



POLICY BRIEF

FIVE TENETS FOR CONSIDERATION WHEN UNDERTAKING PROPERTY TAX REFORM IN AFRICA

DECEMBER 2021



AFRICAN TAX
ADMINISTRATION FORUM
FORUM SUR
L'ADMINISTRATION
FISCALE AFRICAINE



**International Centre for
Tax and Development**

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ABOUT ATAF

[The African Tax Administration Forum \(ATAF\)](#) is an organisation which was established by African revenue authorities in 2009, in order to improve the performance of tax administrations in Africa. The tax administrations of 40 countries in Africa are members of ATAF, i.e., 74 percent of tax administrations on the continent, making it the premier body on tax matters on the continent. Two countries, Mali, and Somalia were the latest to join the organisation in 2020. ATAF believes that better tax administration will enhance economic growth, increase accountability of the state to its citizens, and more effectively mobilise domestic resources.

Now in its 12th year of existence, ATAF has positioned itself as Africa's homegrown solution to improving revenue collection, advancing the role of taxation in governance and state-building and providing a voice for the continent on international tax issues.

The ATAF Secretariat extends its gratitude to all member states for their continued support, the data, and resources provided that underpin ATAF's publications. The support of ATAF members, development partners and donors also play a key role in the success of ATAF's development as a significant platform for Africa on tax matters, with continued technical and financial support since its inception in 2009.

ABOUT THE ICTD

[The International Centre for Tax and Development \(ICTD\)](#) is a research centre supporting lower-income countries to strengthen tax policy and practice through collaborative research, inclusive learning, and constructive engagement. The ICTD is funded by UK aid through the Foreign, Commonwealth, and Development Office and the Bill & Melinda Gates Foundation.

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Introduction

The current COVID-19 pandemic and associated economic crisis have seen Africa fall into recession for the first time in over 25 years. This has strained already limited local government resources significantly. At the same time, the pandemic has highlighted the central role local governments play as frontline service providers and thus reignited the urgency of raising more revenues to adequately provide these services.

There is a growing consensus around Africa that property tax offers a large and, to date, untapped potential source of revenue; across Africa, property tax revenues still amount to considerably less than 0.5% of GDP. Dedicated property tax reform programmes can help increase property tax's contribution to domestic revenues. The exact nature of reform, and the determinants of

its success, will vary depending on the political, administrative, and institutional context in which the reform is being carried out.

Drawing on existing research, country experiences and recommendations from the 6th ATAF's African Tax Research Network (ATRN) Congress (6th - 8th September 2021) bringing together researchers and practitioners from over 40 African countries and three webinars (March to June 2021) jointly organised by the African Tax Administration Forum (ATAF), and the African Property Tax Initiative (APTI), this policy brief highlighted five common tenets to successful property tax reform. These tenets have been distilled from the spectrum of African experiences and may be considered by other policy makers embarking on their own reforms.

TENET 1: The administration of property taxes should be devolved as much as possible to local governments. As institutional changes granting more autonomy to local governments may take time to implement, in the short term, ensuring close collaboration and consultation between local and national levels of government is highly beneficial.

In several African countries, the administration of property taxes is a shared responsibility between central and local governments, even though the revenue generated is spent by local governments. In Ghana, for example, the property tax administration is a shared responsibility between central and local government. The central government is mainly concerned with identification and evaluation and rate-setting. In contrast, the local governments are responsible for collecting the tax and ensuring enforcement. In most French-speaking countries, including Benin, Côte d'Ivoire and Senegal, the central government has jurisdiction over all aspects

of the property tax from identification to collection and enforcement. Thus, the allocation of roles varies significantly across countries, and different allocations create distinct technical, political, and administrative dynamics that significantly affect property tax reforms.

Although there is no clear consensus on the ideal distribution of responsibilities in property tax administration between central and local levels of government, a more central role for local governments would enable them to build accountability between citizens and local authorities and provide adequate services to

citizens. Therefore, the focus of property tax reform should include changes to the institutional frameworks to devolve more responsibilities to local governments in the long run.

Country experiences and research have shown the following reasons for more autonomy to local governments:

› **Improved revenue collection:** Local governments may have higher incentives to dedicate maximum efforts to generate more revenues that directly benefit them. The experience of re-centralisation and re-decentralisation in Tanzania exemplifies the extent to which property taxation performed equally well whether mobilized by the central government or by local governments.^[1] Likewise, a study analysing data from 44 African countries between 1980-2017 found that decentralising property tax revenue collection leads to a 0.2 percentage point increase in property tax revenue.^[2]

› **Enhanced property ownership information:** Due to their closer proximity to the properties, local governments are likely to have better information on property transactions, land information and property ownership or transfers of titles. Where this is the case, they should also be better positioned to administer this tax and to use property tax revenues for services valued by citizens.^[3]

The transfer of more responsibilities to local governments must be accompanied by several efforts to strengthen their administrative capacity. In this context, central governments can play a key role in ensuring that local governments have adequate resources to perform the responsibilities devolved to them and this may take time to build up. Furthermore, the institutional context that allows for the devolution of these responsibilities may take time to evolve. Therefore, in the short term focusing on increased collaboration and

consultation between different government agencies involved in property tax reform is critical, both in building up local-level capacity and assisting in administering the property tax.

Recent experiences across the continent, however, show that poor collaboration and consultation between central government agencies as well as between the central government and local governments can hinder property tax reform efforts. This can be explained by central governments' weak incentives to collaborate with local governments in property tax administration in cases where the revenue mobilized do not accrue to them. This is further exacerbated by administrative constraints mainly at the local level undermining the ability of governments to update property registers and valuation rolls and poor information sharing between government and non-governmental agencies possessing information on property ownership and transactions. These include banks, developers, notaries, utility companies, real estate agents, and water and electricity companies -- from which information could be leveraged, provided there exists a framework guaranteeing that users' confidentiality is not violated beyond what the tax code states as the details that owners should share with the administration. Therefore, improving collaboration and consultation is essential in ensuring a better understanding of key stakeholders' roles and expectations and information sharing on land, property records and property ownerships.

Key steps to achieve better collaboration across government and non-government institutions include:

› **Identifying institutional bottlenecks:** A starting point often lies in understanding where institutional collaboration is not working effectively and is undermining effective property taxation. For example, in some cases, like Ghana, local governments may be limited in their ability to update valuation rolls by a lack