

Property Tax education should be 'collection led'

Africa Property Tax Renaissance: Property Tax Lessons from and for Africa

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THE REAL PROPERTY tax has traditionally been – and still remains – the most important source of own revenue for local governments internationally. With decentralisation high on the agenda world-wide, local government reforms generally and property tax reform more specifically, are presently underway in many countries including Africa.

Although Central and Eastern Europe is still the focal point of interest for many internationally renowned property tax experts and the recipients of World Bank funding, an increasing emphasis is now being placed on issues and problems faced by many African countries. They are struggling to adapt out-dated or inappropriate colonial property tax systems to cope with modern demands and unique land tenure systems. Inaccurate and dated property valuations, inequitable tax assessments and inefficient tax collection are problems faced by most African countries. With the growing demand for a reliable and equitable source of revenue to finance the growing number of metropolitan, urban and rural municipalities, some African countries have already taken up the challenge to reform their property tax systems.

The third annual conference of the International Property Tax Institute (IPTI) was hosted in Cape Town by the Cape Town City Council. Delegates and speakers were attracted from 14 countries including United States, Canada, United Kingdom, Poland, Russia, Brazil, Denmark, South Africa, Botswana, Tanzania, Kenya, Zambia. Presentations focused on: Property tax: Global Tendencies; Property Tax: Experiences from Central and Eastern Europe, Asia and Africa; Property Taxation in Metropolitan areas; Property Taxation in Small Urban and Rural Areas; Property Taxation in Tribal Areas; Valuation and Assessment; Collection; and Property Tax Reform Strategies.

Within many African countries there are a number of common problems and issues, several of which were explored in some detail. An important area of debate concerned the valuation and taxation of tribal and customary land. The problems associated with the assessment of 'informal settlements' was intensively debated. The comparable situation in Kenya, Tanzania and Brazil illustrated differing approaches to this problem.

The collection of the property tax was recognised by many of the delegates as of fundamental importance to the health and status of the property tax. Within many African countries the level of arrears and annual delinquency rates represents a major problem which has the obvious knock-on effects on revenue and expenditures. Whilst not solely unique to Africa there are questions on the ability of taxpayers to pay the tax, the benefits they receive and more fundamentally an absence of a culture of payment. What was clear from the conference was the need for a programme of taxpayer education on the real benefits of tax compliance and the effects of non-compliance. In many ways the property tax system should ideally be collection 'led' rather than assessment 'pushed'.

Within South Africa legislation reforming the property tax has reached its 11th draft. This legislation will replace the existing provincial rating ordinances and create a common legislative framework for the whole country. One of the most topical and emotive subjects is whether South Africa should move to a uniform rating system and what that system should be. The current draft legislation, however, allows municipalities to choose between either an improved value approach (land and improvements together) and a composite system where land can be taxed at different rates to improvements. The choice of having a site value only system appears to have been removed, which will create interesting valuation

and administrative difficulties for those municipalities that currently tax on this basis.

This conference provided an excellent international forum for the discussion and debate of property tax issues, which are of world-wide importance. Clearly from the African perspective current property tax systems are high on the reform agenda; the reforms which have taken place to date and which are ongoing are striving to address the fundamental issues of assessment and collection to achieve fair and equitable property taxation.

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