Property Taxation in Three Francophone Countries in West and Central Africa

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Lincoln Institute of Land Policy
Working Paper

Lincoln Institute Product Code: WP09FAC1

Abstract

The Lincoln Institute and the African Tax Institute (ATI), located at the University of Pretoria, South Africa, have formed a joint venture to better understand property-related taxation in Africa. Its goal is to collect data and issue reports on the present status and future prospects of property-related taxes in all 54 African countries, with a primary focus on land and building taxes and real property transfer taxes. Each individual report aims to provide concise, uniform and comparable information on property taxes within a specific country or region, considering both the system as legislated and tax in practice. This paper provides a regional overview of property taxation in Francophone Africa 2 (Cameroon, Central African Republic, and Côte d'Ivoire).

About the Author

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Brief overview of property taxation in Cameroon, the Central African Republic and Côte d'Ivoire exploratory.

Cameroon, the Central African Republic (CAR) and Côte d'Ivoire (also known as Ivory Coast) are three French speaking sub-Sahara African countries sharing a common legacy that has, to varied extents, affected their individual tax systems.

All three countries were former colonies of France and after gaining their independence in 1960 (Cameroon on January 1, Ivory Coast on August 7, and CAR on August 15 respectively) they all largely inherited the French administrative system. Gaining independence from France did not imply that France completely relinquished its influence over the political and administrative lives of these countries. The maiden heads of state of all three were more or less put in place by the French administration, and their initial administrative setups were some kind of a 'copy and paste' from the French regime. France still has significant economic, political, cultural, and social interests in Côte d'Ivoire and Cameroon, and to a lesser extent CAR. This environment greatly affected the property tax systems of the countries even before they started making attempts at decentralization. In fact property taxation in the three countries has been seriously inspired by the French model.

One very important and distinct aspect about the Ivorian society is the presence and economic influence of a large non-Ivorian population in Côte d'Ivoire, resulting from the continued influx of foreign labourers (more than half of whom came from Burkina Faso) in the post-colonial period. During the past two decades, the rights of these 'non-Ivorian' population (most of whom were born and raised in Ivory Coast), particularly the right to own permanent and transferable titles to land, have been the subject and source of a lot of contention within the Ivorian society. These contentions have to a significant extent contributed in shaping the land tenure regime of the country, and consequently the property taxation system. The enactment of the 1998 law on the land tenure regime for rural lands *(Loi sur le foncier Rural)*, which conditioned the right to acquire and transfer permanent title to land upon native Ivorian citizenship, is a natural corollary of this background.

The prevalence of traditional land ownership and extensive powers of traditional chiefs over land is a factor which is quite common in the three countries. Traditional chiefs hold and control huge portions of land - particularly in the villages – which they allocate or distribute as and when they desire.

Local governments and decentralization

Ivory Coast and Cameroon respectively initiated some form of decentralization in the early 60s shortly after gaining independence. In Cameroon there were at least six local councils by in the two years preceding independence and the number more that quadrupled by 1970 though the council heads were appointees of the head of state. The number of local elected councils multiplied in both countries in the early 1980s. In 1980, Houphouët-Boigny initiated a communalization policy, which led to "the creation of a large number of new, elected local government authorities. This trend was also followed in Cameroon where several new councils were created in the mid 80s with the first local government elections held in 1988. There was only one political party though. The wind of change that ushered in multiparty democracies across most of Africa in the early 1990s did not leave these two countries untouched. In Cameroon and Ivory Coast decentralization and democratization at the local level were parts of the same process. In Cameroon local governments, then elected in a multiparty context, were allowed increased powers to mobilize fiscal resources at the local level.

The situation was much different in the CAR where democratization and decentralization processes have been quite slow. This has probably been due to the unending social turmoil that has plagued the country since the reign of emperor Bokassa. Today the country can only boast of one 'said to be' autonomous council, Bangui. There are however efforts at decentralization with the recent creation of four more councils, though they are yet to go operational. These efforts are seriously diluted by widespread poverty and threats from dissident rebel groups.

Local government financial autonomy

Regarding the financial authority of the local councils or communes, it needs to be stressed that each commune has limited financial independence. Thus, although local governments in all three countries have the right to create and manage their own budgets and their own property or resources, most financial and tax-related activities are still controlled by the state governments.
The situation is much more evident in Cameroon and Ivory Coast, both of which have a high number of supposedly financially autonomous local governments. The situation in Cameroon stands out clearly considering that all city councils in the country and a majority of urban councils are headed by 'Government Delegates' appointed by the head of state. The situation is same in the CAR where the city council of Bangui is headed by government appointees. Additionally, local council treasurers in all three countries of the respective ministers in charge of finance.

With respect to taxes and, specifically the property tax, local councils in all three are not allowed to formulate any. All property taxes, their manner of determination, their rate and their collection are fixed and defined at the state level. The collection of these taxes and in particular the property tax in all three countries is also done by officials of the state treasury in the government administrative unit of the concerned area. Additionally the proceeds from most of these taxes go to the state. With respect to the property tax and related taxes in the CAR, the totality of the revenue generated from it goes to the state. In Cameroon, only a meager 10 percent of the proceeds from property taxation go to the local council. In Ivory Coast the situation a little better, given that 43 percent of the revenue from real property tax goes to the local council. In the face of this situation local councils in these countries rely heavily from grants and subventions from the state.

