



MANAGEMENT SCIENCE: FINANCE AND ADMINISTRATION

Towards A Sustainable Land Taxation Reform in Imo State, Nigeria

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Abstract

Land taxation reform must be focus on suitable valuation, enhancing revenue, base coverage, collecting and providing adequate services to taxpayer. States in Nigeria must combine the right mix of strategic reform couple with policy and administrative interaction that ensure expected outcome from the taxation reform. On this ground, this paper reviewed the land taxation reform in Imo State and its sustainability. The review noted that lack of effective administration of land taxation has made tax reform unsustainable in many Nigerian States including Imo. As stated, Imo state does not have any platform which resulted to issues of identifying and assessing properties; these problems are worsened by inadequate enforcement of tax collections systems. Although land taxation is administrative-intensive; however, technological advancement, awareness of the benefit of effective reform, improve fiscal and social system are capable of ensuring sustainable land taxation reform.

KEYWORDS: Land Taxation, Property Taxation, Tax Reform, Imo State, Nigeria

Introduction

One of the ways by which governments all over the world (developed, less developed and under-developed) generate income for national and sub-national developments, is property taxation (Agwu et al., 2021). Property taxation possess a massive and substantial potential as concerned mobilizing revenue and capital, particularly in upcoming nations (Kelly, 2016). To actually tap into these potentials, associated with property tax incomes, the nations involved must adopts and enforce strategic policies, combining suitable reforms and administrative

process to enhance tax collection and adequate taxation coverage, valuation of property, collection, improvement and suitable service to taxpayer (Kelly, 2016). The reforms for tax policy must modify tax description and structure of tax collection rate and also make suitable policy-based decisions associated with taxation valuation guidelines, applications, collection and implementation. The reforms and policies on tax administrations must be directed towards improving tax valuation, coverage and collection, and suitable service to taxpayer (Kelly, 2016).

In Nigeria, the geometric rise in population of people living within urban areas has placed massive demand on state to deliver quality services to the people in areas of improved infrastructural facilities according to Goodfellow and Owen, (2018). This development compelled and demanded answers to the question of “How best can government generate fund and resource needed to provide these services to the people particularly in this time unstable and uncertain revenue and debt problem that encompassed both central, state and local governments; therefore, highlights the essence of increased mobilisation of fund and revenue through reform of property tax system (Nnamani et al., 2023). In Nigeria, most states, including Imo adopted reforms on property tax system without substantial success in enforcement of these reforms. Property tax has been identified as substantial and potential avenue for government to generate revenue through local governments particularly in upcoming nations because it considered as being efficient, easier to implement and not easily evaded (Rosengard, 2012; Bahl and Martinez 2007). Unfortunately, incomes generation using property tax from these upcoming nations like Nigeria has been unbelievably low because of several issues that are well-reported in several literature (Fjeldstad & Heggstad, 2012; Awasthi et al., 2020;).

In Nigeria, tax collection policies are geared towards accomplishing some specified objectives and these objectives are; revenue generation and to maintain economic development. Nigeria

government, in recent times, initiated National Tax Policy which is directed towards moving from conventional direct to indirect tax system. This choice by Nigeria government has triggered serious argument as concerned the possible rational on economic benefits behind the move and initiative, and limitations of these forms of taxation system (Umoro & Anyewe, 2013; Omsi & Nko, 2015). Tax reforms are series of action and inactions which are undertaken by government or state agency to enhance and encourage taxation system. This process is not new in Nigeria as they have initiated series taxation reforms and these taxation reforms were developed and initiated to widen their tax coverage, reduce tax-related problems on taxpayers, restore self-assurance of tax payer on taxation system used by government and encourage deliberate compliance from taxpayer (Omesa & Nkur, 2015).

The focus of this paper was to review various administrative practice that would ensure a sustainable land taxation reform in Imo state, Nigeria. To this end, the paper is structured as follows: introduction which provided the background information regarding land/property taxation reform, the literature review which conceptualized taxation reform and review of related past studies, the overview of tax reform in Nigerian, major barriers to sustainable land taxation reform in Imo state, the recommended strategies and finally, the conclusion.

2.0 Literature Review

2.1 Conceptual Framework

Land (Property) Taxation

According to Alsharari (2019), Reform of property tax is the acts of changing the method and technique through which government administered taxes on building and land in order to improve revenue, equity, employment and economic efficiency. Land-based taxes are levies, rents and charges collected by government on land whether the land is developed or not-developed,) for revenue generation and for redistribution of wealth (Orekan, 2021). It equally served as means through which government control land usage. It is mandatory

responsibility for owners of land and building to pay taxes accrued to them and the responsibility of reasonable government to source resources through land and property related taxes.

