nevis St Lucia St Vincent	Australia Kiribati New Zealand Papua New Guinea Solomon Islands Tuvalu Vanuatu	
Land use charge	Nigeria			
Local rate	Mauritius			
Property rates	South Africa Sierra Leone			
Property tax		Bahamas Dominica Grenada Jamaica	India Solomon Islands Tuvalu	Canada
Rates	Botswana The Gambia Kenya Lesotho Malawi Namibia South Africa Swaziland Tanzania Zambia	Antigua & Barbuda Barbados Belize Fiji Guyana St Kitts & Nevis St Vincent Trinidad & Tobago	Australia Bangladesh India Kiribati Malaysia New Zealand Pakistan Singapore Sri Lanka Vanuatu	United Kingdom
Rates on property	South Africa			
Tenement rates	Nigeria			
Towns property tax		Belize		
Town rate				Cyprus
Uniform business rate				United Kingdom

## Research Methodology

### Data Collection

Data collection in many developing countries is problematic. The following methods were employed to collect relevant data on the 55 countries<sup>4</sup> covered by this study:

- Extensive country visits, review of legislation, review of secondary sources (e.g. government reports), structured interviews with central government and local government officials and the review and/or preparation of specific case studies;<sup>5</sup>
- Brief country visits, reviews of available legislation, interviews of public officials;<sup>6</sup>
- Review of applicable legislation and secondary sources;<sup>7</sup> and
- Review of secondary sources only.<sup>8</sup>

### Scope of Data

Attempts were made to obtain accurate and up-to-date data on at least the following key areas with respect of each of the countries covered:

- A brief country description providing appropriate background statistics (e.g. geographic size, population, constitutional make-up, important fiscal indicators, urbanization, etc.);<sup>9</sup>
- Property-related taxes (especially real property transfer taxes);
- A rough indication of the importance of property tax as a source of revenue;
- Property tax base(s) provided by legislation and used in practice;
- Valuation and assessment procedures and practices, including valuation cycles, objections and appeals;
- Tax rates;
- Exemptions and tax relief mechanisms;
- Collection procedures and practices;
- Enforcement procedures and practices; and

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<sup>4</sup> The 53 Commonwealth member states, as well as Montserrat and Zimbabwe.

<sup>5</sup> The following countries fall into this category and were visited on one or more occasions (between 2000 & 2005) by at least one of the authors: Australia, Jamaica, New Zealand, South Africa, Tanzania, Uganda & the United Kingdom.

<sup>6</sup> The following countries fall in this category and were briefly visited at least once between 2001 and 2004: Barbados, Botswana, Canada, Cameroon, Fiji, Grenada, Kenya, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Trinidad & Tobago and Zambia.

<sup>7</sup> The following countries fall into this category: Antigua & Barbuda, Bahamas, Bangladesh, Brunei Darussalam, Dominica, Ghana, Guyana, India, Kiribati, Malaysia, Malta, Mauritius, Montserrat, Nauru, Nigeria, Papua New Guinea, Samoa, Sierra Leone, Singapore, Solomon Islands, Sri Lanka, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines, Tonga, Tuvalu and Vanuatu.

<sup>8</sup> Countries in this category: Belize, Cyprus, Maldives, Nigeria, Pakistan, Seychelles and Zimbabwe.

<sup>9</sup> The following web sites were especially appropriate for gathering general information and data regarding Commonwealth member states: The official web page of the Commonwealth Secretariat (see <http://www.thecommonwealth.org>), the Wikipedia Free World Encyclopedia (see <http://en.wikipedia.org>), the *CIA World Factbook 2005* (see <http://www.cia.gov/cia/publication/factbook>), and the World Bank's *Little Green Data Book 2005* (<http://www.worldbank.org>).



- Other relevant features.

### Primary Objectives of this Project

The primary objectives of this project were to:

- Report and reflect in a concise, uniform and comparable manner on property taxes levied and collected in the Commonwealth – with special emphasis on those countries not covered in other recent studies<sup>10</sup> and with only very brief references to those countries where a property tax (in the strict sense defined) is not presently levied;<sup>11</sup>
- develop a comprehensive template to collect data regarding the current status of land-value taxes (LVT) and other forms of property taxation within Commonwealth member states that could be updated and maintained with relative ease;
- report on property tax systems as *legislated* in Commonwealth member states;
- reflect on property tax systems as *practised* in the Commonwealth;
- establish the importance and extent of LVT and other forms of property tax as sources of municipal revenue within the Commonwealth;
- comment on the future role of property taxation within the Commonwealth; and
- discern general trends in the application of property taxation throughout the Commonwealth.

As indicated, an integral aspect of this project was the *development* of a template that can facilitate the collection of property tax-related data in a *uniform manner* for all Commonwealth member states. An accurately completed template should ideally present a concise overview (i.e. a country profile) of the current status of a member state's property tax system, within a given constitutional, legal and fiscal framework, at a specific moment. In essence the completed templates reflect the law, rather than practice – although comments on particular practices are provided where appropriate.

It is premised that once the basic data have been captured accurately, it should be relatively easy to maintain the integrity and accuracy thereof on an ongoing basis – especially if a dynamic network of specialists can be established that could allude to amendments in the law and/or changes in practice. Gathering the data and applicable information in this manner, should enhance the quality of future comparative property tax research as similarities and differences regarding municipal government functions and responsibilities, property tax legislation (i.e. base, assessment, exemptions, etc.), or approach should be more readily identifiable.

As stated above, the aim with the country template is to obtain objective and standardized data. Where sufficient data could be gathered, more detailed templates were prepared.

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<sup>10</sup> Commonwealth countries covered by one or more of the studies referred to above include Australia, Canada, Cyprus, India, Jamaica, Malaysia, Malta, New Zealand, Pakistan, Singapore, South Africa, Tanzania and the United Kingdom.

<sup>11</sup> Maldives, Malta, Nauru, Samoa, Seychelles and Tonga.

## Significance of Research

Although the Commonwealth Local Government Forum annually produces a brief country report for each member state,<sup>12</sup> these reports tend to deal with local government finances generally, and revenue sources more specifically, in a cursory manner. A detailed study of property taxation covering all the member states has not yet been undertaken within the Commonwealth. This project should therefore contribute to a better understanding of the property tax systems and practices in the respective Commonwealth member states specifically, and may indeed also be instructive in the context of other developing countries outside the Commonwealth generally.

Meaningful comparisons are often difficult due to subtle differences between jurisdictions. The data captured in the brief country templates should assist the reader by pointing out common denominators and country-specific peculiarities.

This study (i.e. the brief overview report plus the 55 country templates) could provide policy advisors with basic data and information, as well as reflective views on property tax legislation and practices and provide possible guidance for best practice guidelines and future reforms in the context of general trends.

It is foreseen that this study could be a further step towards the eventual creation and maintenance of a world-wide *Compendium of Property Tax Systems* – covering all developed and developing countries.

## Structure of the Report

For purposes of this report the Commonwealth member states have been divided on the basis of four regional zones as set out below:

- Zone 1: Africa – with 18 member states;<sup>13</sup>
- Zone 2: The Caribbean – with 12 members;<sup>14</sup>
- Zone 3: Asia and the Pacific Region – with 19 member states;
- Zone 4: North America and Europe – with four member states.

Country templates have been completed for 55 countries (i.e. the current 53 member states of the Commonwealth, Montserrat (a self-governing British overseas territory), as well as Zimbabwe). This overview report consists primarily of general reflective and comparative commentary regarding Zones 1 to 3 as regions. Country-specific references consist mostly of specific examples and/or brief remarks pertaining to common problem areas, specific challenges, recent developments and interesting reform initiatives. Some of these countries were selected because of their limited coverage or non-coverage in other recent comparative reports.

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<sup>12</sup> See <http://www.clgf.org.uk>.

<sup>13</sup> Zimbabwe was a member of the Commonwealth until 2003 and thus a country template was also completed for Zimbabwe – as part of Zone 1.

<sup>14</sup> Montserrat, a British overseas territory with self-government, was added to Zone 2.

In Zone 1 (Africa) recent developments in the following countries are briefly discussed: Tanzania and Uganda in East Africa; Cameroon, Ghana, Nigeria and Sierra Leone in West Africa; and Malawi, Mauritius, Mozambique, South Africa and Zambia in southern Africa.

In Zone 2 (the Caribbean) developments in the following countries are briefly discussed: Barbados, Belize, Grenada, Jamaica as well as Trinidad & Tobago.

In Zone 3 (Asia and the Pacific Region) developments in the following countries are discussed: Australia, Bangladesh, Fiji, India, New Zealand and Papua New Guinea.

As all four countries in Zone 4 have been extensively covered by various recent studies,<sup>15</sup> no additional commentary is provided for these countries.

This overview report concludes with a number of lessons for property tax reform in developing, some comparisons of specific issues regarding tax base, valuation, tax rates and revenues across the four zones and lastly some concluding comments.

### **Local Government and Property Tax Reforms in the Commonwealth**

A number of countries have recently undergone or are presently still in the process of implementing significant property tax reform, in most instances as part and parcel of local government reforms an/or fiscal decentralization efforts.

**Table 1.3: Significant Local Government and/or Property Tax Reforms since 1990**

<b>Zone 1</b>	<b>Zone 2</b>	<b>Zone 3</b>	<b>Zone 4</b>
Cameroon	Antigua and Barbuda	Australia	Canada
The Gambia	Barbados	Bangladesh	Cyprus
Ghana	Belize	Fiji	United Kingdom
Malawi	Grenada	India	
Mauritius	Guyana	Malaysia	
Mozambique	Jamaica	New Zealand	
Namibia	Montserrat	Pakistan	
Nigeria	St Kitts & Nevis	Papua New Guinea	
Sierra Leone	St Lucia	Solomon Islands	
South Africa	St Vincent & the Grenadines	Vanuatu	
Tanzania	Trinidad & Tobago		
Uganda			
Zambia			

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<sup>15</sup> See Youngman and Malme (1994) for Canada and the United Kingdom; Almy (2000) for Canada; McCluskey (1999) for Cyprus and Brown and Hepworth (2002) for Cyprus and Malta.

## Part 2: Africa (Zone 1)

### Introduction

With the exception of the two island states of Mauritius and Seychelles, all the other Commonwealth member states in Africa are situated in sub-Saharan Africa. Property-related taxes are levied in all 18 Commonwealth member states in Africa. Part 2<sup>16</sup> of the report provides an overview of the annual tax on immovable property levied almost exclusively by local government authorities<sup>17</sup> in 17 of these member states. As the Seychelles does not levy a property tax, there is no property tax part for the Seychelles template. As data were readily available, a country template for Zimbabwe (which until as recently as 2003 was a Commonwealth member state) is also included for Zone 1.

With reference to property taxation in the context of developing countries generally, Dillinger (1991: 5) states that “the low yield of the property tax is, in an immediate sense, the combined result of inappropriate policy and poor tax administration” and also states (Dillinger, 1991: 34) that

“[g]iven the extremely low level of collection efficiency in developing countries, much of the effort spent in mapping and valuation is likely to be wasted if corresponding efforts are not made to improve collection administration: newly discovered and valued property does not yield revenue if the system of collection administration is dysfunctional.”

With reference to Kenya more specifically Kelly (2002) states that

“the property tax reform strategy under the Kenya Local Government Reform Programme (KLGRP) was... designed to focus on administrative reform – primarily improving the collection and enforcement systems – and the mobilization of political will. Only after progress is made on collection and enforcement should attention be focused on ensuring complete coverage and improved valuation.”

In the case of Kenya it was found (Kelly, 2002) that the “major obstacle to improved property rates is not valuation but poor administration and the lack of political will for collection and enforcement”.

Table 2.1 provides a general overview of basic country data for all nineteen African member states of the Commonwealth.

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<sup>16</sup> Some of the research findings in Part 2 have already been published earlier – see Franzsen and Olima (2003) and Franzsen and McCluskey (2005).

<sup>17</sup> In Cameroon it is a national tax and in Nigeria a state tax. In Cameroon tax sharing with local authorities is possible (a 25% surcharge), and in the case of Lagos, Nigeria the revenue is shared with local authorities.

**Table 2.1: Basic Information Regarding the Countries in Zone 1**

I.	Country	Size (km <sup>2</sup> )	Capital	Population (millions)	GDP per capita (US\$)	Urbanisation
	<b>Botswana</b>	600,370	Gaborone	1.6	8,800	46%
	<b>Cameroon</b>	475,440	Yaoundé	16.0	1,800	49%
	<b>The Gambia</b>	11,300	Banjul	1.5	1,700	33%
	<b>Ghana</b>	239,460	Accra	20.7	2,200	38%
	<b>Kenya</b>	582,650	Nairobi	32.0	1,000	33%
	<b>Lesotho</b>	30,355	Maseru	1.9	3,000	17%
	<b>Malawi</b>	118,480	Lilongwe	11.9	600	13%
	<b>Mauritius</b>	2,040	Port Louis	1.2	11,400	43%
	<b>Mozambique</b>	801,590	Maputo	18.8	1,200	23%
	<b>Namibia</b>	825,418	Windhoek	2.0	7,100	27%
	<b>Nigeria</b>	933,768	Abuja	137.3	800	44%
	<b>Seychelles</b>	455	Victoria	0.09	7,800	59%
	<b>Sierra Leone</b>	71,740	Freetown	5.9	500	37%
	<b>South Africa</b>	1,219,912	Pretoria	42.7	10,700	55%
	<b>Swaziland</b>	17,363	Mbabane	1.2	4,900	23%
	<b>Tanzania</b>	945,087	Dodoma	36.6	600	30%
	<b>Uganda</b>	236,040	Kampala	26.4	1,400	15%
	<b>Zambia</b>	752,614	Lusaka	10.5	800	38%
	<b>Zimbabwe</b>	390,580	Harare	12.7	1,900	31%

Source: *World Factbook 2005*, *Little Green Data Book 2005* and the Commonwealth Secretariat ([www.thecommonwealth.org](http://www.thecommonwealth.org)).

