
Successful Implementation of New Property Taxes

International Perspectives

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A 'double dividend' for Rwanda?



- Rwanda's *legislative reforms* have opened up the potential for better local financing
- *Implementation* is now key to take advantage of this
- More effective *administration alone* can substantially raise revenues

International lessons for effective implementation

Efficiency

Administration that minimizes costs versus revenue, and makes compliance easy

Registration

Broaden the base first, to avoid squeezing the few registered

Valuation

Methods that balance accuracy and government capacity

Communication

Tax-payers see the link between taxes and local investments

Efficiency

Whatever tax law is in place, **more effective implementation alone** can substantially raise revenues – and tax-payer morale

Inefficiencies: outdated payment systems, lack of data, low tax-payer compliance/morale...

Maximize: Tax revenue minus implementation costs

- Automation / technology
- Reduce small 'nuisance' collections
- Updating the tax roll to increase the base (registration and valuation)

Efficiency

Kampala, Uganda

- Through mostly **administrative reforms**, Kampala doubled its revenue in 3 years (2011/12 - 2014/15)
- **Registered** all properties (with 60+ attributes) in GIS-enabled database.
- Cut 'low return' activities.
 - Focused audits on large tax-payers.
 - Removed small **'nuisance' taxes**.
- E-Citie **automated tax payment** system.
- Now piloting **computer-aided mass valuation** to minimize updating cost



Registration and Valuation

Mass registration to **broaden the base** first, to avoid unfairly squeezing the few registered

Valuation/appraisal: **Balancing accuracy and capacity**

- **Challenging:** Data on land and buildings, price data, valuation expertise...
- Valuation is costly – but **failing to keep values up-to-date is often more costly** in revenue foregone, and jeopardizes fairness
- Methodologies should reflect govt. capacity.
- **New technologies**, and **simple area-based formulae**, can reduce the burden

Registration and Valuation

Bogota, Colombia (2008-2010)

- Mayor instigated *administrative reform* of property taxes, to finance new transport corridors
 - Registration, valuation, tax administration capacity...
- Reforms were **expensive** (\$15 million)...
- ... But property tax revenue increased by **\$171 million annually**
- Did this over-burden tax-payers?
 - Spread across many more tax-payers
 - New 'ceiling' *dampened jumps in individuals' tax due*
- All 'low-tech'. Further efficiency improvements anticipated through *new technology*



Registration and Valuation

Hargeisa, Somaliland (2004-5)

- *Satellite data plus verification surveys* to register **59,000** in **8 months** (from base of 15,850)
- Raised revenues **250 percent**.
- Simple *area-based valuation*
- Able to cost-effectively *update* valuation in 2017.

Municipality of Hargeisa, Somaliland Invoice Property Tax 2006



Dear fellow citizen of Hargeisa,

The property tax which you are requested, and obliged, to pay is based on the property you are currently occupying and this tax will be used for the improvement of your neighbourhood.

Please pay this tax to your district office where you should obtain an official receipt.

The Mayor of Hargeisa

Property Code: 2 01 02 08 121

Date of Invoice	30 January 2006
District	26 June
Neighbourhood	Durya T
Property Occupant	Occupant
Use of the property	Residential
Total Building size	96 m ²
Total Plot Size	96 m ²
Number of floors	1
Property Quality	Class C
Registration Fee	10,000 Shillings
Sanitation Fee	10,000 Shillings
Stamp fee (2.5%)	1027 Shillings
Property Tax	41,088 Shillings

Total Tax 62,115 Shillings
To be paid before 30 March 2006



Registration and Valuation

Example of an area-based valuation formula

Structure size	150m2	150m2
Location	Band A	\$ 50/m2
PROPERTY FEATURES --> MULTIPLIERS		
<i>Improved road</i>	Yes	X 1.5
<i>Structure quality</i>	Grade B	X 1.0
<i>Zone</i>	R1A	X 0.7
<i>Indoor tap?</i>	Yes	X 1.5
OVERALL MULTIPLE		X 1.575
Estimated Value	150m2 x \$50 x 1.575	\$ 11,813
Tax due	1%	\$118

Communication

- Property taxes finance investment in the **tax-payer's own neighborhood**.
- This can strengthen the **social contract** between local government and citizens, who see (and demand) the benefits of their taxes
- Yet PT are often highly politically sensitive when first introduced
- Key is to **invest revenue effectively** and **communicate the link** between taxes and local improvements

Communication



Lagos, Nigeria

- Channeled property tax into *visible, popular investments*.
- *Communicated the link* between investments and tax.
 - **Communication campaigns:** Public signs; community meetings.
 - **Timing:** Timed tax roll-out to coincide with roll-out of major infrastructure.
- Widespread **acceptance** (even popularity?) of property taxes
 - Successive re-elections of Governors responsible.
 - Tax compliance linked to belief taxes are well spent.
- **5-fold increase in revenues** to 1 billion USD, 1999-2011.

A 'double dividend' in Rwanda?

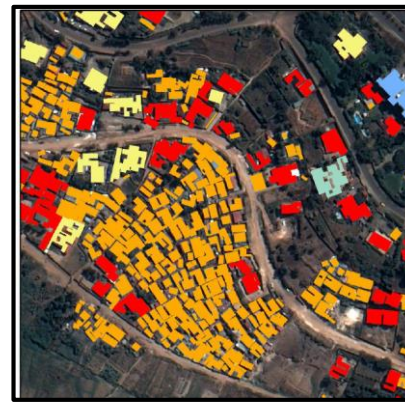
Efficiency **Leader in mobile and e-payments**
Staging & exemptions ease burden

Risk: Small payments burden



Registration and Valuation **Raising tax base from 2%;**
Self-declaration - simplicity;
Strong basis for computer-aided mass appraisal. *Land cadaster; digitized transactions; early building data (& GIS); geodata portal...*

Risk: Mis-reporting; buildings data; few transactions; audit/appeals



Communication **Communication channels**
Investment pipeline & Masterplanning

Risk: Local government capacity; time for results to materialize



Thank you

Annex