According to FAO (2002) property tax is defined as a yearly tax levied on property mostly through reference to advalorem base which means that these levies are valued based on the value of involved property. This form of tax has existed for several donkey years and their importance is wel-documented. They are transparent, easily administer, easily collected and easily understood by taxpayers (Orekan, 2021). They are very viable and feasible in all situation and, fixed locationally, particularly adequate as source of domestic revenue generation for domestic purposes (Orekan, 2021). In order to be considered as successful, these reforms on property must be connected in demand based manner to the wider government reforms like decentralization, so as to rely on momentum built on these reforms, stakeholder interest, political-will and available institution, human and monetary resources (Kelly, 2016). Isolated and supply based reforms hardly gain adequate momentum to generate substantial resourced.

Empirical Review

The literatures considered are those related to the review and gave an insight into various property taxations across Nigeria and challenges that impeded the effectiveness of the tax reform in Nigeria.

Nnamani et al. (2018) considered possible hindrance to effective enforcement of central property tax policies in Enugu state, Nigeria and results of this study showed that policy design, politic and technical issues are three main hindrances to enforcement of land use levies. The study therefore recommend that decentralisation of levies on land administration system; adopting capital base for assessing property; adequate sensitisation of people; demonstating substantial political will by property-owning stakeholder; adopting collection-

led technique in enforcing reforms associated with property tax programs; deploy ICT like geo-referencing tools in property-based data collection and CAM assessment technique for property valuation. Kalkuhl et al. (2018) noted that land levies provide adequate and unused potential generation of tax-related revenues at reduced losses; with advancement in technology, administrative costs on land levies have dropped massively and are massively outperformed by revenues and benefits of formalizing land levies. Implementation and compliance are main problems. As concerned value-added-tax VAT, Omesì and Nzo (2015) investigated Nigeria tax reforms and maintained that VAT was meant to encourage development at low level of governance and Nigeria VAT rate was lowest globally. Micah et al (2012) noted that problems affecting Nigeria tax includes poor availability of accurate data, poor administration of tax programs and inability to state to make taxes a priority multiple taxation and rise in underground monetary sector. It equally proposed challenges in order to provoke effective and efficient tax system in Nigeria. Daniel et al. (2020) noted that tax administration involves multiple agencies and, therefore, double taxation happened, demanding for development probate and permits. Furthermore, irregular registration of property and land hindered development of cadastre, which give room for government to randomly and shamefully utilize taxes that payers intend to avoid by building houses and transacting property businesses informally.

3.0 Property Taxation in Nigeria

According to Udechukwu (2016) estate and property levies are yearly tax levied on land and real estate, and it is mostly considered as local tax but not always. It is mainly evaluated based on idea of value of the property in the current market. And involved building and land are considered as permutations factors. Okoronkwo (2014) noted that land and property related levies and taxes are legal levies on revenue from land or property ownership and occupation along with changes of interests in land, estate or property. Other authorities such as Olalemi

(2000), Onyike (2017), Tomori (2008), Kalu (2001) did give useful hints on property taxation in Nigeria.

In Nigeria, the common property and land related levies and taxes include; Transfer levies, Capital profit levies, Inheritance Levies and Withheld levies, Property Rate, Development Levies, Land Use levies, Betterment and Plan Taxes (Orekan, 2021; Agwu et al., 2021).

Umezurike (1996) listed the taxes relating to real estate possessions in Nigeria as follows: Property rates (tenement rate), capital gain tax, capital transfer, estate fees, stamp duties on real estate title document, withholding tax on rent, consent fee. Igwe-Kalu (1998) confirmed the list of taxes in Nigeria to include; capital gain tax, capital transfer tax (now extinct), estate tax, inheritance tax, stamp duty, road tax, withholding tax, probate tax, consent fee, forest fee, royalty tax and petroleum tax.

Patunola-Ajayi (2007) listed probate levies, capital profit levies, Fund transfer levy, tenements rate, ground rate, withholding tax etc as examples of property taxes in Nigeria. Even Olusegun (2003) added the following taxes; development levy/capital contribution, neighbourhood improvement levy, value added tax, maintenance tax, documentation fees, toll fees and business premises registration fees as well as governor's consent to mortgage, assignment, sublease, and gift of land. Many others like Anih (2017), Onyike (2017), and Ezeudu (2017) confirmed these lists as the property taxes paid in Nigeria.

According to Odhiambo & Olushola (2018), there are multi-factors to the challenge of taxation in Nigeria and they include inadequate tax data, inability to make taxation business a priority and inadequate administration of taxes. These and many more contributed to unsustainability of land taxation reform in Imo and Nigeria as a whole.

