

TRAINING WORKSHOP
 “Leveraging Land: Land-based Finance in Building Cities for All”

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The Annual Land and Property Tax in Sierra Leone

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Impiana Hotel, Kuala Lumpur
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 GLOBAL LAND TOOL NETWORK

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DEFINITION

The recurring tax on property is most commonly an annual tax levied on land, improvements such as buildings, or both.

Three purposes for the tax

- To establish an on-going revenue stream for local needs
- To provide a mechanism for charging residents and businesses for services that are not subject to user charges
- To provide communities with one mechanism for sharing in the increased private land values that result from public decisions and city growth over time



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DESCRIPTION AND TIMING

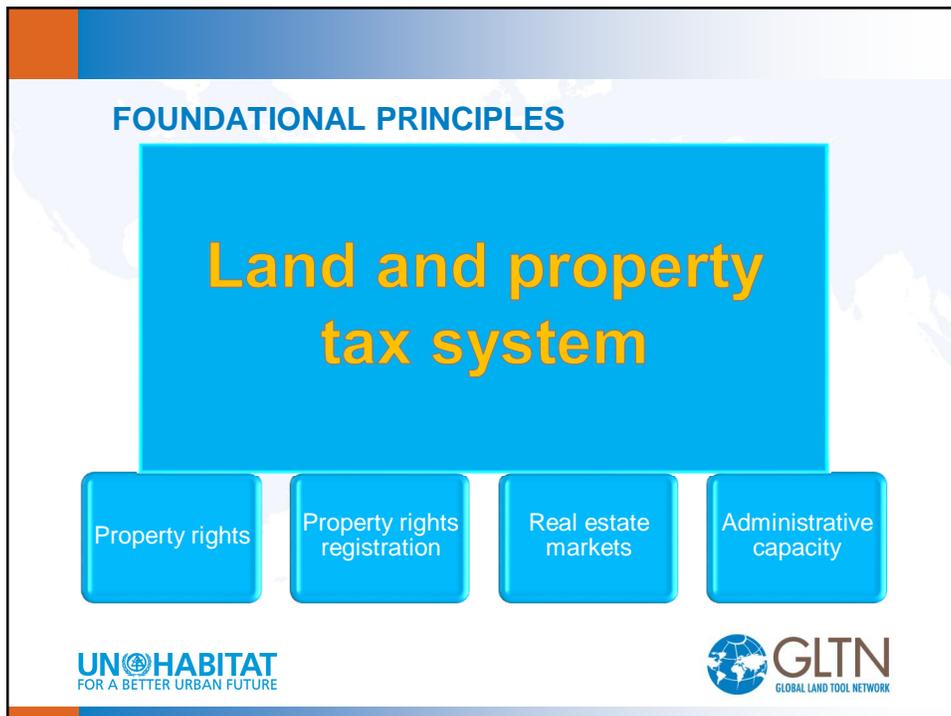
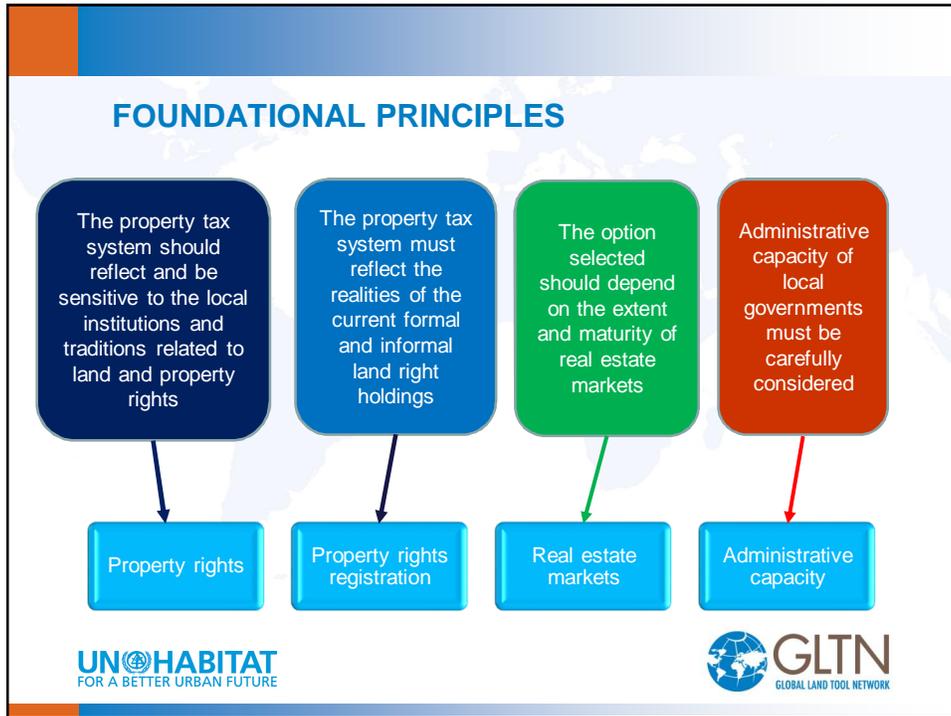
Instrument	Description	Timing	Initial Incidence
Recurring land value tax	Recurring tax based on the estimated value of land or on land attributes	<ul style="list-style-type: none"> Assessed annually Can be collected in installments 	Either the landowner or the occupant
Recurring building value tax	Recurring tax based on the estimated value of permanent improvements or on their attributes	<ul style="list-style-type: none"> Assessed annually Can be collected in installments 	Either the landowner or the occupant

