

# Property Tax: Global Challenges



**WORLD BANK GROUP**  
Governance

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**“Property Taxation and Land  
Value Capture in Africa”**

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# Key messages

- Urbanization is booming. An additional 3 billion people expected to be living in cities by 2050 (UN Habitat) imposes huge demands for services and infrastructure
- Property tax revenues in developing countries continue to lag behind both in terms of need and compared with advanced economies
- Several factors lead to low property tax revenue mobilization: incomplete registers; policy inadequacy; undervaluation; ineffective administration...
- The property tax base in urban centers across the world – developing countries included – is robust
- Covid-19 has been termed “the inequality pandemic”; property taxation can help counter rising inequality
- Technology is helping surmount the revenue mobilization challenge

# The revenue mobilization challenge of property tax

## Developed Countries

- **1-3 percent of GDP**
  - 2.5-3.0% Canada, US, UK
  - 1.5-2.5% NZ, Japan
  - 1.0-1.5% Aus, France, Den, Sweden
- **2-4 percent of Total Govt. Revs**
- **40-80 percent of Local Govt. Revenues**

Over 70% Canada, UK, US, Ireland, Aus, NZ

## Developing/Transitional

- **0.5 percent of GDP**

Bahamas (1.1%), Argentina (0.9%), Chile (0.6%), Indonesia (0.45%), Mexico (0.31%), India (0.16%), Peru (0.16%), Nicaragua (0.13%), Egypt (0.08%), Vietnam (0.07%), South Africa (1.15%)
- **1-2 percent of Total Govt. Revs**
- **20-60 percent of Local Govt. Revenues**

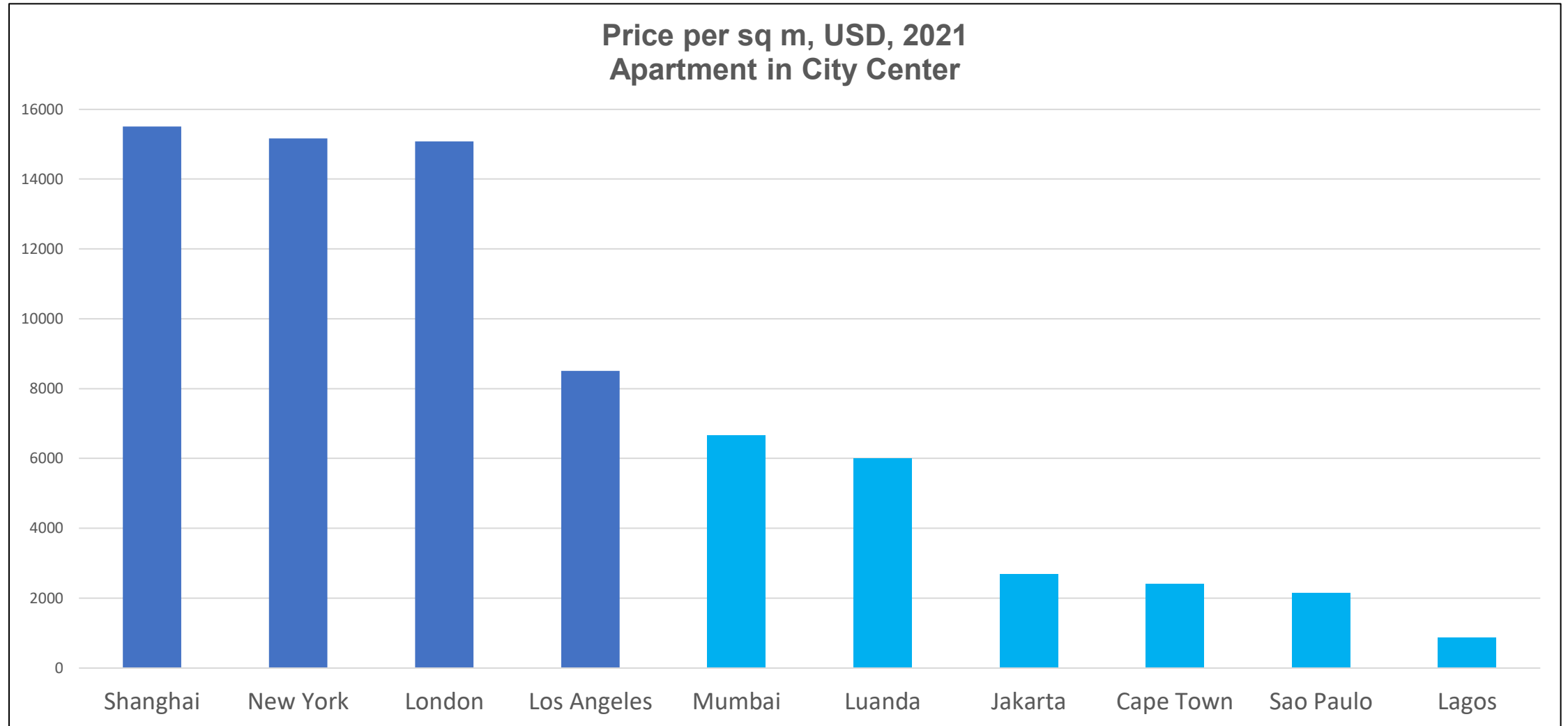
## Sub-Saharan Africa is way behind other regions

