

Towards A Sustainable Land Taxation Reform in Imo State, Nigeria

Abstract

Land taxation reform must be focused on suitable valuation, enhancing revenue, base coverage, collecting and providing adequate services to the taxpayers. States in Nigeria must combine the right mix of strategic reform coupled with policy and administrative interaction that ensures the 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 the 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 results in issues of identifying and assessing properties; these problems are worsened by inadequate enforcement of tax collection systems. Although land taxation is administrative-intensive; however, technological advancement, awareness of the benefit of effective reform, and improved fiscal and social methods can ensure sustainable land taxation reform.

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

1.0 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 has massive and substantial potential for mobilising revenue and capital, particularly in upcoming nations (Kelly, 2016). To tap into these potentials associated with property tax incomes, the countries involved must adopt and enforce strategic policies, combining suitable reforms and administrative processes to enhance tax collection and adequate taxation coverage, property valuation, collection, improvement and timely service to the taxpayer (Kelly, 2016). The reforms for tax

policy must modify the 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 taxpayers (Kelly, 2016).

In Nigeria, the geometric rise in the population of people living within urban areas has placed massive demand on the 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 the funds and resources needed to provide these services to the people, particularly in this time of 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 to the property tax system without substantial success in enforcing these reforms. Property tax has been identified as a significant and potential avenue for the government to generate revenue through local governments, particularly in upcoming nations, because it is considered efficient, easier to implement and not easily evaded (Rosengard, 2012; Bahl and Martinez, 2007). Unfortunately, income generation using property tax from these upcoming nations like Nigeria has been unbelievably low because of several issues well-reported in the literature (Fjeldstad & Heggstad, 2012; Awasthi et al., 2020;).

In Nigeria, tax collection policies are geared towards accomplishing some specified objectives: revenue generation and maintaining economic development. Nigeria's government, in recent times, initiated National Tax Policy which is directed towards moving from a conventional direct to an indirect tax system. This choice by the Nigerian government

has triggered serious arguments as concerned the possible rationale for economic benefits behind the move and initiative and limitations of these forms of taxation system (Umoro & Anyewe, 2013; Omsi & Nko, 2015). Tax reforms are a series of actions and inactions which are undertaken by government or state agencies to enhance and encourage the taxation system. This process is not new in Nigeria as they have initiated a series taxation reforms and these taxation reforms were developed and initiated to widen their tax coverage, reduce tax-related problems for taxpayers, restore self-assurance of taxpayers on the taxation system used by the government and encourage deliberate compliance from taxpayers (Omesi & Nkur, 2015).

This paper focused on reviewing various administrative practices that would ensure a sustainable land taxation reform in Imo state, Nigeria. To this end, the article was structured as follows: introduction, which provides the background information regarding land/property taxation reform; the literature review, which conceptualised taxation reform and review of related past studies; the overview of tax reform in Nigerian; significant 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), property tax reform is changing how the government administers taxes on buildings and land to improve revenue, equity, employment and economic efficiency. Land-based taxes are levies, rents and charges collected by the government on land, whether developed or not-developed, for revenue generation and redistribution of wealth (Orekam, 2021). It equally served as a means through which government control land usage. It is a mandatory responsibility for land and building owners

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 primarily through reference to an ad valorem base, which means that these levies are valued based on the value of the involved property. This tax form has existed for several years, and its importance is well-documented. They are transparent, easily administered, collected, and easily understood by taxpayers (Orekan, 2021). They are very viable and feasible in all situations and, fixed locationally, particularly adequate as a source of domestic revenue generation for domestic purposes (Orekan, 2021). To be considered successful, these reforms on the property must be connected in a demand-based manner to the broader government reforms like decentralisation to rely on the momentum built on these reforms, stakeholder interest, political will and available institutions, and human and monetary resources (Kelly, 2016). Isolated and supply-based reforms need to gain more momentum to generate substantial resources.

Empirical Review

The literature 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 hindrances to the effective enforcement of central property tax policies in Enugu state, Nigeria, and the results of this study showed that policy design, political and technical issues are the three main hindrances to enforcement of land use levies. The study, therefore, recommends that decentralisation of levies on the land administration system; adoption of capital base for assessing property; adequate sensitisation of people; demonstrating substantial political will by property-owning stakeholders; adoption of collection-led technique in enforcing reforms associated with property tax programs;