From Table 2.1 it is clear that there are vast differences between the African member states within the Commonwealth, not only in size and population figures, but also in GDP per capita – with Mauritius and South Africa the wealthiest and Sierra Leone, Tanzania and Malawi the poorest. There are also five countries where the rate of urbanisation is below 25%, with the highest levels of urbanisation in Seychelles, South Africa and – somewhat surprisingly – Cameroon. With the generally low levels (below 40%) of urbanisation in 13 of these countries, it is not surprising that property tax base coverage is also very low in many of these countries.

Table 2.2 provides an overview of those taxes of which immovable property (i.e. real property) is a major taxable object for all the selected countries. In a few instances data was not available.

**Table 2.2: Property-Related Taxes levied in Zone 1**

Country	VAT	Property Transfer Tax	Capital Gains Tax	Estate Duty & Donations Tax	Urban Property Tax
Botswana	Yes	Yes	No	Yes	Yes
Cameroon	Yes	Yes	Yes	Yes	Yes
The Gambia	No	Yes	Yes	Yes	Yes
Ghana	Yes	Yes	Yes	Yes	Yes
Kenya	Yes	Yes	No	No	Yes
Lesotho	Yes	Yes	Yes	Yes	Yes
Malawi	Yes	Yes	Yes	Yes	Yes
Mauritius	Yes	Yes	Yes	Yes	Yes
Mozambique	Yes	Yes	Yes	Yes	Yes
Namibia	Yes	Yes	No	No	Yes
Nigeria	Yes	Yes	Yes	?	Yes
Seychelles	No	Yes	No	No	No <sup>1</sup>
Sierra Leone	No <sup>2</sup>	Yes	?	?	Yes
South Africa	Yes	Yes	Yes	Yes	Yes
Swaziland	No	Yes	No	No	Yes
Tanzania	Yes	Yes	Yes	No	Yes
Uganda	Yes	Yes	Yes	No	Yes
Zambia	Yes	Yes	No	No	Yes
Zimbabwe	Yes	Yes	Yes	Yes	Yes

Notes:

1. Size and population may suggest why a property tax is not currently levied in the small island-state of Seychelles.
2. Sierra Leone is to introduce a value-added tax (VAT) in 2005.

Firstly, it is noteworthy that only four countries in Zone 1 do not yet have a value-added tax in place, with Sierra Leone reported to introduce VAT in 2005. All 19 countries levy a property transfer tax. In some instances it is levied as a stamp duty on the deed of alienation (e.g. a contract of sale), whereas in other instances it is levied as a transfer tax with reference to the acquisition of property. In all instances it is an *ad valorem* tax, with significantly high tax rates<sup>18</sup> (4% and higher) in the case of Botswana, Kenya, Lesotho, Namibia, South Africa and Swaziland.

In all the selected countries, except the Seychelles, some form of property tax is levied in at least some urban jurisdictions – although in many instances the tax base coverage is poor. As indicated below, in the majority of cases the property tax is levied and collected by local authorities. In Cameroon it is a national tax, but local authorities are entitled to levy and collect a 25% surcharge on the national Land Ownership Tax. In Lagos State, Nigeria the Land Use Charge is a state tax, but the revenue derived is shared between the state and local authorities.

Rural properties are generally not taxed with Zimbabwe the one exception (Brakspear, 1999) – although efforts to extend property taxes to rural properties are underway in Namibia and South Africa (Franzsen, 2003).

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<sup>18</sup> See the relevant country templates.

## Overview of Tax Bases, Valuation Issues and Tax Rates

### Tax Bases

Table 2.3 indicates that a wide variety of different property tax bases are generally encountered in sub-Saharan Africa. This can generally be traced back to the colonial history of the continent.

**Table 2.3: Tax Bases provided for in Legislation and utilized in Practice in Zone 1**

Country	Land value	Capital value	Land and improvements (separately) <sup>3</sup>	Improvements only	Annual value	Area	Flat rate
Botswana		X					
Cameroon						X	
The Gambia					X		
Ghana				X			
Kenya	X		O <sup>2</sup>		O		
Lesotho		X					
Malawi		X					X
Mauritius		X			X		
Mozambique				X			
Namibia	O	O	X	O		X	
Nigeria		X			X	X	X
Sierra Leone				X <sup>4</sup>			
South Africa	X	X	X				
Swaziland	O	O	X	O			
Tanzania				X <sup>5</sup>			X
Uganda					X		
Zambia		X					X
Zimbabwe	O	X	X			X	

Note:

1. X indicates those tax bases provided for in legislation, and indeed used in practice.
2. O indicates tax bases provided for in legislation, but not used in practice.
3. Land and improvements are taxed as separate taxable objects at different rates (i.e. split rate taxation).
4. Sierra Leone's tax on buildings is assessed with reference to annual rental values.
5. Tanzania's tax on buildings is assessed with reference to capital values.

An interesting feature is that in a number of countries (and especially noticeable in Southern Africa) country-specific legislation provides for various tax bases. It is however only in a few countries (most noticeably Nigeria, South Africa, Tanzania and Zambia) where municipalities seem to utilize more than one of the tax bases in any significant manner.

Capital improved value is the predominant tax base with eight countries utilizing this base in practice and a further two countries (Namibia and Swaziland) allowing for its use in legislation. Four countries have a 'split-rate' system with a significantly higher rate on land values in comparison the tax rate on the value of the improvements.

Only two countries presently (still) use site rating (i.e. a land-value only tax), namely Kenya and South Africa.<sup>19</sup> Legislation in a further three countries (Namibia, Swaziland and Zimbabwe) in principle allows for a site value tax, but it not utilized in practice. Given the strong British influence, it is not surprising that six countries use a system based on annual values – although in the case of Ghana and Sierra Leone only improvements are taxed.

In six countries legislation in principle allows for the taxation of improvements only, i.e. excluding land, although only four countries tax only improvements in practice. In the case of Mozambique and Tanzania this could be traced back to the nationalisation of all land in the post-colonial era.

Also noteworthy is the fact that in two countries, Tanzania and Zambia,<sup>20</sup> it is permissible for a local authority to actually use different systems within a single taxing jurisdiction. In both countries a dual system is utilized to counter low valuation ratios and the serious capacity constraints to extend and maintain valuation rolls.

### Valuation for Tax Purposes

Table 2.3 somewhat surprisingly indicates the overwhelming preference for *ad valorem* systems. Again the British colonial heritage is the most probable reason for this.

Although availability of relevant data is somewhat limited, Table 2.4 suggests that there is (with South Africa the only possible exception) not sufficient numbers of qualified valuers to prepare, and/or extend and/or maintain valuation rolls in the countries surveyed (Chirwa, 2000; Olubunmi, 2001; Franzsen and Olima, 2003). In many of the countries valuation rolls are reportedly hopelessly out of date, most notably in Ghana, Kenya, Lesotho, Tanzania, Uganda (Nsamba-Gayiiya, 2001) and Zambia (Chirwa, 2000).

The acute shortage of valuation skills in almost all of these countries raises a simple question: Why do so many African countries persist with *ad valorem* property tax systems requiring a physical inspection of and discrete value for each taxable property?

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<sup>19</sup> In the case of South Africa, recent reforms will see the disappearance of site rating as a uniform system – based on the market value of rateable properties was introduced with the promulgation of the Local Government: Municipal Property Rates Act of 2004.

<sup>20</sup> It is understood that the legality of a dual system has been challenged successfully in Zambia.



**Table 2.4: Responsibility for Valuation Rolls and Use of CAMA in Zone 1**

Country	CAMA and/or GIS	Number of registered valuers	Valuation rolls			
			In house valuers	Government valuers	Private valuers	VR quality control
Botswana	No	<70	No	Yes	No	No
Cameroon	Partially <sup>2</sup>	No data	N/A <sup>1</sup>	Yes	N/A	N/A
The Gambia	No	No data	No data	No data	No data	No data
Ghana	No	No data	Yes	Yes	Yes	No data
Kenya	No <sup>3</sup>	<400	Yes	Yes	No	No
Lesotho	No	<6	No	Yes	No	No
Mauritius	No data	No data	No	Yes	In principle	No data
Malawi	No	<25	No	Yes	Yes	Limited <sup>4</sup>
Mozambique	No	No data	No data	No data	No data	No data
Namibia	No	<15	Yes	No	Yes	No
Nigeria	Partially <sup>5</sup>	<1,500 <sup>6</sup>	No data	No data	No data	No data
Sierra Leone	No data	No data	No data	No data	Yes	No data
South Africa	Partially <sup>7</sup>	2,050	Yes	No	Yes	No
Swaziland	No	<6	No	No	Yes	No
Tanzania	No	<110	Yes	Yes	Yes	Limited
Uganda	No	<25	Yes	Yes	Yes	No
Zambia	No	<50	Yes	Yes	Yes	Limited
Zimbabwe	No data	No data	Yes	Yes	No data	No data

Notes:

1. N/A means “not applicable” (i.e. where the tax is not value-based).
2. Cameroon may introduce a CAMA system in at least Yaoundé and Douala in 2005.
3. A pilot CAMA project was undertaken in the towns of Mavuko and Nyeri in 1998-1999.
4. “Limited” implies some government or in-house oversight of valuations done by private valuers.
5. A simplified CAMA/GIS methodology was proposed for Lagos State.
6. This figure includes registered estate surveyors and valuers (Olunbunmi, 2001).
7. Cape Town introduced a CAMA-generated valuation roll in 2002, whereas aspects of CAMA and GIS are used for valuation purposes by most of the metropolitan municipalities.

## Tax Rates

Table 2.5 attempts to summarize some of the key aspects regarding property tax rates in the countries in Zone 1.

It is especially noteworthy that legislation in the majority of countries allows for, and local authorities in practice utilize, differential rates. Differentiation is primarily based on property use (e.g. residential, commercial, industrial, agricultural, etc.). In some countries differential rates may even apply in respect of properties used for residential purposes on the bases of size (e.g. in Dar es Salaam, Tanzania), location, value/class (e.g. Ghana and Malawi), or whether owner-occupied or not (e.g. Lagos, Nigeria).

**Table 2.5: Responsibility for Rates, Limitations, Differential Rates & Revenues in Zone 1**

Country	Responsibility for setting tax rates		Entitlement to revenue from property tax		Limitations on rates by central government	Differential rates
	Central	Local	Central	Local		
Botswana		X		X	Yes	Yes
Cameroon <sup>1</sup>	X		X	X	Yes	No
The Gambia	No data	No data		X	No data	No data
Ghana		X		X	Yes	Yes
Kenya		X		X	Yes	No
Lesotho		X		X	Yes	Yes
Malawi		X		X	Yes	In principle
Mauritius		X		X	No data	Yes
Mozambique		X		X	Yes	No data
Namibia		X		X	Yes	In principle
Nigeria <sup>2</sup>		X		X	Yes	No data
Sierra Leone		X		X	No data	No data
South Africa		X		X	Yes, if requested	Yes
Swaziland		X		X	Yes	Yes
Tanzania		X		X	Yes	Yes
Uganda		X		X	Yes	Yes
Zambia		X		X	Yes	Yes
Zimbabwe		X		X	Yes	Yes

Note:

1. In Cameroon legislation allows for revenue sharing.
2. In Lagos State, Nigeria the revenue from property tax (i.e. the land use charge) is shared between the state and LGAs.

In some countries rates are set annually as determined by budgetary requirements (e.g. Botswana, Namibia, South Africa), whereas in a few countries rates are set for fixed or indeterminable periods (e.g. Nigeria, Tanzania and Uganda). In Dar es Salaam, Tanzania, rates were last adjusted in 1998 (except for the rate for non-residential properties in Ilala Municipality which was adjusted upwards in 2001). In the absence of indexation or regular revaluations, static rates have had a dramatic impact on revenues in Dar es Salaam – even at the relatively low levels of inflation which averaged about 4% per annum in recent years (Franzsen et al, 2002; Franzsen and Semboja, 2004).

### **Brief References to Recent/Current Developments in Specific Countries**

Only policy and practical issues regarding new legislation, tax base, coverage and tax rates are referred to in this section. Changes with regard to property tax administration (i.e. billing, collection and enforcement) are not addressed.

## East Africa

### Tanzania

- Dual property tax system in place: an *ad valorem* system (in practice the depreciated replacement cost of buildings) and a flat-rate system (that differentiates on the basis of property size, use and in some instances also location).
- Poor valuation coverage (e.g. only about 20% of properties in Dar es Salaam are on a valuation roll) in most urban jurisdictions where the property tax is levied, with Moshi – where more than 80% of ratable properties are captured in the valuation roll – the exception (Franzsen et al, 2002).
- Unoccupied buildings are generally exempt from rates.
- Despite good training facilities at the University College of Land and Architectural Studies (UCLAS) at the University of Dar es Salaam, there are too few registered valuers to perform the task at hand.
- Costly municipal valuations are mostly undertaken by private consultants (Franzsen et al, 2002), as municipal valuers are inappropriately used for billing and collection, rather than valuation.
- Low, static tax rates (in some instances too low to even off-set the cost of the valuation exercise (Franzsen et al, 2002)) are common place.