|                  | 1990-94 | 1995-99 | 2000-04 | 2005-09 | 2010-14 | 2015-19 |
|------------------|---------|---------|---------|---------|---------|---------|
| WENA             | 1.85    | 2.03    | 2.06    | 2.13    | 2.15    | 2.58    |
| EAP              | 1.22    | 1.23    | 0.97    | 1.04    | 0.93    | 1.10    |
| ECA              | 0.37    | 0.40    | 0.52    | 0.60    | 0.60    | 0.69    |
| LAC              | 0.48    | 0.46    | 0.62    | 0.64    | 0.62    | 0.87    |
| MENA             | 0.12    | 0.45    | 0.46    | 0.59    | 0.61    | 0.81    |
| SAS              | 0.19    | 0.16    | 0.06    | 0.07    | 0.06    | 0.03    |
| SSA              | 0.09    | 0.15    | 0.21    | 0.17    | 0.16    | 0.36    |
| EAP              | 0.72    | 0.75    | 0.76    | 0.77    | 0.78    | 1.08    |
| <b>Reg. cost</b> |         |         |         |         |         |         |
| SSA              |         |         |         | 11.74   | 10.26   | 8.71    |

Source: IMF Government Finance Statistics 2021 & Doing Business 2020

Getting SSA to WENA levels would imply \$60 bn. of annual revenue

# The value of the property tax base in all cities – poor or rich countries - is comparable



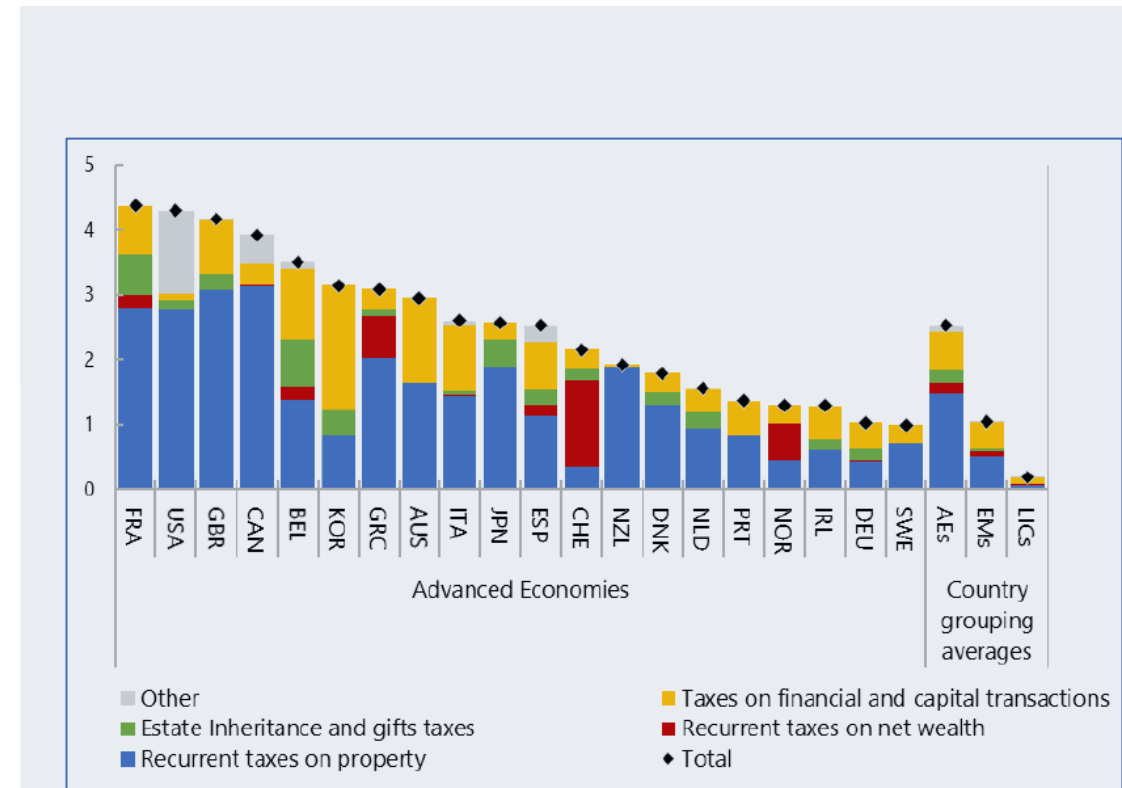
# COVID-19 – the “inequality pandemic” – has also created momentum to address inequality: A greater focus on wealth and property taxation is needed

Growing wealth and wealth concentration is not reflected in revenues from wealth taxation because:

- tax avoidance and evasion behaviors
- the poor design or non-existence of wealth taxes
- rapid capital accumulation due to non- or under-taxation of capital income
- assets that are exempt or receive relief...

Property tax on real, immovable properties can be the solution

- visible, tangible, immobile tax base
- robust, high value tax base in urban areas worldwide
- technology making it easier to capture properties and actual values, and to better administer the property tax



# Cutting-edge technology applications can facilitate revenue mobilization

## Data to identify universe of structures

1

Imagery Acquisition:  
Satellites-speed, scale,  
ability to update  
regularly; Drones –great  
detail but complexity and  
scalability, regulation

2

Coverage with  
orthophoto derived  
from satellite imagery

3

Footprints and  
heights of all  
buildings (i.e. get  
height & built area)  
in urban areas

4

Digital surface  
and terrain  
models

5

Vector data of  
infrastructure  
(roads, rail, air) &  
landcover (forest,  
water)

6

Data can be updated  
in future at low  
cost to capture  
urban expansion

## Software solution to support field enumeration

Allows co position visible  
on the map of necessary  
attributes by teams  
using tablets  
Enumerator's