deploying 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 advancements in technology, administrative costs on land levies have dropped massively and are massively outperformed by revenues and benefits of formalising land levies. Implementation and compliance are the main problems. Regarding value-added-tax VAT, Omesi and Nzo (2015) investigated Nigeria's tax reforms and maintained that VAT was meant to encourage development at a low level of governance, and Nigeria's VAT rate was the lowest globally. Micah et al. (2012) noted that problems affecting Nigeria's tax include poor availability of accurate data, poor administration of tax programs and the inability of the state to make taxes a priority. Multiple taxations and a rise in the underground monetary sector. It equally proposed challenges to provoke an effective and efficient tax system in Nigeria. Daniel et al. (2020) noted that tax administration involves multiple agencies and, therefore, double taxation happened, demanding development probate and permits. Furthermore, irregular property and land registration hindered cadastre development, which allowed the government to randomly and shamefully utilise taxes that payers intended 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 only sometimes. It is mainly evaluated based on the property's value in the current market. And involved building and land are considered 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), and Kalu (2001), did give valuable hints on property taxation in Nigeria.

In Nigeria, the common property and land-related levies and taxes included; 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: Property rates (tenement rate), capital gain tax, capital transfer, estate fees, stamp duties on real estate title documents, withholding tax on rent, and consent fee. Igwe-Kalu (1998) confirmed the list of tariffs 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 levies, tenements rates, ground rates, 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, including inadequate tax data, inability to make taxation business a priority and insufficient administration of taxes. These and many more contributed to the unsustainability of land taxation reform in Imo and Nigeria.

4.0 Barriers to Sustainable Land Taxation Reform in Imo State

Poor and ineffective administration is the main hindrance to enhancing property levies in upcoming nations, 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, the capacity of the state to administer the taxes and the 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 organisational reforms, considered within the framework of suitable policies for land and property levies, are essential in ensuring sustainable enforcement of equitable and effective land and property levy scheme (Kelly, 2016).

Currently, land and property levies fund between 40 to 80% of the expenses of the local government in OECD nations and between 20 to 80% in upcoming countries (Bahl and Martinez, 2008). It is already supposed that property and land levies can generate between one to two per cent of the national GDP and operate as the primary 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 more comprehensive and decentralised reforms, reformers need to concentrate on pinpointing the policies required and administrative elements before designing and enforcing suitable reform enforcement techniques to make the land and property levies procedure functional. Within the broader political and economic environment, policymakers of these reforms should know the policy, administrative and economic determinants of land and property tax systems before they can design and enforce them effectively, appropriately and sustainably (Nitikin et al., 2012). The property and land levy income equation reveals that administration and policy factors influence the efficiency and effectiveness of mobilising property and land levy revenue (Kelly, 2013; UN-HABITAT, 2011).

Inclusive tax reform could aid massively in 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 a cadastre with value, size and ownership status for each plot of land, their productive capability, and suitable details on output costs and inputs. Imo state currently needs a cadastre that results in issues of assessment and identification of land and properties; these problems are worsened by poor payment of these taxes and levies. Property and land taxes are considered administrative-based levies that require intentional and proactive tax identification, valuation, assessment and collection, implementation, and service to taxpayers and conflict resolution (Mikesell, 2007). These administrative responsibilities should be integrated, supporting the generation of required income and practical goals and objectives. While these administrative responsibilities contribute to defined potential and possible tax income, it is mainly collection responsibility that makes these possibilities a reality.

Land and property levies require a defined system for the registration of properties and land, and they include legal, social, fiscal, environmental and economic information concerning land and its owner. The costs of initiating land registration could be considerably high in some areas and cases (Deininger and Feder, 2009). Starting official and accountable land ownership rights by the land registration board has several essential benefits. There is increasing empirical proof that secured land ownership rights encourage agricultural investment and sustainable land ownership practices (Lawry et al., 2016; Abdulai and Goetz, 2014; Abdulai et al., 2011). Other benefits are enhanced accessibility of land by women (Ali, 2014), 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 the government. Besides these benefits of starting official land ownership and land use rights, an adequately handled government sector for assessing land value

increases accountability in land markets. A good instance of this situation is the land assessment system in Holland which guides and influences the prices of land as sellers and buyers of properties use these values assessed as a reference point for land value (Bervoets et al., 2017). Increased accountability concerning land value could equally aid in facilitating equitable business on land investment on a large scale where compensation for host and indigene could be lower than the actual value of the 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 removing tax impediments, e.g., multiple/double taxation); and strengthen public legitimacy through structured tax for service programmes.