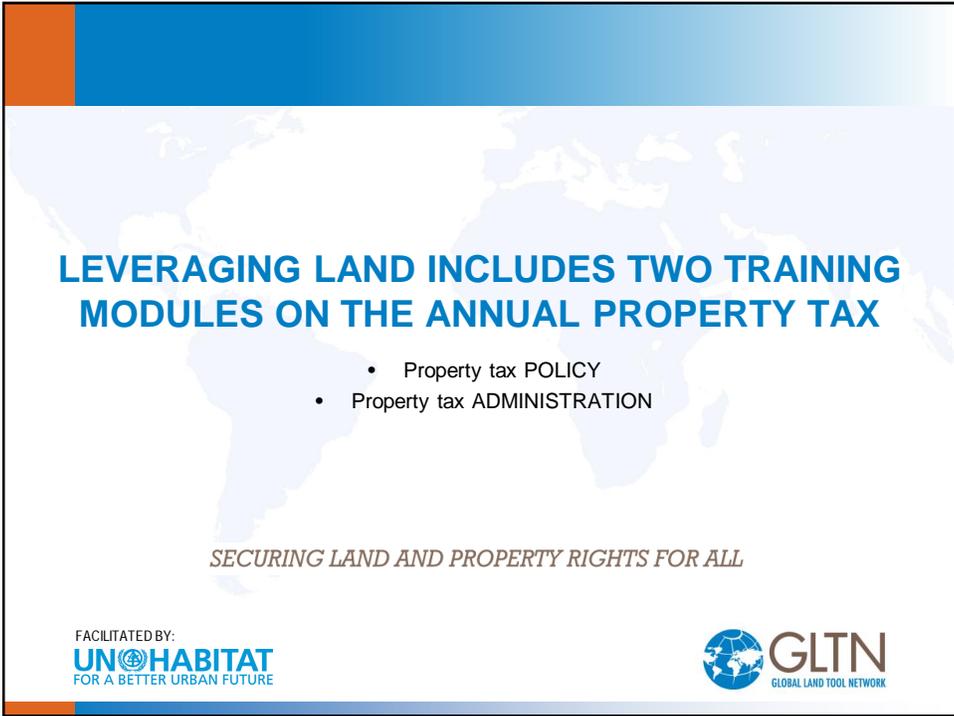



MINIMUM REQUIREMENTS

Instrument	Minimum requirements for implementation
<ul style="list-style-type: none"> Recurring tax on land Recurring tax on buildings 	<ul style="list-style-type: none"> Appropriate enabling legal framework Fiscal cadastre (land registry) that includes all taxable land plots Appropriate estimate of taxable value Administrative ability to calculate tax due, deliver bills and collect tax





LEVERAGING LAND INCLUDES TWO TRAINING MODULES ON THE ANNUAL PROPERTY TAX

- Property tax POLICY
- Property tax ADMINISTRATION

SECURING LAND AND PROPERTY RIGHTS FOR ALL

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ANNUAL PROPERTY TAX IN SIERRA LEONE



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SIERRA LEONE BACKGROUND

- Independence: 1961
- Local councils abolished: 1972
- Centralization of power and deterioration in local services were important contributors to the civil war: 1991-2002
 - During war, government buildings and records were systematically targeted and destroyed, including property registries and tax records
- 2004: 19 local councils re-established and elections held
- Also attempted to revitalize the country's 149 chiefdoms
 - Tension surrounding the division of authority between councils and chiefs
- Role of the chiefdoms reconfirmed by the Chieftaincy Act of 2009
- Local Government Act of 2004 empowers local councils to collect annual property taxes (rates)

FOUR COUNCILS INCLUDED IN THE CASE

- Freetown (802,600)
- Bo (174,400)
- Kenema (143,100)
- Makeni (87,700)
- Reform effort began in Makeni in 2006
- Limited capacity and finances
- Reform focused on
 1. Discovery
 2. Assessment
 3. Billing
 4. Sensitization
 5. Collection



MAKENI

Discovery

- Local valuation officers
- Trained to identify and assess properties
 - Also assigned street names and house numbers
- Portable global positioning system (GPS) devices used to identify the location of each property