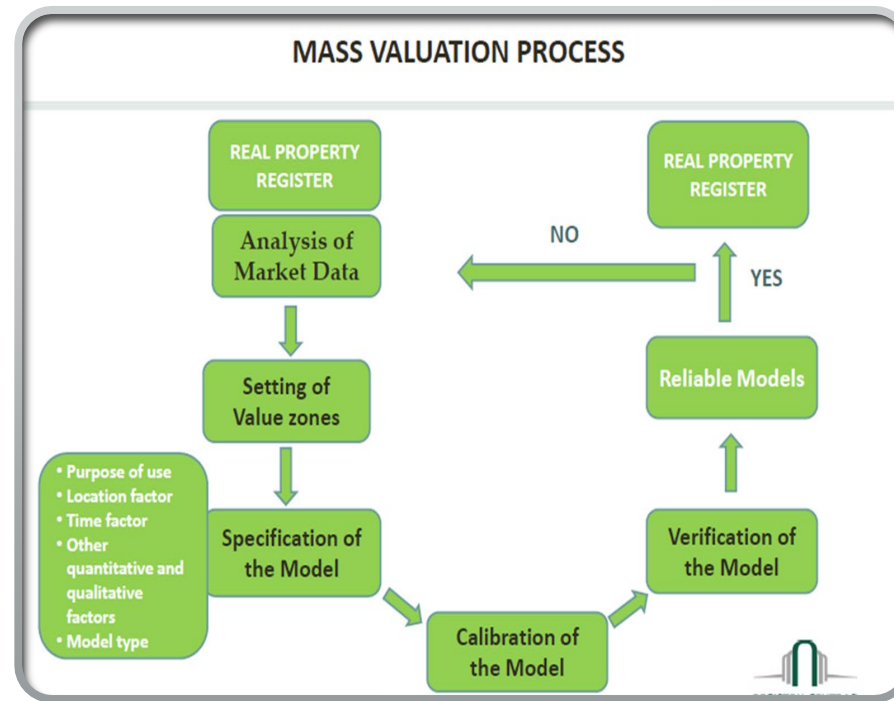
House to House  
enumeration likely  
(with tablets)

Automatic geo-  
tagging; parcel  
boundaries can be  
marked directly &  
pictures taken

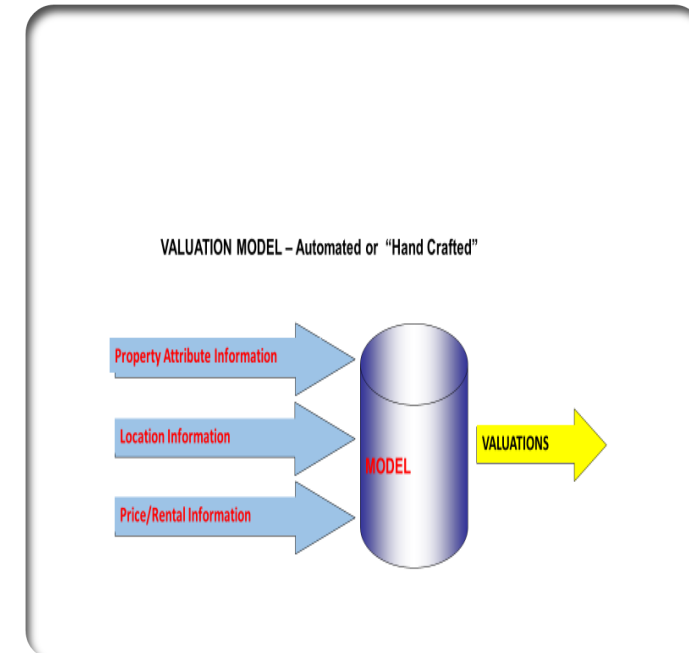
Links to existing land  
records

Analysis of tax gap can draw on existing footprints followed by house-to-house enumeration with tablets.