In all three countries therefore, and particularly in Cameroon and Ivory Coast, although local councils seem to be fairly autonomous in initiating policies in their areas of responsibility central governments still have considerable control over their policymaking processes. In the Ivory Coast for instance communes are subject to the control of the Ministry of Interior. The central government's supervision and monitoring is locally exercised by the office of the Prefect. Communes' executive actions are also subject to the approval of the Prefect, where necessary.

The situation is much similar in Cameroon where local councils are subject to the control of the Ministry of Territorial Administration and Decentralization, while the central government's supervision and monitoring is done locally by Divisional Officers or Prefects.

The property taxation structures

Property taxation laws in the three French-speaking African countries are embodied in their respective General Tax Codes. In Cameroon, likewise the Ivory Coast, the code is administered by the General Directorate of Taxes which is a body placed under the supervision of the ministry of the economy and finance. The Code is administered in the CAR by the General Directorate of Taxes and lands. These property taxation rules are supplemented in all three countries by their annual finance laws enacted by their respective parliaments.

An annual property tax is levied in all three countries, though not much importance seems to have been given to the tax in the recent past. However the property tax is increasingly being recognized in all the countries as an important source of revenue particularly for local governments. This probably explains why the three countries have each embarked on extensive reforms of their respective property taxation systems. These reforms are aimed at restructuring property taxation and to make optimal use of it. All three jurisdictions are adopting some form of value-based property tax system and are making serious efforts at maintaining and regularly updating credible valuation rolls.

Of the three countries however, only Cameroon is making relatively significant progress in its property taxation reforms, though the system is still characterized by difficulties including in obtaining and storing reliable data. The other two countries are registering mitigated success and setbacks due to relatively unstable social and political climates.

Land tenure and property taxation challenges

Considering that the legal system in all three countries is largely based on the French Civil Law there has been, and there still exist enormous difficulties in applying these 'imported' concepts, especially with respect to land tenure and property taxation, in the face of pre-existing traditional land tenure regimes. This dilemma is having serious and discernible impacts on efforts aimed at putting into place modern and more effective land tenure and property taxation systems in these countries. It partly explains why the coverage of modern land tenure and property taxation systems in the countries is limited to the urban centers. It is worth noting here that most of the urban centers in the three countries are themselves not absolved from the influence of traditional land tenure systems that were in existence prior to urbanization. This is particularly the case in parts of Abidjan and Yaoundé where there exist pockets of discord between local traditional rulers and the administration over land tenure matters.

An important factor, which is common to all three countries and which is experiencing an increasing trend is the issue of rural exodus. This has led to an ever rising demand for land in the urban centers and ever increasing number of squatters. In Cameroon for instance, more than 60 percent of the population live in the urban towns which do not constitute up to 10 percent of the country's surface area. In the CAR, about 35 percent of the population lives in and around

Bangui, the capital city. The situation is not very different in Ivory Coast. This phenomenon has accentuated the problem of substandard and haphazard constructions - usually without building permits - which the various administrations (those in charge of lands, property taxation and others) are grappling with. The situation has rendered the tasks of property valuers more challenging. In Yaoundé, Abidjan and Bangui for instance there are thousands of houses built with temporal and semi-permanent material, which can thus not be assessed for taxation purposes. In all the cities the authorities face the same dilemma: such properties are either not taxed at all or just the land is taxed.

There is also the problem of tax avoidance which is common to all three countries. In the CAR for instance property owners register some of their properties in the names of their family members in order to avoid paying the property tax. The reason is that the property tax is not due when the owner only owns one house, but every subsequent house in his tame is taxable. The same practice was also reported to be common in the Ivory Coast where the legislation is somehow similar to that in the CAR.

There is also the absence of a structured property market in all three countries, making it impossible to ascertain market values or transactional values of real property. This explains their over reliance on rental value for purposes of determining the tax base.

In all the three jurisdictions there is also the problem of matching the law to practice. Although comprehensive property tax legislations exist in all the countries, putting them into practice presents serious problems.

In all the countries collection and enforcement are also generally poor. The general impression of taxpayers in all the jurisdictions is negative as they perceive the tax as some form of extortion, since they do not receive any corresponding benefits.

Conclusions

This overview report and the individual country reports for the three countries merely examine the property taxation systems as they are legislated and practiced. Therefore a better understanding of the socio-cultural, economic and political, administrative and legal context in the countries is required if one were to appreciate the respective property taxation systems in whatever way.

It is hoped that with improved infrastructure and meaningful economic reforms, the countries can gradually institute modernized and more valuable property taxation systems. Improved government transparency and public availability of information, particularly concerning public finances, need to be seriously considered if meaningful changes are contemplated in the countries under review. From the studies it was also realized that extensive taxpayer education and improved relationship between local and central governments on the one hand and the taxpayers on the other are prerequisites for instituting a more equitable and efficient property taxation system in the respective jurisdictions.