Assessment

- Land use (residential, commercial)
- Land area
- Number of rooms
- Dimensions of the structure
- Construction type (timber, mud, corrugated iron sheets or brick)
- Location and accessibility (access to roads, hospitals, water, electricity, etc.)
- Facilities on the property

MAKENI

Billing

- Tax bill calculated by formula based on physical characteristics
- Data, formula and amount due included on bill

Sensitization

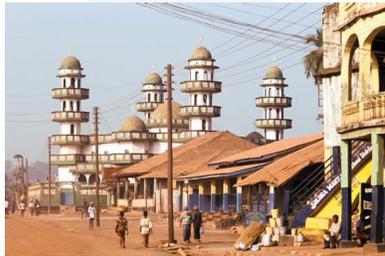
- Public information campaign included
 - The basis for their tax liabilities
 - The ultimate purpose of the taxes collected
 - Procedures and timelines for tax payment
 - Available options for appealing tax assessments
- Regular radio shows
 - Presentations and call-in shows
 - Elected officials, tax officials, chiefs and religious leaders

MAKENI

Collection

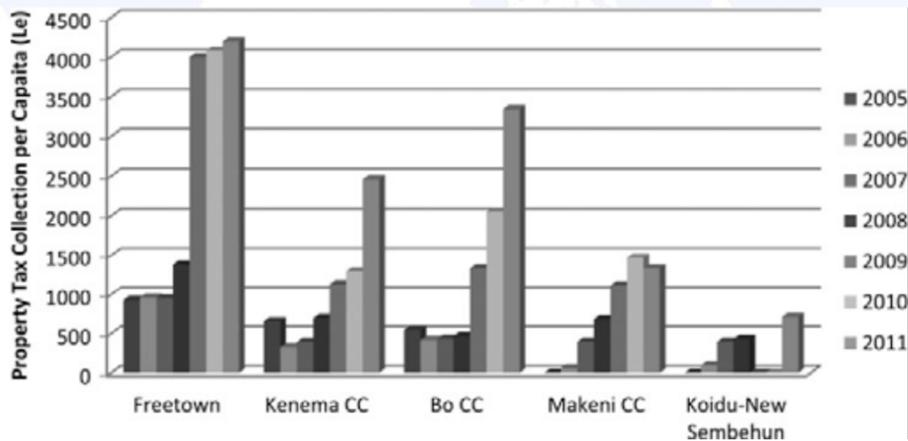
- Focused on large taxpayers
 - Half of all expected revenue due from the 100 to 150 largest taxpayers



- Revenues increased by over 700% between 2006 and 2007
 - Very low starting point
- System extended to the other 3 cities by central government



RESULTS BY 2011



WHY SUCH VARIABLE RESULTS?

Discovery and valuation

- All the city councils experienced improvements in identification and valuation
- All introduced new information technology
 - Bo City Council introduced the most robust system with greater transparency and more limitations to prevent manipulating the data
- Freetown lagged behind and has yet to fully implement the IT platform
 - Only about 25% of properties have been identified and valued

OUTREACH

- Each city expanded outreach to taxpayers, but not all to the same degree
 - Bo City Council was most ambitious through
 - Public education programs
 - New efforts to make the connection between revenue and expenditures
 - New forums for engagement with taxpayers
 - Makeni and Kenema adopted more modest approaches
 - Freetown made the least progress on all fronts

COLLECTION

- Most striking differences: enforcement against large taxpayers
 - Bo City Council: most effective at consistent enforcement, even among large taxpayers
 - Makeni: initial enforcement efforts were curtailed after 2007 with only limited enforcement actions taken against elites
 - Kenema: tended to focus enforcement efforts on average taxpayers with very limited enforcement against elites
 - Freetown: weak enforcement among elites

WHY DID POLITICAL SUPPORT VARY SO MUCH?

- *The relationship among economic elites and political leaders*
 - Less cohesion among local economic elites = more likely to pursue enforcement policies against those elites
- *The extent and character of ethnic diversity*
 - If ethnic diversity reduces elite cohesion, it facilitates tax reform
- *The relationship between local and central political parties*
 - When the political party in power at the local level differs from the party in power at the national level, local officials have a strong incentive to seek greater revenue autonomy, and are more likely to support effective property tax reform
- *The extent and character of local-level political competition*
 - In councils with periodic turnover in the governing party, local leaders have a greater incentive to deliver effective service improvements. Property tax reform can provide the increased revenue to fund improved services

ANNUAL PROPERTY TAX

- Revenue
 - Coverage
 - Valuation
 - Collection

- Importance of
 - ✓ Political will
 - ✓ Public engagement
 - ✓ Administrative capacity

Instrument	Minimum requirements for implementation
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QUESTIONS AND COMMENTS?

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THANK YOU!