# Computer Assisted Mass Valuation

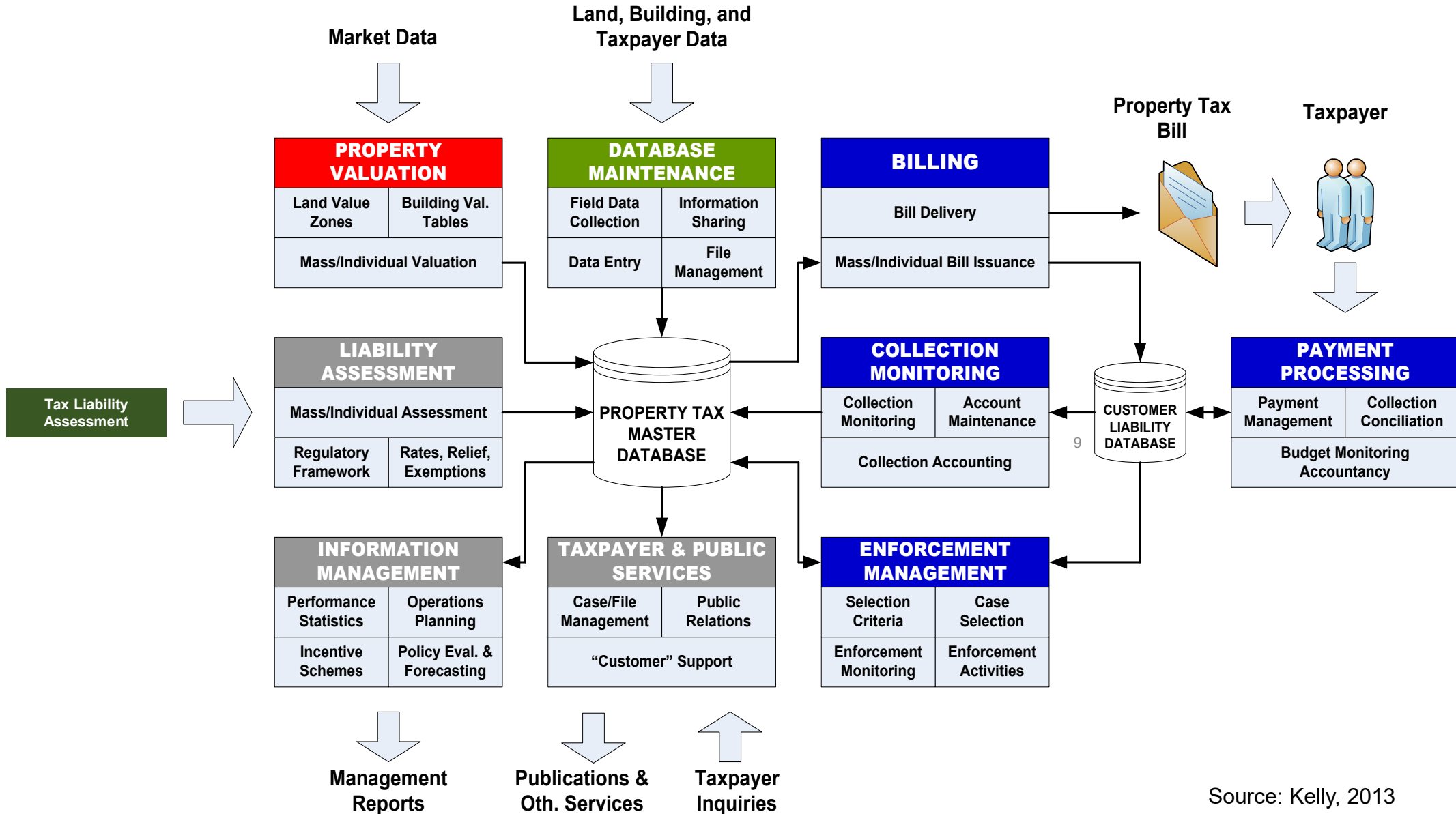


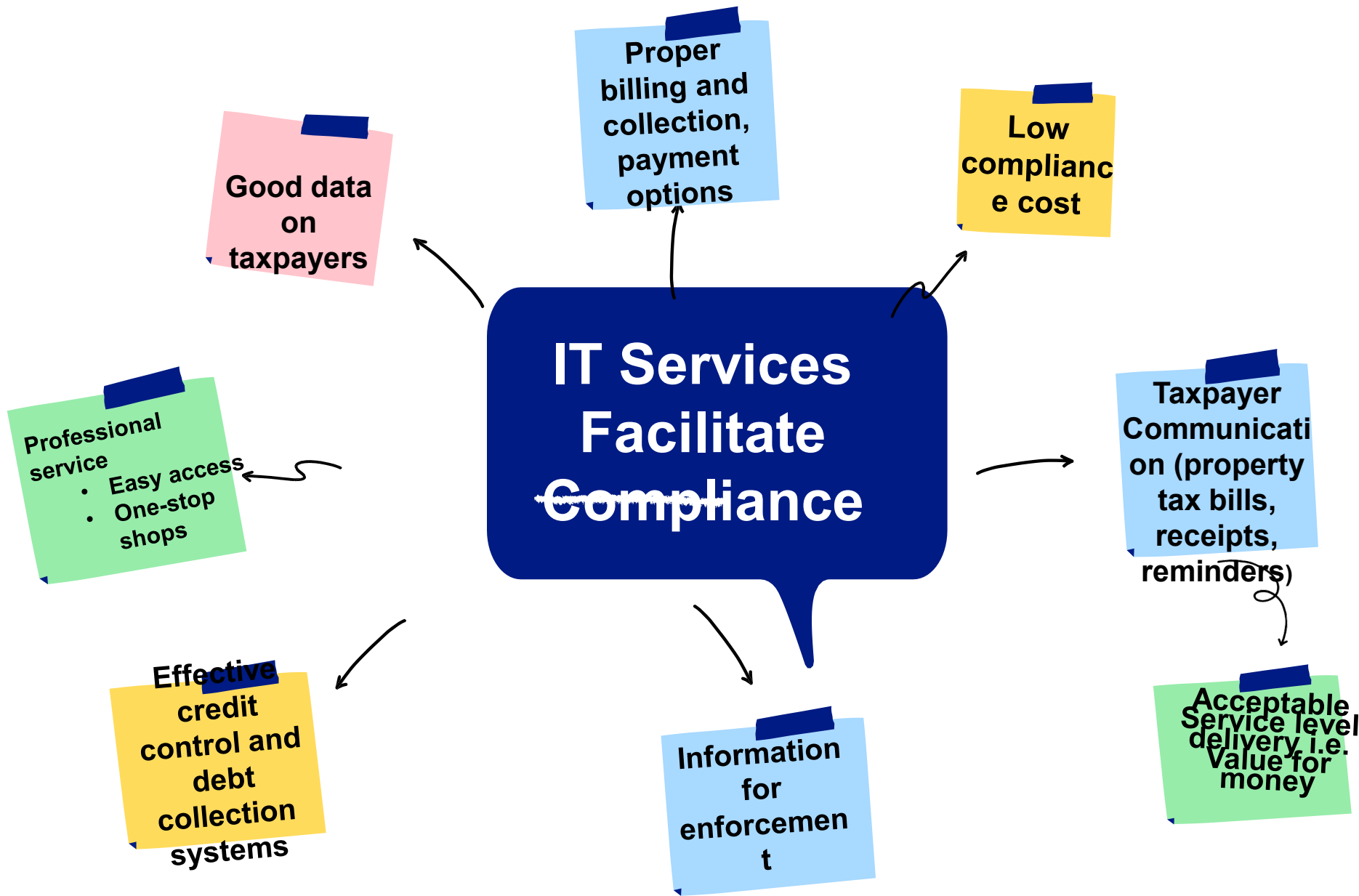
- |                |           |
|----------------|-----------|
| Australia      | Canada    |
| Denmark        | Egypt     |
| Finland        | Latvia    |
| Lithuania      | Mauritius |
| Netherlands    | Russia    |
| South Africa   | Sweden    |
| United Kingdom | Northern  |
| Ireland        |           |
| United States  | Canada    |
| Slovenia       | Moldova   |
| Hong Kong      | Thailand  |
| Brazil         | Columbia  |





# Property Tax Operations Management System





## A framework for reform - 1

### Update

#### Update property tax laws

- Quick wins:
- Eliminate inefficient exemptions
- Special treatment of high-value commercial properties

### Build

**Build complete, GIS-based, accurate property rolls** through satellite imagery and surveys

### Bring

**Bring modern valuation approaches into use**

- Introduce mass-valuation methodologies (pilots)

## **A framework for reform - 2**

### **Strengthen property tax administration**

- **ICT systems providing web-based platforms for taxpayer interface; e-filing, e-payment**
- **Collection and enforcement methodologies**
- **Capacity building at municipal/local body levels of government in property tax administration**

**ICT-based administration: Host the fiscal cadaster and manage the IT platform for e-administration**

Thank you for your attention

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