Reform-related policymakers need to consider the essential responsibility saddles on tax collection processes when designing, prioritising and sequencing land and property levy and reform enforcement strategies. However, four key trends strengthen the ideas for suitable reform in land and property tax policies; one, technological development in evaluating land value has substantially minimised the administration cost. Two economists and policymakers are now fully aware of the different and various benefits of designing land ownership and land tenure policies, which is considered a crucial initial stage in starting land levies. Three, land rents, considered the baseline for land levies, have been appreciating significantly and are expected to increase more soon as demand for land rises while deterioration and climate change reduce land availability. Finally, governments must enhance their monetary systems to increase local revenue to achieve development objectives and minimise tax evasion by moving their operation to informal and unofficial sectors.

References

- Abdulai, A., & Goetz, R. (2013). Time-Related Characteristics of Tenancy Contracts and Investment in Soil Conservation Practices. *Environmental and Resource Economics*, 59(1), 87–109. <https://doi.org/10.1007/s10640-013-9719-y>
- Abdulai, A., Owusu, V., & Goetz, R. (2011). Land tenure differences and investment in land improvement measures: Theoretical and empirical analyses. *Journal of Development Economics*, 96(1), 66–78. <https://doi.org/10.1016/j.jdeveco.2010.08.002>
- Agwu, K., Onyekpandu, N. F., Udobi A. N. and Nwanekezi, S. C. (2021). Appraising the effects of the coronavirus pandemic on property tax returns in Owerri Imo State, Nigeria. *Journal of the Faculty of Environmental Sciences*, 8 (2)
- Ali, D.A., Deininger, K., Goldstein, M., 2014. Environmental and gender impacts of land tenure regularisation in Africa: pilot evidence from Rwanda. *J. Dev. Econ.* 110, 262–275.
- Alsharari, N. M. (2019). A comparative analysis of taxation and revenue trends in the Middle East and North Africa (MENA) Region. *Pac. Account. Rev.* <https://doi.org/10.1108/PAR-12-2018-0114>.
- Anish, S.C. (2017). Valuation-based property taxation – A prerequisite for sustainable revenue generation in Nigeria. *Book of Proceedings*, 47th Annual Conference of the Nigerian Institution of Estate Surveyors and Valuers, Held at the Imo International Convention Center, Owerri, March 28- April 1, pp.79-94.
- Awasthi, R., Nagarajan, M., & Deininger, K. W. (2020). Property taxation in India: Issues impacting revenue performance and suggestions for reform. *Land Use Policy*, 104539. <https://doi.org/10.1016/j.landusepol.2020.104539>
- Bahl, Roy and J. Martinez-Vasquez (2008). The Property Tax in Developing Countries: Current Practice and Prospects”, Chapter 2 in *Making the Property Tax Work:*

Experiences in Developing and Transitional Countries (Cambridge,MA: Lincoln Institute of Land Policy).

Bahl, R., Martinez-Vazquez, J. 2007. The property tax in developing countries: Current practice and prospects. Lincoln Institute of Land Policy.

Bervoets, B., Kuijper, M., Kathmann, R.M. (2017). Success factors for a system for propertytaxation and the consequent risks. Conf. Pap. Annu. World Bank Conf. Land Poverty2017.

Daniel, M. M., Nkup, J. T., & Wuyokwe, N. G. (2020). Property Tax Reform and Urban Housing Production and Consumption in Nigeria. *Baltic Journal of Real Estate Economics and Construction Management*, 8(1), 170–186.
<https://doi.org/10.2478/bjreecm-2020-0012>

Etongo, D., Djenontin, I.N.S., Kanninen, M., Fobissie, K., Korhonen-Kurki, K., Djoudi, H.,2015. Land tenure, asset heterogeneity and deforestation in Southern Burkina Faso.For. Policy Econ. 61, 51–58.

Ezeudu, C.U. (2017). Strategies for enhancing land-based taxation in Nigeria: Critique of Anambah property and land use charge”. Paper delivered at the 47th Annual Conference of NIESV, held in Owerri, March 28 April.

Food and Agriculture Organisation (FAO) (2002).*Rural Property Tax Systems in Central and -EasternEurope*: FAO Corporate Document Repository;Economic and Social Development Department.

Fjeldstad, O.H., Heggstad, K., 2012. Local government revenue mobilisation in Anglophone Africa. Chr. Int. Cent. Tax. Dev. (ICTD) Work. 7. <https://doi.org/10.2139/ssrn.2408608>.

Goodfellow, T., Owen, O., 2018. Taxation, property rights and the social contract in Lagos. International Centre for Tax and Development. Working 73.

<https://eprints.whiterose.ac.uk/129579/1/ICTD%20Lagos.pdf>.