4.0 Barriers to Sustainable Land Taxation Reform in Imo State

The main hindrance to enhancement of property levies in upcoming nations is poor and ineffective administration, usually due to political, capacity and institutional constraints

(Slack and Bird, 2014; Kelly, 2016; Nnamani et al., 2016). Reform on property and land levies should be designed with better consideration to these challenges, existing reforms conditions, institution and legal structures, capacity of state to administer the taxes and political- will of the government in power on tax reforms should be specific for every nation, accepting and using global best practice in all reform conditions. Some organizational reforms, considered within the framework of suitable policies for land and property levies, are important in ensuring sustainable enforcement of equitable and effective land and property levy scheme (Kelly, 2016).

Currently, land and property levies funds between 40 to 80% of expenses of the local government in OECD nations and between 20 to 80% in upcoming nations (Bahl and Martinez, 2008). It is already supposed that property and land levies possess the capacity to generate between one to two percent of national GDP and operate as main source of local revenue for local governments globally (UN-HABITAT, 2011). To make sure that property and land levies could generate the required equity and revenues, and engender the efficiency needed to support wider and decentralized reforms, reformers need to concentrate on pinpointing the policies required and administration elements, before designing and enforcing suitable reform enforcement technique to make the land and property levies procedure functional. Within the wider political and economic environ, policy makers of these reforms should know, completely, the policy, administration and economic determinants of land and property tax systems before they can design and enforce them effectively, appropriately and , and sustainably (Nitikin et al., 2012). Property and land levy income equation reveals that administration and policy factors interact closely to influence the efficiency and effectiveness of mobilization of property and land levy revenue (Kelly, 2013; UN-HABITAT, 2011).

An inclusive tax reform could aid massively to resolving numerous challenges, by replacing non-accountable, untrusted and unsustainable tax-related incomes with an accountable and

intelligible tax. Effective land property tax administration needs cadastre with value, size and ownership status for each plot of land and their productive capability along with suitable details on costs of output and inputs. Imo state currently does not have cadastre that results to issues of assessment and identification of land and properties; these problems are worsened by poor implementation of payment of these taxes and levies. Property and land taxes are considered as administrative-based levies that requires intentional and proactive tax identification, valuation, assessment and collection, implementation, and service to taxpayer and conflict resolution (Mikesell, 2007). These administrative responsibilities should activated in integrated way, supporting the generation of required income and effective goals and objectives. While these administrative responsibilities contribute to defined potential and possible tax income, it is, particularly, collection responsibility that changes these possibilities to reality.

Land and property levies require defined system for registration of properties and land and they include legal, social, fiscal, environmental and economic information concerning land and their owner. The costs of initiating registration of land could be considerably high in some areas and cases (Deininger and Feder, 2009). Starting official and accountable land ownership rights by land registration board has several benefits which are important to mention. There is increasing empirical proves that secured land ownership rights encourages investment in agriculture and sustainable practices of land ownership (Lawry et al., 2016; Abdulai and Goetz, 2014; Abdulai et al., 2011). Other benefits are enhanced accessibility of land by women (Ali, 2014), with enhanced education performance by children (Matz, 2010), and enhanced cases of deforestation (Robinson et al., 2014; Etongo et al., 2015). Because of these benefits, starting land ownership and land use rights became one of the goals of governments and global communities (FAO, 2012), not depending on their instrumental responsibilities for generating more revenue for government. Besides these benefits of starting official land

ownership and land use rights, a properly handled government sector for assessing value of land increases accountability in land markets. A good instance of this situation is the land assessment system in Holland which guides and influence prices of land as sellers and buyers of properties use these values assessed as reference point for land value (Bervoets et al., 2017). Increased accountability concerning value of land could equally aid in facilitating equitable business on land investment in large scale where compensation for host and indigene could be lower than actual value of land.

5.0 Conclusion and Recommendations

Today, tax reform has become the agreed means of stabilising government revenues, supporting the independence of governments from natural resource revenues and foreign aid, and improving the country's business environment. It is the only long-term strategy to finance development (government administration, infrastructure, and social services); support private sector growth (through the removal of tax impediments e.g., multiple/double taxation); and strengthen public legitimacy through structured tax for service programmes.

Reform-related policy makers need to consider the important responsibility saddles on tax collection processes when designing, prioritizing and sequencing land and property levy reform enforcement strategies. However, there are four key trends that strengthen the ideas for suitable reform in land and property taxes policies; one, technological development in evaluating value of land have minimized cost of administration substantially. Two, economists along with policymakers are now fully aware of different and various benefits of designing land ownership and land tenure policies, which is considered as crucial initial stage in starting land levies. Three, land rents, considered as baseline for land levies, have been appreciating significantly and expected to increase more in near future as demand for land rises while deterioration and climate change reduce land availability. Finally, governments need to

enhance their monetary systems to increase local revenue to achieve development objectives and minimize evasion of tax by moving their operation to informal and unofficial sector.

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