### Uganda

- The outdated, colonial-styled 1979 Rating Decree to be replaced, however the Property Rating Bill, 2003 was withdrawn soon after publication in 2003 for further deliberation and technical adjustments. A reworked Property Rating Bill was again published for public comment in 2004.
- The proposed legislation provides for “mass valuation” to be introduced as an option where a discrete-value methodology proves to be impractical and unsustainable.
- The proposed legislation provides for the retention of the current tax base, namely annual rental value.
- In 2004 there were still fewer than 25 registered valuers in Uganda, with only three employed by the Government Valuation Office (GVO). In terms of the current legislation only the GVO has the legal responsibility to prepare valuation lists. The 2003 Property Rating Bill provided that private valuers could be appointed, but these valuers still had to be approved by the VGO.
- Even if all the valuers within the country should devote their professional services to the provision and maintenance of valuation lists, an *ad valorem* system cannot be properly maintained in Uganda. There is presently no training facility for valuers within the country, and using international consultants to undertake such a task for all rating authorities throughout the country simply too costly.
- Except for Kampala, where a general revaluation has recently been completed (July 2004) using private valuers, valuation rolls are generally out of date (Nsamba-Gayiiya, 2001), or have not been prepared at all despite requests to the VGO.
- Vacant land is exempt from rates.

## Central and West Africa

### Cameroon

- The Land Ownership Tax is levied and collected by central government, with local authorities entitled to levy and collect a 25% surcharge on this tax.
- Cameroon is predominantly a Francophone country. Unlike Anglophone African countries and more akin to countries in Francophone Africa, the Land Ownership Tax is area-based. In respect of undeveloped land, it is land area, and in the case of developed properties, the building area.
- It is interesting to note that government is investigating the possible introduction of a value-based system in 2005 – at least in the two largest cities of Yaoundé and Douala where sophisticated cadastral maps are in preparation. Again this seems to be in keeping with the French colonial heritage regarding cadastres.

### Ghana

- In Ghana's capital city, Accra, a revaluation should be completed in 2005. Although the Local Government Act, 1993 now provides for a 10-year valuation cycle, the last revaluation in Accra was done in 1986.
- Out of date valuation rolls, coupled with low rates that are reviewed only every two to four years, suggest that the system is in need of reform.

### Nigeria

- The State of Lagos has recently rationalized the various taxes (e.g. tenement rates) and charges that applied to the ownership and/or occupation of property. These were replaced with a single tax instrument, the so-called "land use charge". The base was also changed from annual value to capital value.
- Soon after its introduction, the tax rates were reduced by up to 75% due to persistent pressures from taxpayers, especially the business community. The State was threatened with a legal challenge about the constitutionality (i.e. legality) of this new tax, unless the rates were reduced.
- The banking system is used in the collection process, to reduce taxpayer compliance costs, and ostensibly to also reduce the opportunities for corruption.

### Sierra Leone

- The Local Government Act, 2004 in terms of which local authorities levy and collect 'rates on property' was recently enacted.
- The tax base remains the annual value of rateable buildings. Despite the lack of capacity to undertake the task of preparing valuation rolls, the legislation insists on discrete valuations for individual properties. No details are provided in the Act on who is competent to prepare these valuation rolls. This is causing problems in practice (Adams, 2005).
- Generally there is also a severe shortage of the required skills in the area of tax administration to implement the provisions of the new legislation in practice (Adams, 2005).

## Southern Africa

### Malawi

- The capital city of Lilongwe (with a population of estimated at about 500,000 and with a total area of 350 km<sup>2</sup>) was designed on a zonal basis with large open spaces, and even today few street and suburb have names. Most zones are known by area numbers only. This makes the task of assessment, billing, collection and enforcement onerous.
- A new valuation roll for Lilongwe became effective in 2001/2002. Previously all valuation rolls were prepared by the Ministry of Lands, however the contract to undertake the revaluation was outsourced to various private contractors. Unfortunately the contract stipulated that the contractor's fee would be a fixed percentage of the overall value of the valuation roll. Dramatic increases in property values since the previous revaluation resulted in a fee in excess of \$45.00 per parcel, and a cash-flow problem for the council, as it could not pay the contract price. Malawi's Anti-Corruption Board is investigating this contract, and has also halted the award of a revaluation contract for the city of Blantyre – to prevent a similar catastrophe.
- With fewer than 25 valuers for the whole country, the present *ad valorem* system cannot be maintained properly.

### Mauritius

- The Local Government Act, 2003 introduced a new dispensation in terms of which the base has changed from annual values to capital ('cadastral') values, however both values must still be determined and reflected in the valuation roll
- In the past valuation rolls were prepared by government officials, however the Act now allows for local discretion as to the appointment of a competent valuer.
- Valuations must be done "from time to time". A specific valuation cycle is not specified in the Act.
- The new legislation allows for differential rating.

### Mozambique

- New property tax legislation was introduced in 2000, introducing a value-based system, to replace the area-based system, for the first time.
- To date the new property tax has only been introduced in the three largest cities, namely the capital Maputo, as well as Beira and Inhambane.
- As in other countries where land was nationalized after independence (e.g. Tanzania), the tax base for the new tax is the value of buildings only, with the implication that vacant properties are not taxed.
- An interesting provision in the legislation states that should the local currency devalue by more than 30%, councils may adjust the values of properties on the valuation roll.
- The legislation also provides for minimum and maximum tax rates. The tax rate must be fixed between 0.2% and 1.0%.

## South Africa

- The Local Government: Municipal Property Rates Act 6 of 2004 became operative on 2 July 2005, changing the tax base to market value only. This brings to an end the almost century long municipal choice of three tax systems (namely, site rating, composite rating and flat rating) that has prevailed since 1917 (McCluskey and Franzsen, 2004).
- Vacant land is taxable – in many instances at higher rates.
- Municipalities must adopt – after community consultation – and thereafter annually revise a so-called rates policy, which explains the rationale for property categories, differential rates, exemptions, rebates, etc.
- The professional bodies for the valuers' profession are confident that the present number of valuers in South Africa will be able to cope with the duties set out in the new legislation.
- External quality control with respect to valuation rolls may be introduced at the instance of the Minister responsible for local government.
- Differential rates may be adopted.

## Zambia

- In 1997 the tax base coverage was extended to include vacant land and in 1999 a flat rate tax was introduced to co-exist with the capital value-based system, so as to tax properties not on the valuation roll. Although this creates some complexity and inequity into the overall system,<sup>21</sup> it does broaden the tax net and increase revenues.
- In 2001 Lusaka City Council experimented with the outsourcing of rates collection to a private contractor. Although the exercise was deemed a failure, and the council is again responsible for collection, valuable lessons were learnt. The council has a very visible taxpayer education program – large billboards all across the city encourage ratepayers to pay their taxes to ensure improved levels of services from the council.
- Training for valuers are provided to a limited extent at the Copperbelt University in Kitwe, but with the loss of skilled valuers to the private sector there are not sufficient numbers of valuers to extend and/or maintain valuation rolls.

With respect to all these above-mentioned countries (with the possible exception of Mauritius and South Africa), the question should be raised: Can a value-based system (especially one which does not currently allow for mass valuation) indeed be implemented and sustained in a cost-efficient and equitable manner – without the assistance of donor funding and external consultants – in sub-Saharan countries? The approximate numbers of qualified valuers are known for many of these countries and these numbers suggest that it is not feasible to maintain an *ad valorem* property tax system. In short: The property tax policies and legislation currently in place in most of the countries in Zone 1 are not sustainable in practice.

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<sup>21</sup> As indicated above, the legality of the flat rate tax was successfully challenged in 2005.

## Discernable Trends

### Tax Base

- Poll taxes are still utilized extensively in many of the Commonwealth countries in Africa. However, there is, in some cases, political pressure to abolish poll taxes (e.g. Uganda). In Tanzania the so-called “development levy” has indeed been abolished in 2003 (Franzsen and Semboja, 2004) and the abolition of the “graduated personal tax” in Uganda has been mooted. Should this trend continue, it will put more pressure on local government to exploit property tax as an alternative source of revenue.
- There seems to be a definite move towards capital values – as indicated by changes or proposed changes in Cameroon, Mauritius, Nigeria, South Africa and Uganda. Although not a member state of the Commonwealth, it is also evident in Rwanda (Franzsen and McCluskey, 2005). However, serious doubts exist whether the capacity exists in Cameroon, Rwanda and Uganda to introduce or extend, and especially to maintain such a system. In Lagos State, Nigeria the change from annual value to capital value has indeed been questioned on the basis of unreliable evidence to support capital values.
- Rapid urbanization, insufficient physical resources, low skills levels, poor salaries coupled with low employee morale, loss of skilled valuers to the private sector, corruption, etc result in poor base coverage in many cities and towns where a property tax system is in place. The absence of local government structures and/or governance in rural areas explains the general absence of property or land taxes in rural areas.

### Valuation

- There seems to be some reluctance (especially amongst politicians and the valuers’ profession) to consider alternative, and possibly more appropriate property tax systems, or less cumbersome mass valuation methods.
- In some countries, the possible introduction of “mass valuation”, as an alternative to discrete valuations of individual properties, is being considered (e.g. South Africa and Uganda).
- Computer-assisted mass appraisal (CAMA) is being used to a limited extent only – in Cameroon and in South Africa, although pilot studies in Kenya (where a pilot study was done in two towns in 1998-1999), South Africa and Uganda suggest that there is scope for its application in countries once the necessary skills and equipment become available (Ward, 2000).
- There is a noticeable move away from relying on central government valuation offices to prepare valuation rolls (e.g. Botswana, Malawi, Mauritius, Swaziland, Uganda and Zambia).
- External quality control with regard to valuation rolls is non-existent, although the new South African legislation provides that the Minister responsible for Local Government may monitor and investigate the effectiveness, consistency, uniformity and application of municipal valuations.

## Tax Rates

- Rates are mostly determined annually, but in some instances rates are fixed by central government or municipal by-laws for a determined or undermined period with the result that rates often remain static for years.
- The majority of countries apply different rates for different property use categories.
- Where differential rates apply, the tax rates for residential properties tend to be significantly lower than the rates for commercial, industrial and – where these are taxable- government properties (e.g. Lesotho, Swaziland, Zambia).

## **Problem Areas Common to Zone 1**

Key problem areas that are common to the majority of the countries in Zone 1, could be summarised as (Franzsen and Olima, 2003):

- In many instances rating legislation is inappropriate and does not take realities in the countries into account, making it difficult or impossible to put the law into practice in an equitable and sustainable manner.
- The property coverage within jurisdictions that do assess properties and levy rates is often incomplete, especially with regard to informal settlements and peri-urban developments. This is the case in Nairobi, Kenya, Kampala, Uganda (see Nsamba-Gayiiya, 2000), Tanzania (see Masunu, 2001) and Zambia (see Chirwa, 2000). In Tanzania and in Zambia many local authorities operate a dual system, charging a flat rate on those properties not (yet) reflected in valuation rolls. The extension of the rates base to include communal land and land occupied under traditional forms of land tenure is on the cards in South Africa (see Franzsen, 2001) and Malawi (see Ahene, 2001), and has been mooted in other countries too. This will present new challenges to the valuation profession.
- The shortage of qualified and skilled professionals to survey land, record and maintain an accurate deeds register (proper cadastral information), to assess properties and prepare proper valuation rolls, to do interim valuations, to do regular general re-valuations - all of which are usually prerequisites for a legitimate and efficient property tax system. The retention of properly qualified (i.e. registered) valuers within the civil service is a serious problem (e.g. Botswana (see Monagen, 2000), Kenya, Tanzania and Zambia (see Chirwa, 2000)). Countries generally lack appropriate practical training programmes for municipal valuers and property tax administrators.
- Statutory prescribed valuation cycles are often not adhered to and re-valuations are often postponed in an attempt to cut unnecessary expenses. The inevitable result is that in many instances valuation rolls are hopelessly outdated (e.g. in Maseru (Lesotho), Nairobi (Kenya) and generally throughout Uganda). Assessment for rating purposes is not a priority for government valuers (e.g. Kenya, Lesotho and Uganda). There is little, if any, regional co-operation between professional associations across national boundaries, and in some countries (e.g. Lesotho, Swaziland) there are no professional associations for the valuation profession. In Uganda the professional association is presently dormant (see Nsamba-Gayiiya, 2001).
- Apart from human resource capacity, there is also a lack of physical and financial capacity to underpin a sustainable property tax administration system, as is clearly illustrated in



Tanzania and Uganda. Often there is no, or only limited access to technical and logistical support (e.g. computer hardware, software, telephone and fax lines, vehicles, etc.). (See, e.g., Kenya, Tanzania, Uganda and Zambia.)

- Collection and enforcement leave much to be desired in most Zone 1 countries. Political interference that inhibits proper enforcement is widely encountered (e.g. Botswana, Malawi, South Africa, Tanzania, Uganda and Zambia).
- Taxpayer education is mentioned as an area that has to be addressed – so as to improve public knowledge and perceptions regarding assessment, rating and the provision of local government services (e.g. South Africa, Tanzania and Uganda).

## **Conclusions for Africa**

The general poor performance of the property tax in most of the countries surveyed (with the possible exception of Botswana, Namibia and South Africa) is indeed as Dillinger (1991) and Kelly (2002) suggest, primarily the result of weak administration.

In most of the Zone 1 countries surveyed the unsound premise that a value-based property tax system is an appropriate system to use, is not seriously questioned. Surely in-country evidence and many well-documented international case studies indicate that, given chronic and severe capacity constraints, too much effort is spent on property discovery and valuation. Available data – and more so the lack of available data – suggest that in most sub-Saharan countries a property-specific value-based property tax system could not over the short to medium term be implemented and/or maintained in a manner that would generate sufficient levels of revenue in an equitable manner within the existing legislative framework.

If revenue-generation is the primary function of a property tax system (as it should be), then many of the countries surveyed in Zone 1 should give serious consideration to possible alternative tax bases, rather than maintaining out-of-date and thus inequitable *ad valorem* systems.

## **Part 3: The Caribbean (Zone 2)**

### **Introduction**

Part 3 of the report provides an overview of the annual tax on immovable property, levied primarily by state and national governments in the Caribbean. Property-related taxes are levied in all 12 Commonwealth member states in the Caribbean region as well as the British protectorate of Montserrat.