- Kalkuhl, M., Fernandez Milan, B., Schwerhoff, G., Jakob, M., Hahnen, M., & Creutzig, F. (2018). Can land taxes foster sustainable development? An assessment of fiscal, distributional and implementation issues. *Land Use Policy*, 78, 338–352. <https://doi.org/10.1016/j.landusepol.2018.07.008>
- Kalu, I.U. (2001). Efficient property tax administration in Nigeria”. One Day Continuing Professional Development Seminar, held at the FSP Auditorium, Owerri, June 1.
- Kelly, R. (2016). Implementing sustainable propertytax reform in developing countries. Richard M. Bird and Jorge Martinez-Vazquez – 9781783474325. Via Joint Bank-Fund Library 326-345
- Kelly, Roy (2013), “Property Tax Collection and Enforcement”, in W.McCluskey, G. Cornia and L. Walters (eds), *A Primer on Property Tax:Administration and Policy* (London: Wiley-Blackwell), Chapter 6.
- Igwe-Kalu, A. (1998). *Landed property taxation and rating*. Port Harcourt: Jita Concept.
- Lawry, S., Samii, C., Hall, R., Leopold, A., Hornby, D., Mtero, F., 2016. The impact of landproperty rights interventions on investment and agricultural productivity in developingcountries: a systematic review. *J. Dev. Eff.* 1–21.
- Matz, J.A., Narciso, G., 2010. Does Reinforcing Spouses’ Land Rights Improve Children’s Outcomes? Evidence from a Quasi-Natural Experiment in Rural Vietnam. *IIIS*
- Micah, L. C., Ebere, C. and Umobong, A. A. (2012). Tax System in Nigeria – Challenges and the Way Forward. *Research Journal of Finance and Accounting*, 3 (5)
- Mikesell, J. (2007). Developing Options for the Administration of LocalTaxes: An International Review”, *Public Budgeting & Finance*, Spring, 27 (1):41–68.
- Nnamani, O. C., Ifeanchi, K. P., Onyekwelu, E. I., & Ogbuefi, P. C. (2023). Barriers to effective property tax reform in Nigeria: Implementation of the land use charge in

Enugu state. *Land Use Policy*, 126, 106544.

<https://doi.org/10.1016/j.landusepol.2023.106544>

- Nitikin, D., Shen, C., Wang, Q. J. and Zou, H. (2012). Land Taxation in China: Assessment of Prospects for Politically and Economically Sustainable Reform. *Annals of Economics and Finance* 13-2, 489-528
- Obani, E. B. and Igwe, C. P. (2021). Impacts of land management on the efficiency of public land accessibility in Owerri, Imo State. *Mgbakoigba, Journal of African Studies*, 8(2)
- Odhiambo, O. & Olushola, O. (2018). *Taxation and economic growth in a resource-rich country: The case of Nigeria*. DOI:10.5772/intechopen.74381
- Okoronkwo, C. (2014). Application of comprehensive value database technology
- Olalemi, A.O. (2000). *Economics of real property*. London: Macmillan Press.
- Omesi, I., & Nzor, N. P. (2015). Tax Reforms in Nigeria: Case for Value Added Tax (VAT). *African Research Review*, 9(4), 277. <https://doi.org/10.4314/afrrrev.v9i4.21>
- Onyike, J. A. (2017). Identification and examination of land-based revenue-generating opportunities in a diversified Nigerian economy. Paper presentation at the 47th Annual Conference of the Nigerian Institution of Estate Surveyors and Valuers (NIEVs), Held at the IICC, Owerri, March 28-April, 1, *Book of Proceedings*, PP.14-30.
- Orekan, A. A. (2021). An Assessment of the Impact of Land Taxation on Land Resources Development in Ogun State Nigeria. *Global Journal of Management and Business Research: BEconomics and Commerce*, 21 (2)
- Patunola -Ajayi, B.J. (2007). *Nigeria's property tax as a tool for poverty eradication*. Retrieved 15/12/2010 from: <http://taxjusticeagrica.blogspot.com/2007/10/Nigeria-property>.
- Tomori, M. A. (2008). *Urban property tax reform in Nigeria, lessons from Oyo State*

experience. Retrieved 11/09/2010 from: [http:// mascosconsultance.com/ URBAN%20PRO](http://mascosconsultance.com/URBAN%20PRO).

Udechukwu, C.E. (2016). *Property tax*. Lagos: Chika Books & Prints

Umezuruike, N.O. (1996). "Real estate related taxes and Estate Surveyors and Valuer". Paper presented at NIESV Anambra State Branch MCPD Seminar held in Onitsha.

UN-HABITAT (2011), *Land and Property Tax: A Policy Guide* (Nairobi, Kenya:UN-HABITAT).

UNDER PEER REVIEW