The Caribbean region provides an interesting array of property tax systems ranging from the variety in basis of the tax, through to those systems that are in need of reform (e.g. St Vincent and the Grenadines, St Kitts and Nevis and Trinidad and Tobago), to those that have recently undergone major changes in property tax policy and valuation (e.g. Barbados and Grenada).

**Table 3.1: Basic Information regarding Commonwealth Countries in Zone 2**

Country	Size (km <sup>2</sup> )	Capital	Population (thousands)	GDP per capita (US\$)	Urbanisation
Antigua & Barbuda	280	St John	73	10,089	37
Bahamas	13,939	Nassau	310	16,688	89
Barbados	431	Bridgetown	269	15,700	50
Belize	22,965	Belmopan	251	6,386	48
Dominica	750	Roseau	78	5,451	72
Grenada	345	St George	94	7,314	39
Guyana	214,970	Georgetown	764	4,194	37
Jamaica	10,991	Kingston	2,627	4,184	57
Montserrat <sup>1</sup>	102	Plymouth	5	3,400	2
St Kitts & Nevis	262	Basseterre	42	12,681	34
St Lucia	616	Castries	148	5,400	38
St Vincent & Grenadines	389	Kingstown	119	2,900	57
Trinidad & Tobago	5,128	Port of Spain	1,298	10,500	75

Source: *World Factbook 2005*, *Little Green Data Book 2005* and [www.thecommonwealth.org](http://www.thecommonwealth.org).

Note:

1. The population of Montserrat declined from 12,000 to about 5,000 as a result of the volcanic eruptions that have plagued the island since 1995.

The majority of countries covered by this study are minute island states with small land areas and small populations. In the context of the Caribbean, Guyana is the exception as far as size is concerned. Jamaica and Trinidad & Tobago are the only countries where the population exceeds one million people. Not surprisingly these island states have high levels of urbanisation with Montserrat the exception – largely as a result of the volcanic eruptions that started in 1995 and which devastated much of the island, lead to the evacuation of the capital Plymouth, and which resulted in the majority of its inhabitants leaving the island (with few returning since).

Table 3.2 provides an overview of those taxes of which immovable property (i.e. real property) is a major taxable object for all the selected countries. Value-added tax has thus far been introduced in only four of these countries. However all 13 countries levy at least one or more property transfer taxes. Rather predictably in respect of countries which are geographically small and where land is thus a scarce resource, property transfer taxes in Zone 2 countries have high rates (in comparison to the United Kingdom and United States), with non-citizens often paying at even higher rates, or liable for an additional transfer tax.<sup>22</sup>

All 13 countries levy one or more property taxes – primarily on urban land, but in some instances also on agricultural or undeveloped<sup>23</sup> land.

<sup>22</sup> Country templates provide a brief reference to property transfer taxes for most countries in Zone 2.

<sup>23</sup> It is noteworthy that in Zone 1 some countries exempt vacant land, whereas in Zone 2 countries these properties are often taxed more heavily.

**Table 3.2: Property-Related Taxes levied in Zone 2**

Country	VAT	Property Transfer Tax	Capital Gains Tax	Estate Duty & Donations Tax	Urban Property Tax
Antigua & Barbuda	No	Yes	No	No	Yes
Bahamas	No	Yes	No	No	Yes
Barbados	Yes	Yes	No	No	Yes
Belize	No	Yes	No	No	Yes
Dominica	No	Yes	No	No	Yes
Grenada	Yes	Yes	No	No	Yes
Guyana	No	Yes	Yes	No	Yes
Jamaica	Yes	Yes	Yes	Yes	Yes
Montserrat <sup>1</sup>	No	Yes	No	No	Yes
St Kitts & Nevis	No	Yes	Yes	No	Yes
St Lucia	No	Yes	No	No	Yes
St Vincent & Grenadines	No	Yes	No	Yes	Yes
Trinidad & Tobago	Yes	Yes	No	No	Yes

Note:

1. In Montserrat much of the real estate on the island was devastated by the Soufriere Hills volcanic eruptions. The property tax base was almost completely destroyed.

## Overview of Tax Bases, Valuation Issues and Tax Rates

### Tax Bases

Table 3.3 indicates a number of general trends which are apparent in relation to the tax bases used within the Caribbean countries. What is interesting is that most of the countries have a separate tax on land. The land can normally be classified as agricultural, developed or undeveloped. In most cases the “value” is determined by the application of a dollar rate per acre, with the rate being related to the size of the property; often the rates are prescribed in the legislation (e.g. St Kitts and Nevis, St Lucia, St Vincent and Trinidad and Tobago). In Barbados, Grenada and Jamaica the land is indeed valued and then a tax rate is applied to the rateable value.

Split rate taxation, where the developed land is taxed at a different rate to the improvements, is not particularly common in Zone 2, but is used in Grenada and Montserrat. Not surprisingly, given a common British rating heritage, most countries in Zone 2 utilize annual rental value as only or as preferred tax base.

**Table 3.3: Tax Bases Provided for in Legislation in Zone 2**

Country	Land value	Capital value	Land and Improvements (separately)	Improvements only	Annual value	Area	Flat rate
Antigua & Barbuda					X		
Bahamas	X	X					
Barbados	X	X					
Belize	X <sup>1</sup>				X		
Dominica							
Grenada			X				
Guyana		X			X		
Jamaica	X						
Montserrat	X <sup>2</sup>		X		X		
St Kitts & Nevis					X	X <sup>3</sup>	
St Lucia		X			X	X <sup>3</sup>	
St Vincent & Grenadines					X	X <sup>3</sup>	
Trinidad & Tobago					X	X <sup>3</sup>	

Note:

1. Recent amendments to property tax legislation allowed Belmopan to introduce a site-value tax.
2. Montserrat levies a land tax on undeveloped land of non-citizens.
3. Agricultural land in St Kitts & Nevis and undeveloped land in St Lucia, St Vincent & the Grenadines as well as Trinidad & Tobago is taxed at a fixed rate per acre.

### Valuation for Tax Purposes

The majority of countries tend to use centralized government valuation departments. To a large extent this makes sense given the relatively small sizes of many of the islands. Only in Jamaica is there evidence of private sector involvement in the preparing of general revaluations.

In some cases cities/towns within a country would have their own valuation department that would be used for property tax assessments (e.g. in Belize, Dominica and Trinidad & Tobago). The rights for such cities/towns to undertake their own valuations are normally prescribed in legislation.

The use of CAMA and GIS is beginning to be employed in Barbados, Grenada and Jamaica. At present for revaluations manually-based systems tend to be the most common. However, with the developments in land registration and title registration there is more of an opportunity to employ these contemporary techniques and software.

**Table 3.4: Responsibility for Valuation Rolls and Use of CAMA in Zone 2**

Country	CAMA and/or GIS	Valuation Rolls			
		In house Valuers	Centralized Government valuers	Private valuers	VR quality control
Antigua & Barbuda	No		Yes	No	None
Bahamas	No		Yes	No	None
Barbados	Yes		Yes	No	In house
Belize	No	Yes	Yes	Yes	None
Dominica	No	Yes		No	None
Grenada	Yes		Yes	No	In house
Guyana	No		Yes	No	None
Jamaica	Yes			Yes <sup>1</sup>	In house
Montserrat	No		Yes	No	None
St Kitts & Nevis	No		Yes	No	None
St Lucia	No		Yes	No	None
St Vincent & Grenadines	No		Yes	No	None
Trinidad & Tobago	No	Yes	Yes	No	None

Note:

1. At times of general revaluations the National Land Agency would contract private valuers to undertake specific valuations of specialised properties or specific geographic areas.

### Tax Rates

Tax rates are to a large extent determined by national governments with local government having very little input. This is to a large extent a reflection of the fact that local government structures – where they exist (e.g. parishes) – have little real authority in terms of expenditures and revenue needs. In Belize, Dominica, Jamaica and Trinidad & Tobago local government is active and has important expenditure responsibilities. The property tax in these countries represents an important source of own revenue.

Differential rates are commonly used in most countries in Zone 2 – with Dominica the exception.

**Table 3.5: Responsibility for Rates, Limitations, Differential Rates& Revenues in Zone 2**

Country	Responsibility for setting tax rates		Entitlement to revenue from property tax		Limitations on rates by central government	Differential rates
	Central	Local	Central	Local		
Antigua & Barbuda	X		X		X	Differentiated by type of resident
Bahamas	X		X		X	Differentiated by value and property type
Barbados	X		X		X	Differentiated by value and property type
Belize		X		X		Differentiated by value
Dominica		X		X		None
Grenada	X		X		X	Differentiated by land and buildings
Guyana		X		X	X	Differentiation is allowed
Jamaica	X			X	X	Differentiated by value
Montserrat	X		X		X	Differentiated by land and buildings
St Kitts& Nevis	X		X		X	Differentiated by land size
St Lucia	X		X		X	Differentiated by land size
St Vincent & Grenadines	X		X		X	Differentiated by land size
Trinidad & Tobago	X			X	X	Differentiated by land size

### **Brief References to Recent/Current Developments in Specific Countries**

Only policy and practical issues regarding new legislation, tax base, coverage and tax rates are referred to in this section. Generally changes with regard to property tax administration (i.e. billing, collection and enforcement) are not addressed.

#### **Barbados**

- An improved capital value system is used for all developed properties.
- Tax base coverage is excellent.
- Regular revaluations are undertaken every three years.
- The ability to applying CAMA and GIS within the valuation processes is being developed.

## **Belize**

- In 1999 and 2001 respectively, the property tax dispensation for Belize City and the capital, Belmopan, has been changed through amendments to the Towns Property Tax Act. Belize City was allowed to continue using annual rental value as tax base, while new valuations were underway to move to market value. In the case of Belmopan, the city was allowed to raise property tax on the basis of site values.
- Legislation has also been amended to allow councils the freedom to appoint private valuers to prepare valuation rolls, rather than insist on the use of the services of central government's Valuation Unit.

## **Grenada**

- Over the last three to four years has undergone an extensive reform process which has focused on valuation and collection system development. The administration of the property tax is now a highly automated efficient system.
- A split tax rate is applied to the value of land and buildings where buildings are taxed at a slightly lower rate.
- Title registration is not yet complete and a large informal property market exists.
- Open market values are used for the determination of land values, whereas buildings are presently valued by reference to costs.

## **Jamaica**

- It is the only country in the region using only a land value property tax system.
- The last general revaluation was undertaken recently in 2002.
- There is still a heavy reliance on manual approaches to valuation. There is thus a need to develop automated valuation models.
- With compliance rates at approximately 60%, collection is a major issue to be addressed.
- Land registration needs to be more comprehensive as only 55% of the land parcels are currently registered.
- Since 1999 local government receives the revenue from the property tax. Previously it was channeled into the Consolidated Fund at national level.

## **Trinidad and Tobago**

- The current property tax is in dire need of reform and modernisation. Revaluations have not been implemented.
- Each designated municipality has its own valuation staff; however, sourcing valuers is a problem for some towns.
- A two-tier property tax exists, one for urban municipalities and one for property outside of designated municipal areas. Each has its own legislation which creates significant differences in procedural approaches.
- Collection and enforcement a major problem with significant build-up of tax arrears.

## **Discernable Trends**

### Tax Base

- It is evident from a review of the countries in Zone 2 that the taxation of undeveloped land is an important policy measure. Land is taxed on the basis of value in some countries, or on the basis of area in others. However, only in Jamaica does land form the sole component of the tax base.
- The majority of the countries either use annual rental value, or a land-value, or a land-area approach.
- The predominant base for the property tax is still annual rental value. However, there is a tendency to consider a move to capital value. St Kitts and Nevis and St Vincent are both currently considering a move to capital improved value.

### Valuation

- Valuations for property tax purposes tend to be a highly centralized function normally within Ministry's of Finance. Given the small size of most of the countries, such an administrative arrangement is efficient as valuer resources are scarce.
- There is a tendency for many countries still to apply traditional manual approaches to valuations. However, there are clear signs that CAMA techniques and the use of GIS are both becoming strategic policy measures.
- Revaluations at regular intervals or at least within statutorily prescribed limits are proving very difficult to comply with. In Jamaica, revaluations should occur every five years, however the reality is every 9/10 years. In Trinidad and Tobago a revaluation has not taken place for some considerable time.

### Tax Rates

- The majority of countries apply differential rates to different classes of property.
- Land, either agricultural or undeveloped, is commonly taxed at a prescribed rate per acre.
- Given that financially autonomous local authorities only exist in Belize, Dominica (Roseau), Jamaica and Trinidad & Tobago the ability to set tax rates is largely under the direct control of central government. Where local government exists, normally through parishes, they tend to be funded directly from the Consolidated Fund to meet whatever expenditure responsibilities they may be given.

## **Problem Areas Common to Zone 2**

From the preceding analysis all of the countries in Zone 2 apply some form of property taxation – normally to raise funds for central government. There are however a number of issues common to a number of the countries:

- The need to organise and implement regular and frequent revaluations in accordance with legislation.



- There is a requirement to provide appropriate “upskilling” and capacity development of valuers involved in the assessment process. This would involve the training in the application of CAMA and GIS techniques.
- Collection and enforcement is clearly a problem across many of the countries. Legislation provides for extensive remedies in the event of unpaid taxes, however, implementation of such remedies is piecemeal. The result is that several countries have significant arrears.
- Registration of deeds and titles needs to be fully implemented to ensure that the tax base is as accurate as possible. Land registration projects are underway in many countries and should result in a more transparent and comprehensive titling systems.
- Tax rates tend to remain fixed for overly long periods of time. Fixed tax rates that are not adjusted in line with inflation and rises in the cost of services create severe fiscal problems as the revenue from the property tax is eroded in real terms.

### **Conclusions regarding Caribbean**

The overall performance of a number of the property systems is a matter of concern. In Dominica, Guyana and Trinidad & Tobago the property tax is in serious need of reform to address issues pertaining to valuation, assessment, collection and enforcement. However, in Barbados, Grenada and Jamaica political will ensures that the property tax is seen as an important source of government revenue. Revaluations in these three countries tend to occur at reasonable intervals.

Reform is currently high on the agenda for Belize, St Kitts and Nevis, St Lucia and St Vincent & the Grenadines. Governments in these countries recognise the potential importance of the property tax as a stable and lucrative source of revenue. Non-resident ownership of real estate is becoming a growth industry an important source of property tax finance in many countries. Specific forms of property transfer taxes and additional property taxes are utilized in many of the countries in Zone 2 to address this phenomenon.

## **Part 4: Asia and the Pacific Region (Zone 3)**

### **Introduction**

The countries in Zone 3 differ widely, in geographic size as well as in population. The countries in the Asia region tend to be densely populated, with numerous local government authorities, often in a complicated system involving three or four tiers (e.g. in Bangladesh, India and Pakistan). In stark contrast the majority of the island states in the Pacific region tend to be so small geographically and in some instances also in respect of population (e.g. Nauru and Tuvalu), that there is no real need for local government. The total land area of Kiribati, with its population of less than 100,000 living on a number of small islands, is only 811 km<sup>2</sup>, but it is geographically spread over a vast area in the Pacific Ocean. This provides a serious challenge to any form of effective and efficient government – national and local. To a more or lesser degree this applies to a number of the developing countries in the Pacific region (such as Fiji, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu).

**Table 4.1: Basic Information regarding Commonwealth Countries in Zone 3**

Country	Size (km <sup>2</sup> )	Capital	Population (thousands)	GDP per capita (US\$)	Urbanisation
<b>Australia</b>	7,687,453	Canberra	20,091	29,143	92%
<b>Bangladesh</b>	144,000	Dhaka	144,320	1,786	25%
<b>Brunei Darussalam</b>	5,769	Bandar Seri Begawan	373	14,094	72%
<b>Fiji</b>	18,333	Suva	844	5,517	46%
<b>India</b>	3,287,590	New Delhi	1,080,265	2,909	28%
<b>Kiribati</b>	811	Tarawa	92	800	37%
<b>Malaysia</b>	329,750	Kuala Lumpur	25,720	9,696	58%
<b>Maldives</b>	298	Malé	349	3,900	26%
<b>Nauru</b>	21	Yaren <sup>1</sup>	13	5,000	100%
<b>New Zealand</b>	268,680	Wellington	4,092	21,177	86%
<b>Pakistan</b>	803,940	Islamabad	150,700	1,971	37%
<b>Papua New Guinea</b>	462,840	Port Moresby	5,550	2,505	18%
<b>Samoa</b>	2,944	Apia	176	5,742	22%
<b>Singapore</b>	693	Singapore	4,426	24,480	100%
<b>Solomon Islands</b>	28,370	Honiara	463	1,639	21%
<b>Sri Lanka</b>	65,610	Colombo	19,610	3,776	24%
<b>Tonga</b>	748	Nuku'alofa	103	6,971	33%
<b>Tuvalu</b>	26	Funafuti	12	1,100	100%
<b>Vanuatu</b>	12,200	Port Vila	207	2,924	20%

Source: *World Factbook 2005*, *Little Green Data Book 2005* and [www.thecommonwealth.org](http://www.thecommonwealth.org)

Notes:

1 Nauru has no official capital city – government offices are located in Yaren district.

Given a common colonial heritage, it is not surprising that all of the countries in Zone 3, despite their vast differences mentioned above, levy at least some form of property-related tax or taxes, as is indicated in Table 4.2.

**Table 4.2: Property-Related Taxes Levied in Zone 3**

Country	VAT	Property Transfer Tax	Capital Gains Tax	Estate Duty & Donations Tax	Urban Property Tax
Australia	Yes	Yes	Yes	Yes	Yes
Bangladesh	Yes	Yes	Yes	Yes	Yes
Brunei Darussalam	No	Yes	No	Yes	Yes
Fiji	Yes	Yes	No	Yes	Yes
India	Yes	Yes	Yes	Yes	Yes
Kiribati	No	Yes	No	No	Yes
Malaysia	Yes	Yes	Yes	Yes	Yes
Maldives	No	No	No	No	No
Nauru	No	No	No	No	No
New Zealand	Yes	Yes	Yes	Yes	Yes
Pakistan	Yes	Yes	Yes	Yes	Yes
PNG	Yes	Yes	Yes	No	Yes
Samoa	Yes	Yes	No	No	No
Singapore	Yes	Yes	Yes	Yes	Yes
Solomon Il	No	Yes	No	No	Yes
Sri Lanka	Yes	Yes	No	Yes	Yes
Tonga	Yes	Yes	No	No	No
Tuvalu	No	Yes	No	No	Yes
Vanuatu	Yes	Yes	No	No	Yes

It is especially noteworthy that most of them levy a tax on the transfer of immovable property (except the Maldives and Nauru), but that four small island states (namely the Maldives situated in the Indian Ocean, and Nauru, Samoa and Tonga in the Pacific Ocean region) do not levy any property tax as defined in Part 1.

In the case of the Maldives, which consists of numerous small atolls and with a population of less than 400,000, the major source of revenue is tourism. Land-related taxes are not currently required to provide services or infrastructure.<sup>24</sup>

In the case of Nauru, this small independent nation with a population of merely 13,000 and a total area of only 21 km<sup>2</sup>, there are no taxes at all. The country is presently totally dependent on the revenue received from the export of phosphate.

## **Overview of Tax Bases, Valuation Issues and Tax Rates**

### Tax Bases

Unlike Africa and the Caribbean, annual value is by far the most predominant tax base utilized by countries in Zone 3. Capital improved value is only used – to a limited extent – by some jurisdictions in Australia, Malaysia and New Zealand, with land value the preferred system only

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<sup>24</sup> The significant impact international terrorism and natural disasters (e.g. the December 2004 tsunami) may have on tourism, suggests that alternatives to tourist taxes ought to be investigated.

in Australia, Fiji, New Zealand, Papua New Guinea and the Solomon Islands. In Vanuatu land value is provided as an alternative to annual value.

Australia, given its federal status, tends to see the widespread use of several tax bases, often also within individual states. Whilst land value is still exclusively used as basis for the respective states' land taxes, there is a growing tendency to use improved capital value and annual value for local government rates.

**Table 4.3: Tax Bases Provided for in Legislation in Zone 3**

Country	Land value	Capital value	Land and Improvements (separately)	Improvements only	Annual value	Area	Flat rate
Australia	X	X			X		
Bangladesh					X		
Brunei Darussalam					X	X <sup>1</sup>	
Fiji	X						
India					X		
Kiribati					X		
Malaysia		X			X		
New Zealand		X			X		
Pakistan					X		
PNG	X						
Singapore					X		
Solomon Is	X						
Sri Lanka					X		
Tuvalu					X		
Vanuatu					X		

Note:

1. Area is suggested as a tax base for Brunei Darussalam and India as a result of the manner in which the annual rental value systems in these two countries seem to be evolving.

## Valuation for Tax Purposes

With the exception of Australia, New Zealand and Singapore (and to some extent Malaysia), all the other countries experience problems when it comes to valuation and assessment. Government valuers are the predominant source for the provision of property tax valuations (see Table 4.4). However, there are several examples where the use of in-house valuers, particularly at the city level, is employed (e.g. Australia, Bangladesh, India and Sri Lanka). Smaller municipalities generally do not have the resources to employ full-time valuers and primarily rely on central government valuers (e.g. Malaysia). The use of the private sector is not widespread. Private valuers are primarily involved in property tax valuations in Australia, Malaysia and New Zealand. The application of CAMA and GIS throughout the region – with the exception of Australia, New Zealand and Singapore – is somewhat undeveloped, though is increasing in importance.

**Table 4.4: Responsibility for Valuation Rolls and Use of CAMA in Zone 3**

Country	CAMA and/or GIS	Valuation Rolls			
		In house Valuers	Government valuers	Private valuers	VR quality control
Australia	X		X		In-house
Bangladesh <sup>1</sup>		X			None
Brunei Darussalam			X		None
Fiji			X		In-house
India <sup>2</sup>		X			None
Kiribati		X			None
Malaysia	X		X	X	In-house
New Zealand	X		X	X	Valuer General
Pakistan			X		None
Papua New Guinea <sup>3</sup>			X		Valuer General
Singapore	X		X		In-house
Solomon II		X			None
Sri Lanka		X	X		None
Tuvalu			X		No data
Vanuatu <sup>3</sup>		X	X		Valuer General

Note:

1. Dhaka City Corporation will be introducing self-assessment in 2004/05.
2. Delhi Municipal Corporation has introduced self-assessment.
3. In both Papua New Guinea and Vanuatu legislation stipulates that the Valuer General has an overall oversight function. However, whether this function is performed in practice, is doubtful

Quality controls are virtually absent in most countries, again with Australia and New Zealand the most notable exceptions.

## Tax Rates

Rates are generally set locally with, in some instances (see Table 4.5), some oversight. Differential rating is predominant with only some indication of a uniform rate in Bangladesh, Kiribati and Tuvalu. However, this is probably because the legislation is not clear on the matter.

Table 4.5 attempts to provide an overview of the key aspects regarding tax rates and tax revenue in Zone 3. Local government tend to have the responsibility for setting tax rates and normally have the authority to spend the revenue raised from the property tax within their jurisdictions. The application of differential rates is relatively common with several countries relying on significant numbers of categories (e.g. Australia, India, Malaysia and New Zealand).

**Table 4.5: Responsibility for Rates, Limitations, Differential Rates and Revenues in Zone 3**

Country	Responsibility for setting tax rates		Entitlement to revenue from property tax		Limitations on rates by central government	Differential rates
	Central	Local	Central	Local		
Australia		X		X		Yes
Bangladesh				X		No
Brunei Darussalam	X			X	X	Yes
Fiji		X		X	X	Yes
India		X		X		Yes
Kiribati		X		X		No
Malaysia		X		X		Yes
New Zealand		X		X		Yes
Pakistan		X		X <sup>1</sup>	X	Yes
PNG		X		X		Yes
Singapore	X		X <sup>2</sup>		X	Yes
Solomon Il		X		X <sup>3</sup>		No data <sup>4</sup>
Sri Lanka		X		X		Yes
Tuvalu		X		X	X	No
Vanuatu		X		X		Yes

Note:

1. In Pakistan revenue is shared between the province (15%) and the local authority (85%). There is provincial oversight over tax rates (Keith, 1999).
2. As a “city state” Singapore has only one level of government.
3. In the Solomon Islands local government is constituted as “provinces” thus the property tax is a “local” tax.
4. Property categorisation for assessment purposes suggests that differential rates may be used.

### Brief References to Recent/Current Developments in Specific Countries

Only policy and practical issues regarding new legislation, tax base, coverage and tax rates are referred to in this section. Changes with regard to property tax administration (i.e. billing, collection and enforcement) are generally not addressed.

#### Australia

- In all Australian jurisdictions the local rating system is generally in excellent shape. Despite the vastness of many of the states, and in some instances the huge number of properties, the tax base coverage is comprehensive, valuation cycles are maintained by skilled staff using modern CAMA technology in both urban and rural areas.
- Land value, capital improved value as well as annual rental value are extensively used as tax bases within the country with some states applying more than one tax base (e.g. Western Australia and Victoria).

- Annual revaluations (in some instances for the state land tax, rather than for local rates) are undertaken in Queensland, South Australia and Western Australia whereas in the others revaluations are to be undertaken between two and seven years.
- There is, at least in some states (South Australia, Victoria and Western Australia), a trend to move away from land value as the preferred base at local government level. Capital improved value is gaining ground (McCluskey and Franzsen, 2001).
- All six states, as well as the Australian Capital Territory, levy a land tax on the unimproved value of land. The Northern Territory does not have a land tax.

## **Bangladesh**

- The colonial-styled system is no longer functioning effectively and is indeed in dire need of reform.
- Dhaka City Corporation has developed a user-friendly web page,<sup>25</sup> explaining the property tax system to taxpayers, allowing them the facility to view the details of their own property assessment, and also providing an option to pay the tax online.

## **Fiji**

- Fiji is one of only a few countries in Zone 2 where land-value taxation is not merely an option, but the preferred tax base.
- Unimproved land value has been used in Fiji for some time, however, a number of studies have recently been investigating the possible move to capital improved value.
- Land outside municipal areas (urban and rural) tend not to be provided with basic services as property tax is not levied on these properties. This can often create a problem as many of the large tourist hotels and attractions are located outside municipal areas.
- Valuations are undertaken by the centralised valuation unit within the Department of Lands and Mineral Resources.

## **India**

- Calls for extensive property tax reform have been made in various states in India.
- There is a discernable trend to adapt and simplify an outdated annual rental value rating system to current realities – especially in the mega cities such as Bangalore, Chennai (formerly Madras), Kolkata (formerly Calcutta) and New Delhi. There seems to be a growing trend to simplify annual value systems through the application of area-based elements.
- Self-assessment is gaining ground. The need for this measure is clear from an administrative point of view. The impact of self-assessment on revenues is difficult to measure as it was introduced only recently and simultaneously with other reform measures.
- User-friendly web pages (in the case of at least Delhi and Chennai<sup>26</sup>) have been developed to explain the property tax system to taxpayers.

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<sup>25</sup> See [http://www.dhakacity.org/html/reve\\_function.html](http://www.dhakacity.org/html/reve_function.html) (accessed June 2005).

<sup>26</sup> See <http://www.mcdonline.gov.in/mcd/taxation.jsp> and <http://www.chennaicorporation.com> (accessed June 2005) respectively.

## **New Zealand**

- Historically, territorial local authorities in New Zealand have been able to choose their property tax base. New Zealand's tax base coverage is comprehensive and its system in many respects is a best practice model that could be studied.
- The predominant system currently in use is land value. However, there has been a gradual swing away from land value to capital improved value (McCluskey and Franzsen, 2004).
- Territorial local authorities have the power to set their own tax rates and to apply 100% of the tax revenue within their jurisdiction. However, each year a rating policy statement and budget must be prepared and the public consulted on revenue and expenditure plans.
- Differential rating is widespread and used by all territorial authorities.
- Recently, however, government relinquished its monopoly as service provider for valuation services to local authorities. The latter now are free to select their own preferred service providers. In practice few local authorities have made use of the private valuers' profession to prepare valuation rolls.

## **Papua New Guinea**

- Papua New Guinea is one of very few countries in zone 3 utilizing site value extensively (the others being Australia, Fiji, New Zealand, Solomon Islands and to a lesser extent Vanuatu). This could be explained by its relatively undeveloped state generally and the fact that Australia has been administering the country for many years pre-independence (Manning and O'Faircheallaich, 2000).
- Rapid urbanisation is causing problems within the squatter settlements on the outskirts of cities such as Port Moresby. It poses a problem for the identification of new rateable properties, adding these to the valuation list and ensuring a proper property tax administration.
- In this predominantly rural country, property tax is presently only effectively levied on freehold land, which constitutes a mere 1% of the total land in PNG (Armitage, 2002). There is vast scope for extending property taxation.

## **Discernable Trends**

### Tax Base

- In the Pacific region where land is occupied predominantly under customary title, and property tax almost exclusively levied on freehold land, there is growing pressures to also extend the local government tax on property to customary land.
- In Asia there is increasing pressure on the colonial-style annual rental value system which still dominates throughout the Asian region. In Bangladesh, India, Pakistan and Sri Lanka a simpler, more transparent system is required to accommodate the growing numbers of urban properties resulting from rapid urbanisation.
- It is evident from a review of the countries that those countries applying land value are also considering the introduction of capital improved value. In New Zealand and Australia the swing away from land value is most apparent.
- The majority of the countries either adopt the annual rental value basis or land value.



## Valuation

- India is already moving towards a system where “annual rental value” is easily determined by multiplying a basic rate with a few factors relating to a buildings location, age and use. By simplifying the process, self assessment becomes a viable option.
- In many jurisdictions in both the Asia and Pacific region valuation rolls are outdated and the necessary skills lacking. Calls for more vigorous monitoring of the valuation and assessment process are increasing in number and urgency.
- Valuations for property tax purposes tend to be a highly centralized function normally within Ministry’s of Finance.
- There is a tendency for many countries still to apply traditional manual approaches to valuations. However, there are clear signs that CAMA techniques and the use of GIS are becoming more widespread.
- Revaluations at regular intervals or at least within statutorily prescribed limits are proving very difficult to comply with in almost all the jurisdictions.

## Tax Rates

- In all of the jurisdictions where property tax is indeed a local tax, the responsibility for rate setting is local. However in most instances there is oversight at the national or provincial (e.g. Pakistan) or state (e.g. India, Papua New Guinea) level.
- The majority of countries apply differential rates to different classes of property.
- Agricultural land tends to have various forms of protection or relief, ranging from full exemption, to partial exemption, through to the use of concessionary current use value.
- Local government is important in most of the countries and normally have the power to set property tax rates.

## **Problem Areas Common to the Asia Region in Zone 3**

There are a number of issues common to most of the countries in the Asia region:<sup>27</sup>

- The need to organise and implement regular revaluations in accordance with existing legislation is clear.
- As in Africa and the Caribbean, there is a dire need to increase the skills levels of valuers involved in the assessment process. This would necessarily include training in the application of CAMA and GIS techniques. As a possible alternative, systems could be adapted to allow for self-assessment. This is presently happening in India.
- Collection and enforcement is clearly a problem across many of the countries. Although legislation generally provides for extensive remedies in the event of unpaid taxes, some of these remedies are not used in practice and thus several countries have significant arrears. Where taxpayers perceive that they will not be pursued by the taxing authority in case of default, collection suffers severely.

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<sup>27</sup> These are Bangladesh, Brunei Darussalam, India, Malaysia, Pakistan, Singapore and Sri Lanka. The Maldives does not levy a property tax.

- Tax rates tend to remain fixed for overly long periods of time (e.g. in India and Pakistan). Fixed tax rates that are not adjusted in line with inflation and rises in the cost of services create severe fiscal problems as the revenue from the property tax is eroded in real terms. This is aggravated by irregular general revaluation.

### **Conclusions regarding the Asia Region**

Rapid urbanisation, population growth, as well the numbers of properties in large cities across the Asian region suggest that if an *ad valorem* property tax is to be retained, mass appraisal techniques and geographic information systems will have to be used much more extensively. Although skills exist in at least Malaysia and Singapore, it is questionable whether it is the case in many jurisdictions in Bangladesh, India, Pakistan and Sri Lanka. It is therefore not surprising that in India there is a move towards a simplification of the colonial annual rental value system. In Delhi and also in Chennai the respective municipal corporations are customizing the system to provide for a tax base which combines actual floor area with value zones determined on the basis of location (neighbourhood) and use. To further relieve pressure on determining an assessed value for individual properties, self-assessment is being used.

### **Problem Areas Common to the Pacific Region in Zone 3<sup>28</sup>**

From the preceding analysis the majority of the countries in Zone 3 apply some form of property taxation, normally to raise funds for local and/or provincial (in Papua New Guinea and the Solomon Islands) government. There are however a number of issues common to a number of the countries:

- There is a need to organise and implement regular revaluations in accordance with legislation.
- There is a requirement to provide appropriate training and capacity development of valuers involved in the assessment process. As is the case in Africa and the Caribbean, this would also involve the training in the application of CAMA and GIS techniques.
- Collection and enforcement is also a problem across many of the countries. Legislation provides for extensive remedies in the event of unpaid taxes, however, implementation of such remedies is piecemeal – often as a result of political pressures. The result is that several countries have significant arrears.
- Registration of deeds and titles needs to be fully implemented to ensure that the tax base is as accurate as possible. Extensive land registration projects in respect of customary tenure rights are underway in some countries and should result in a more transparent and comprehensive titling system. The conversion of leasehold into freehold is also underway in some instances (e.g. in Papua New Guinea).

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<sup>28</sup> These are Australia, Fiji, Kiribati, New Zealand, Papua New Guinea, Solomon Islands, Tuvalu and Vanuatu. As indicated, Nauru, Samoa and Tonga do not levy a property tax.

## Conclusions regarding the Pacific Region

In those countries in the region that actually utilise property taxation to fund provincial and/or local government, the overall performance of most of the property systems is a matter of concern (Cox and Morrison, 2004; Duncan, 2004 and Storey, 2004) – especially in the context of rampant urbanisation in some countries (e.g. Fiji, Papua New Guinea, Solomon Islands and Vanuatu).

Recent or ongoing local government reform has already made an impact and will further impact on the property tax administration in at least Papua New Guinea, Solomon Islands, Tuvalu and Vanuatu. Governments in all of these countries recognise the potential importance of the property tax as a stable and lucrative source of revenue, especially with growing international tourism and booming property markets. Although at present limited in most Pacific island states, non-resident ownership (or long-term and secure leasehold) of real estate is becoming a growth industry and should thus, as is the case in the Caribbean, become an important source of property-related tax finance (i.e. property transfer taxes as well as annual property taxation) in these countries. However, to unlock this potential appropriately, as well as to ensure that the increasing service demands from nationals of these countries are addressed, the taxation of customary tenure needs to receive urgent attention.

## Part 5: North America and Europe (Zone 4)

### Introduction

Table 5.1 provides a review of the four countries included within this zone. All four countries are developed countries with Canada by far the largest country. Both Cyprus and Malta are small island states and also recently joined the European Union.

**Table 5.1: Basic Information regarding Commonwealth Countries in Zone 4**

Country	Size (km <sup>2</sup> )	Capital	Population (thousands)	GDP per capita (US\$)	Urbanisation
Canada	9,984,670	Ottawa	32,800	31,500	79%
Cyprus	9,250	Nicosia	780	20,300	71%
Malta	316	Valletta	399	18,200	92%
United Kingdom	244,820	London	60,400	29,600	90%

Sources: *World Factbook 2005*, *Little Green Data Book 2005* and [www.thecommonwealth.org](http://www.thecommonwealth.org).

What is immediately noticeable in respect of all four countries, is the high levels of urbanisation as well as the general level of wealth as indicated by the per capita GDP.

Table 5.2 provides coverage of the various property taxes levied by the countries. Only in the case of Malta is property not taxed in respect of local rates although a property transfer tax is indeed levied – with an additional levy paid by non-citizens.

**Table 5.2: Property-Related Taxes Levied in Zone 4**

Country	VAT	Property Transfer Tax	Capital Gains Tax	Estate Duty & Donations Tax	Urban Property Tax
Canada	Yes	Yes	Yes	Yes	Yes
Cyprus	Yes	Yes	No	No	Yes
Malta	Yes	Yes	Yes	Yes	No
United Kingdom	Yes	Yes	Yes	Yes	Yes

Table 5.3 indicates that only Malta at present does not have a property tax system. The most common form the property tax takes is capital value, with annual rental value being used for commercial/industrial property in the UK.

**Table 5.3: Tax Bases Provided for in Legislation in Zone 4**

Country	Land only	Capital value	Land and Improvements (separately)	Improvements only	Annual value	Area	Flat rate
Canada		X					
Cyprus		X					
United Kingdom <sup>1</sup>		X			X		

Note:

1. In the United Kingdom capital value is used for domestic properties (i.e. the council tax) and annual value for non-residential properties.

There is quite extensive use of CAMA and GIS within the three countries that have property taxes (see Table 5.4). Valuations tend to be provided by central government as opposed to local government. Private valuers have been used in the United Kingdom, particularly for revaluation exercises.

**Table 5.4: Responsibility for Valuation Rolls and Use of CAMA in Zone 4**

Country	CAMA and/or GIS	Valuation Rolls			
		In house Valuers	Government valuers	Private valuers	VR quality control
Canada	X	X	X		In-house
Cyprus	X		X		In-house
United Kingdom	X		X	X	In-house

The responsibility for the setting of tax rates is primarily a local and central function in Cyprus and the United Kingdom (see Table 5.5). In the United Kingdom central government sets the commercial property tax rates (i.e. for the uniform business rate (UBR)), whilst local government determines the residential tax levy (i.e. council tax).

**Table 5.5: Responsibility for Rates, Limitations, Differential Rates & Revenues in Zone 4**

Country	Responsibility for setting tax rates		Entitlement to revenue from property tax		Limitations on rates by central government	Differential rates
	Central	Local	Central	Local		
Canada		X		X		X
Cyprus	X	X	X	X		
United Kingdom	X	X		X		

Note:

1. In the UK the revenue from the local business rate is collected nationally and disbursed to local authorities in terms of a formula.

## Part 6: Overall Lessons and Conclusions

### Possible Lessons for Property Tax Reform in the Developing Countries within the Commonwealth

There are some lessons to be learnt from current and past tax reforms in especially member states from Zone 1 and Zone 3:

- Before any reforms are implemented, it must be clear that the goals set are attainable. The capacity to value properties under an *ad valorem* system is paramount.
- The administrative capacity and political will to collect and enforce the tax must exist and be maintained (see Ahene, 2001). It presupposes the availability of sufficient and accurate property data. In some countries the data is apparently available, but difficult to access as land records and assessment of property may be responsibilities within different ministries or government departments.
- Successful property tax reforms are usually “collection-driven” rather than “valuation-pushed” (see Kelly, 1995 and Kelly, 1999). Reforms in Tanzania since 1993 have been valuation-driven (see Kelly and Masunu, 2000) and have not been too successful in increasing revenues significantly (Franzsen et al, 2002). It is probably correct to say that proper valuation and efficient collection are both prerequisites for successful reform. State of the art valuation rolls are worthless if the tax is not properly billed, collected and enforced.
- Legislated political control or intervention, especially in valuation-related matters, should be limited or, where practicable, avoided (see Chirwa, 2000; Nsamba-Gayiiya, 2001).
- Legislation should not be too detailed (e.g. listing valuation methodologies (South Africa) and/or interest rates to be paid on arrears (Malawi, Tanzania and Uganda)).
- The tax base should be as inclusive as is practically possible, exclusions should be avoided and exemptions kept to a minimum. In spite of the chronic shortage of skilled valuers, ideally valuation rolls should reflect all properties, even those excluded from the tax base or exempted from paying tax.
- Valuation rolls should not be too detailed. For example, in Botswana, Lesotho, Malawi, Namibia and Swaziland valuation rolls must reflect three values (i.e. land value only, improved value and also the value of improvements) - irrespective of the actual tax base used

(Franzsen, 2003). This is unnecessarily costly and time consuming – the latter tying up scarce human resources.

- To realize the untapped potential revenue from a more efficiently administered property tax requires a determined commitment of human, physical and financial resources. National and local politicians must appreciate this. To ensure that reform initiatives bear fruit, political will must be obtained.
- It may furthermore be necessary for local authorities to rethink how they generate revenues. In many jurisdictions there are too many minor taxes, duties, licences, fees and charges that are often times costly and difficult to collect and enforce. Tanzania has recently undertaken a significant rationalization process – abolishing many so-called “nuisance taxes” (Franzsen and Semboja, 2004).
- Broaden the revenue base and improve the council’s access to loans. The local councils should establish creditworthiness and lay the basis to sell municipal bonds. This would reduce the council’s over-reliance on property rates in infrastructure development and provision of basic services.
- Develop and initiate both taxpayer education and media campaign programs emphasizing the role and purpose of property taxation, obligations and responsibilities of taxpayers, and linkage between local revenues and services. This would raise public awareness on revenue collection and its role in urban development. Balance the conflicting desires of the electorate for better local services with their natural wish to minimize the tax liability (Franzsen and Olima, 2003).
- Reassess and revise tax base and budget autonomy. This includes synthesizing and integrating the cadastral surveying system with the valuation system, improve on coverage, consider indexation and explore possibilities of privatizing some of the valuation services where appropriate. Some Indian cities have recently introduced self-assessment to counter the lack of skilled valuers and other administrative problems.
- Mass valuation may produce a more equitable spread of the tax burden in a more transparent, cost effective, timely and sustainable manner. Property banding or other systems of mass valuation, rather than discrete values for each property may present a solution to the acute shortage of valuers in many of the countries. As indicated above, South Africa and Uganda are considering mass valuation as part of their property tax reform programs.

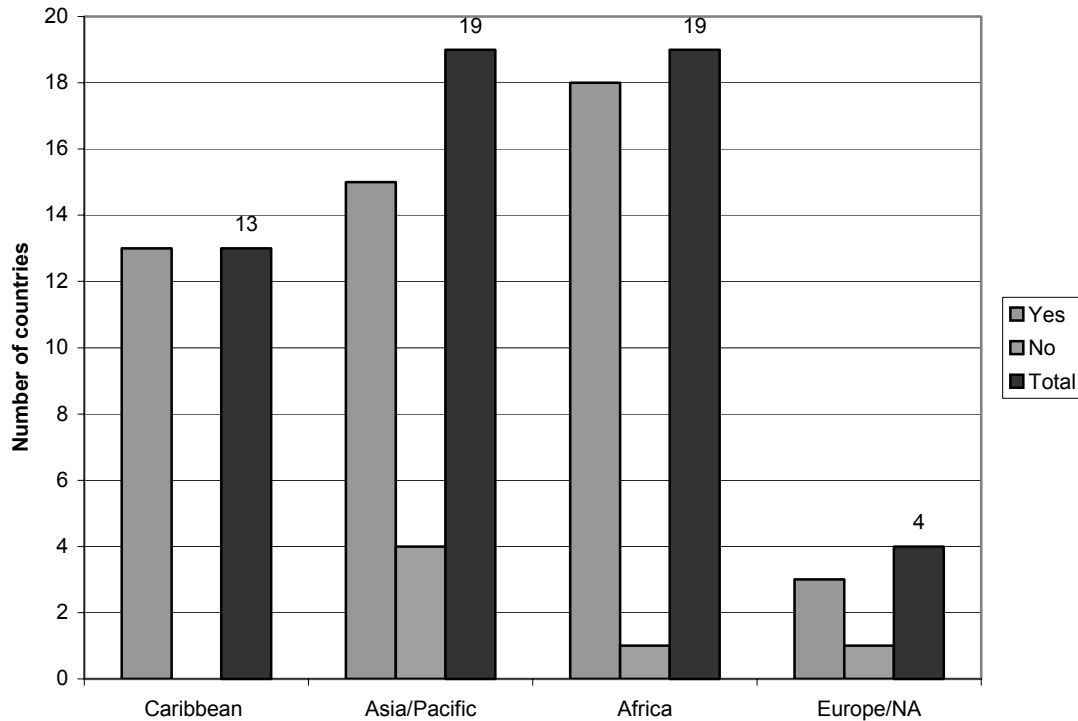
## General Trends

In summary the following figures graphically illustrate some of the features and trends regarding property taxation within the Commonwealth.

**Figure 1** illustrates the usage of the property tax across the four regions.

All the countries in the Caribbean employ the property tax, whereas four countries in the Asia/Pacific region have no form of property taxation (the small island states of the Maldives, Nauru, Samoa and Tonga). In the African and Europe/North America regions only one country in each does not employ the property tax; namely the small island states of Seychelles (in Africa) and Malta (in Europe).

**Figure 1: Number of countries in each zone utilizing a property tax**

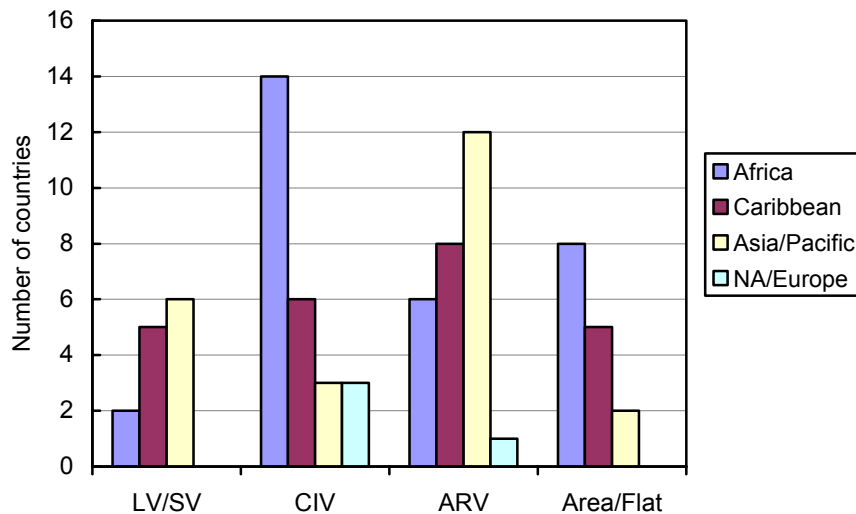


**Figure 2** highlights the spread of the various property tax bases utilized in practice across the four zones. In Africa (Zone 1), four countries tax only improvements, ignoring the land. In two cases (Ghana and Sierra Leone) the annual rental value of the improvements is used as tax base, and in the case of Mozambique and Tanzania the capital value. Therefore these four countries are reflected under capital improved value (CIV) and annual rental value (ARV) respectively. Those countries in Africa (Zone 1) and the Caribbean (Zone 2) using a split rate system (i.e. taxing land and improvements separately and at different rates), have been categorised under capital improved value (CIV) for purposes of Figure 2.

In Africa (Zone 1), capital improved value is the preferred system although systems taxing only improvements (i.e. excluding land) are also used in at least four countries. In the Caribbean (Zone 2) the most common form of the property tax is annual rental value, with land-area or land-value systems also well represented. In the Asia/Pacific region (Zone 3) annual rental value tends to dominate with a land-value system the second most utilized system. In Europe/North America (Zone 4) the most commonly used bases are capital improved value and annual rental value.

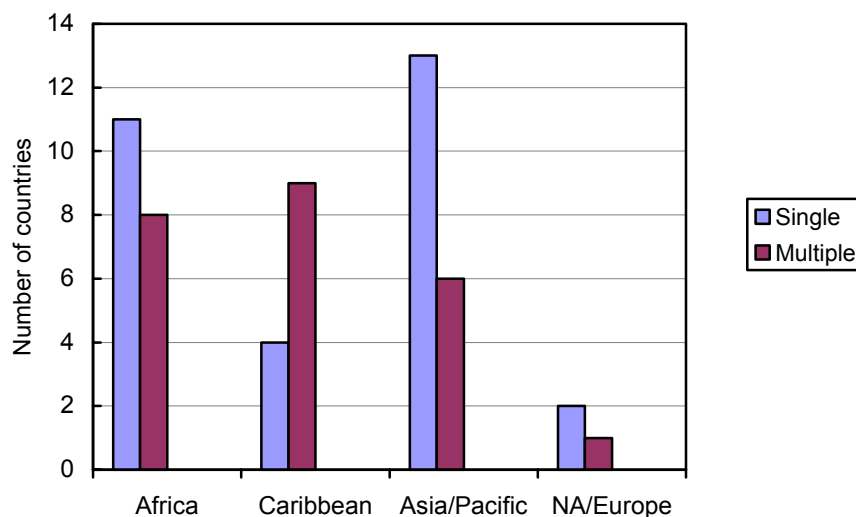
Appendix 5-1 provides an overview of tax bases utilized in practice in tabular form for all 49 countries levying a property tax.

**Figure 2: Bases of the property tax utilized across the four zones**



**Figure 3** demonstrates the importance of multiple tax bases being applied in different countries. A significant number of countries in Africa (Zone 1) tend to use more than one basis for the property tax. In the Caribbean (Zone 2) most of the countries tend to use more than one property tax base. In Asia and the Pacific region (Zone 3) relatively few countries use more than one tax base. As a result of the manner in which jurisdictions in Brunei Darussalam and India have begun adapting their annual rental value tax base to resemble what in essence is an area-based tax, these two countries have been categorised as countries with multiple tax bases.

**Figure 3: Use of multiple tax bases within specific countries**

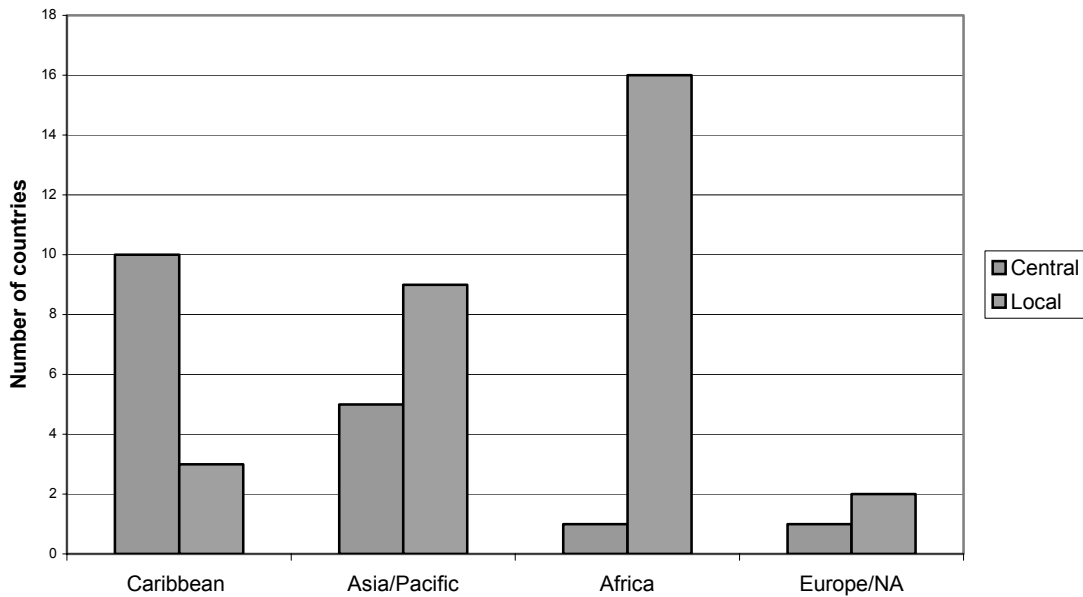




**Figure 4** examines the responsibility for the setting of property tax rates across the four regions. In the Caribbean region, responsibility is firmly within the remit of central government, whereas in Africa and Asia/Pacific local government tend to have the authority. From the Caribbean perspective local government with any fiscal really autonomy only exists in a few of the larger countries (e.g. Belize, Guyana and Jamaica). In the other regions the countries tend to be much larger with more establish local government systems.

Even where local authorities have a right to set there own rates, most countries apply some measure of central government control (e.g. ministerial approval).

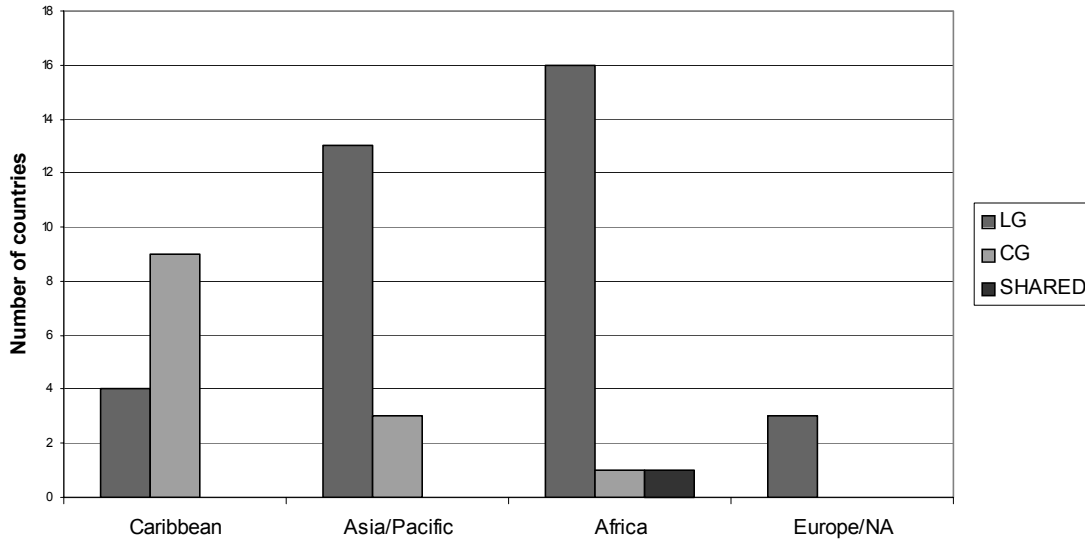
**Figure 4: Responsibility for setting tax rates**



Property tax revenues tend to be extremely important for local authorities within countries in Asia/Pacific, Africa and Europe/North America, whereas, in the Caribbean, given the size of the countries, property tax revenue is predominantly a central government tax (normally paid into the Consolidated Fund).

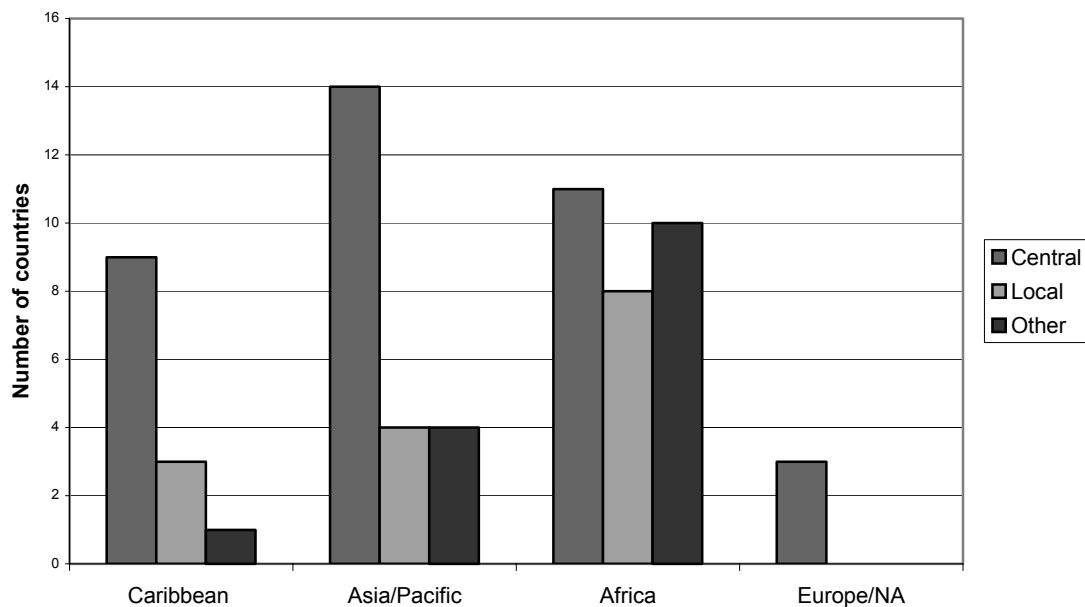
**Figure 5** shows the distribution of the entitlement to revenues from property taxes between the various regions.

**Figure 5: Entitlement to property tax revenues**



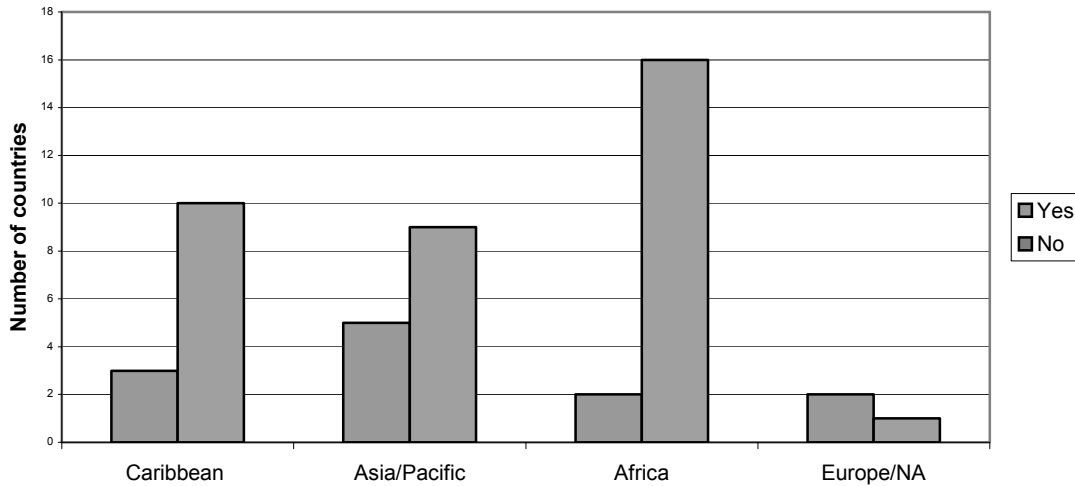
The provision of valuation services can normally be considered as a centralised function under the control of a main government department, or provided at the local level by in-house valuers. A third option is the use of the private sector under various schemes of tendering. **Figure 6** illustrates the importance of centralised valuation systems.

**Figure 6: Provision of valuation services**



The application of Computer Assisted Mass Appraisal (CAMA) and Geographic Information Systems (GIS) has limited usage within the developing countries within the various zones – as indicated by **Figure 7**. However, the pattern of use and technical development of valuers is increasing in relation to these particular areas.

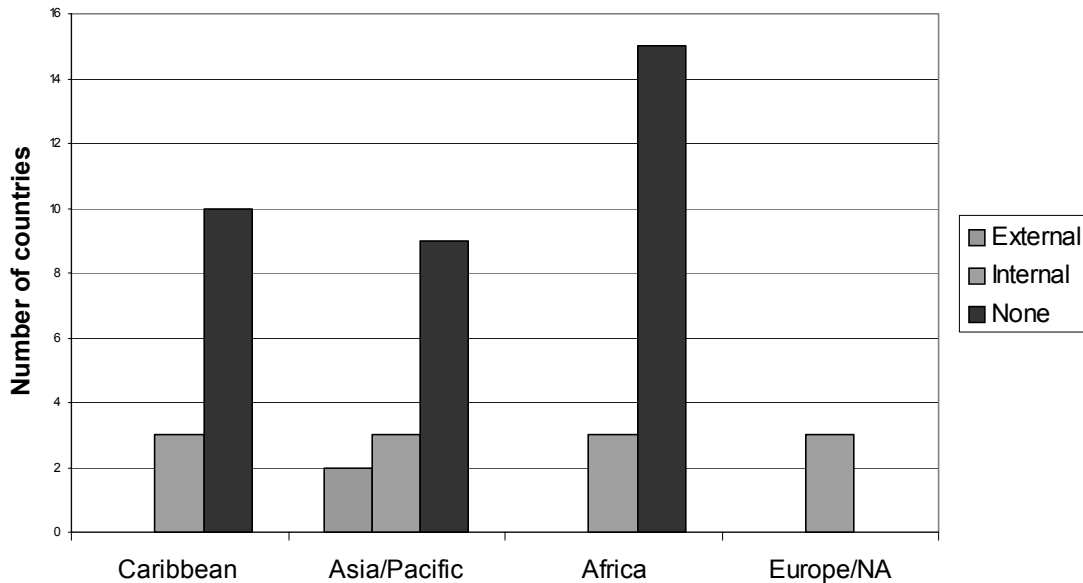
**Figure 7: Application of CAMA and GIS within the assessment function**



As indicated by **Figure 8**, the quality of assessments is also variable across the different zones. The majority of countries tend to have no formal systems to actively monitor the quality of assessments.

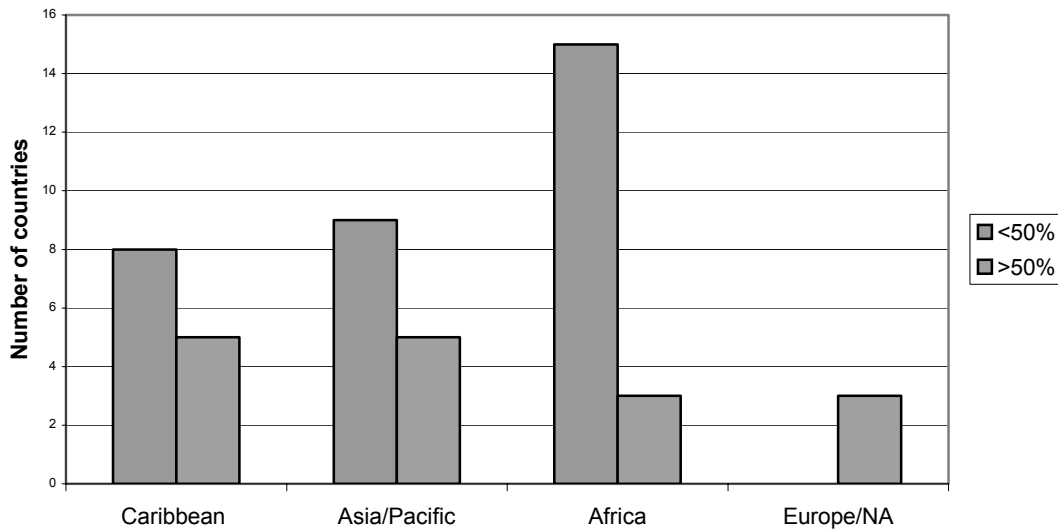
Australia and New Zealand have rigorous external quality assurance systems, whilst Singapore, South Africa, Canada and England have internal controls.

**Figure 8: Monitoring of assessment quality**



The level of property tax coverage is the most problematical in Africa where the majority of countries would have a coverage ratio of less than 50% (see **Figure 9**). There are a number of countries within the Caribbean (e.g. Belize, Guyana, Jamaica and Trinidad & Tobago) and Asia/Pacific (e.g. Pakistan, Papua New Guinea, Solomon Islands, Vanuatu) regions that have relatively poor coverage.

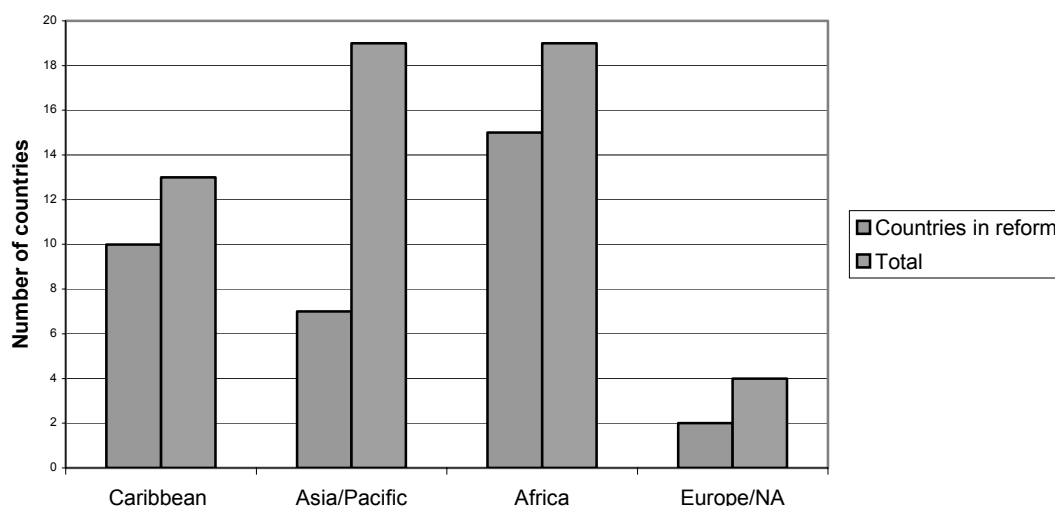
**Figure 9: Level of property tax coverage**



It is apparent from **Figure 10** that the majority of the countries across the various zones are involved in some form of property tax reform. The level of reform can be as extensive as a complete review of the entire property tax system (e.g. Belize, Guyana, Lagos State in Nigeria,

South Africa and Trinidad & Tobago) or a piecemeal review of certain components of an existing system (e.g. New Zealand, St Lucia, St Vincent, Uganda, United Kingdom and Zambia).

**Figure 10: Countries undergoing property tax reform**



## Conclusions

Although comprehensive property tax legislation exists in most of the jurisdictions studied, giving practical effect to the provisions of the law presents problems in many of these countries – with possibly the exception of the developed countries in the Commonwealth.<sup>29</sup> In some countries the relevant laws are clearly outdated (e.g. Bangladesh, India, Tanzania and Uganda) – being largely retained from a pre-independence era – and thus deserve a thorough review.

A wide variety of different tax bases are used and typically the property tax coverage in many of these countries is unsatisfactory. With the exception of Cameroon and Dominica, all of the other jurisdictions use a form of *ad valorem* property tax as the preferred system. For an *ad valorem* system to function efficiently and equitably, the implementation and maintenance of credible and defensible valuation rolls are critical factors. In this context the lack of properly qualified and skilled valuers presents itself as a serious stumbling block in most jurisdictions in Africa, in some jurisdictions in the Caribbean, in Asia and in the Pacific region. In many jurisdictions collection and enforcement are also generally poor and the relationship between councils and taxpayers strained. The absence of the required political will to support appropriate reforms and/or proper enforcement against delinquent taxpayers is also a widespread problem in most countries studied.

<sup>29</sup> These are Australia, Canada, Cyprus, New Zealand, Singapore and the United Kingdom as Malta does not have a property tax. Maintaining a well-functioning system and improving it continuously however present new challenges. For example, the United Kingdom is about to embark on the revaluation of approximately 22 million residential properties for purposes of the council tax. This task presents formidable logistical challenges.

If the current situation is to improve significantly, capacity building in the areas of professional, technical and management skills, training, computerisation, collection and enforcement procedures is imperative. However, in some countries it is even doubtful whether the appropriate legal, institutional and organisational frameworks exist to ensure that the present system can function effectively in the near future.

Developing countries throughout the Commonwealth are facing the debilitating constraints that prevent proper coverage, annual supplementary valuations and the required regular general revaluations. Thus they should do well to consider practical and sustainable alternative tax bases and/or methodologies to assess taxable property. For example, a United Kingdom-styled value-banding system (see McCluskey, Plimmer and Connellan, 2002), or other mass valuation systems (as applied in Latin America and south-east Asia (see Kelly, 1995) could be considered, or in the context of existing legislation in some countries, extending the less complicated area-based or flat-rate systems.

For example, over a two-year period and using only in-house capacity, Temeke Municipal Council in Dar es Salaam, Tanzania managed to add almost 80,000 properties to its flat rate tax register at less than US\$1.00 per property – compared to 5,000 properties added to the valuation roll by private consultants, at approximately US\$17.00 per property, over a similar period (Franzsen et al, 2002; Franzsen and Semboja, 2004).

If the primary function of a property tax is to generate a reliable and adequate revenue stream in an as cost-effective and equitable manner, convincing national and local politicians and policy makers that “simpler can actually be better” seems to be worth considering (Franzsen and McCluskey, 2005). A less costly and cumbersome method of assessing properties for tax purposes should allow councils to focus on the most important aspects of property tax reforms, namely tax administration and creating an enabling political environment to facilitate revenue enhancement – as suggested by Dillinger (1991) and Kelly (2002) – as well as many other commentators.

This study provides a mere exploratory overview of the systems in place as described in current legislation. Further research is required to get a better understanding of the political, constitutional and legal environment within which property assessment and property taxes are administered, and to address the present weaknesses of the respective systems. Only then can properly justified recommendations regarding suitable amendments be made.

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