Role of the Land Valuation Division in Property Rating by District Assemblies in Ghana's Upper East Region

Commonwealth Journal of Local Governance
Issue 12: May 2013
http://epress.lib.uts.edu.au/ojs/index.php/cjlg

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Abstract

District Assemblies in Ghana are charged with the responsibility of developing their areas of jurisdiction mainly through internally mobilised revenue. As a consequence, the assemblies are empowered by various pieces of legislation to impose local taxes within their jurisdiction. The local taxes include property rates which are a form of tax that only the District Assemblies may levy. The study therefore looked at the levying of property rates in the Upper East Region and assessed the role and institutional capacity of the Land Valuation Division of the Lands Commission in the tax administration..

Findings included limited coverage of the tax, use of flat rates due to absence of up-to-date property values, inadequate technical personnel and logistics for the Land Valuation Division (LVD) and lack of political will to levy the rates fully. Relevant suggestions are made, such as the need to introduce mass valuation, widen the tax coverage, establish a fund for revaluation and revive the Valuation Training School, as well as provide requisite logistics for efficient performance of the LVD.

Keywords: Property rating, Property taxation, District Assemblies, Land Valuation Division, Decentralisation

Introduction

Decentralisation and local finance

The concentration of power and direction of development by central government has proved ineffective in terms of its grassroots impact. The needs of people are best assessed locally, and so policies and development projects fashioned at central level for the grassroots mostly fail to achieve their purpose. As sub-national governments are closer to the people and know the needs or preferences of their people (Obeng-Odoom, 2010), decentralised governments will generally be more accountable and responsive to citizens' needs and preferences (Bahl and Martinez-Vazquez, 2006).

Central authorities have thus started to cede some power to lower levels of administration, at least to determine their own development needs, while at the same time supporting central government in implementing national policies. Such decentralisation is taking place in many countries, particularly to the Local Government or District Assemblies in Ghana.

However it is argued that the expected benefits of decentralisation can only be realised when sub-national governments have strong institutional capacity (Bird and Vaillancourt, 1998), with adequate autonomy and discretion in raising their own revenues (Bahl and Martinez-Vazquez, 2006). Fiscal decentralisation is critical to making sub-national governments autonomous and, as Davey (2003) suggests, it involves two interrelated issues: i) the division of spending responsibilities and revenue sources between national, regional and local governments and ii) the amount of discretion given to regional and local governments to determine their revenue and expenditure. If effective fiscal decentralisation requires meaningful revenue autonomy in regional and local governments, then the question is which taxes should be allocated at these levels – i.e. the tax assignment problem (Bahl and Martinez-Vazquez, 2006). The borrowing capacity of sub-national governments is equally important in the ensuring autonomy of the local governments (Yemek, 2005).

Many countries have established diverse funding avenues to provide a sound financial base for sub-national or local governments. These funding sources and the financial relationship between national and sub-national governments are usually defined and authorised in legislation, such as the Constitution and the *Local Government Act* 1993 (Act 462) in Ghana.

In the literature on fiscal decentralisation, two main sources of revenue to sub-national governments are acknowledged: *internally generated revenues* mobilised by sub-national governments within their areas of jurisdiction, and intergovernmental or *external fiscal transfers*. According to Chitembo (2009), revenue sources to local governments in Zambia, included 59% from local taxes, 18% from fees and charges, 20% from other receipts, and 3% from national support. In contrast, intergovernmental transfers to local governments in other countries were higher: in Lesotho 90%, Uganda 88%, Ghana 69% and Malawi 60% (Chitembo 2009).

It is observed that countries where national fiscal transfers constitute the greater portion of local government revenue, local governments tend to lose autonomy and become inefficient in implementing developmental projects, since national fiscal transfers may be erratic and often come as tied grants.

In Ghana, the **District Assemblies Common Fund (DACF)** is the main form of national fiscal transfer to District Assemblies. The assemblies are also empowered to mobilise internal revenue to support development, and to undertake community projects to meet local needs. Under the *Constitution* and the *Local Government Act* 1993 (Act 462), assemblies can generate their own revenue through levying fees and fines, basic rates, and property rates within their jurisdictions, and may also undertake investments.

Property tax is generally considered one of the best revenue sources to facilitate revenue autonomy at the sub-national or local level (Bahl and Martinez-Vazquez, 2006). Property tax is often a greater component of local government revenue in developed countries than in developing countries where property tax revenues form an insignificant element of local government revenue (Bird and Slack, 2003). Statistically, it has been assessed that the contribution of property tax to GDP in OECD countries averages 3% as against an equivalent of 0.7% in developing countries; pathetically however, the contribution of property taxes to GDP in Ghana is 0.03% (2011 Budget Statement of Ghana).

The poor performance of property tax in developing countries is therefore disturbing, highlighting the need for an examination of the institutions and procedures involved in its administration. It is thus suggested that a single organisation or agency should undertake the assessment process, to ensure uniform assessment methodologies, which should be independent of the tax spending authority to avoid conflict of interest. The organisation should have adequate staff and technical resources coupled with capacity building, staff training and development (Plimmer and McCluskey 2010).

The proposal for a single assessing organisation for property tax valuations fits well in the context of Ghana where the national **Land Valuation Division (LVD)** is statutorily mandated – through the preparation of valuation lists for the districts – to support property rates administration. The LVD needs to be well resourced, both in personnel and logistics, if it is to be efficient and successful in supporting District Assemblies in administering the rating system to support development programs .

In this research, the author examines the role of the LVD, as mandated by law, in preparing valuation lists for districts in Ghana to levy property rates. The study focuses on the institutional capacity of the LVD in the administration of property rates in Ghana's Upper East Region and its impact on property tax revenue.

A critical problem

District Assemblies in Ghana have been given extensive powers and functions. For instance, the *Constitution* and the *Local Government Act* 1993 require assemblies to give political and administrative guidance and supervise all other administrative authorities in the district, as well as taking responsibility for the overall development of their areas of jurisdiction. As a result, the *Constitution* stipulates that assemblies should have sound financial bases with adequate and reliable sources of revenue (Art. 240(2)), and established the District Assemblies Common Fund (DACF) to receive not less than 5% of the total annual revenues in the country (Art. 252(2)) to be distributed to assemblies. To boost the DACF, the percentage was increased to 7.5% of total national revenues by a

2007 legislative instrument. The assemblies are also mandated to generate internally raised revenue to supplement central government allocations.

Despite these revenue streams, the districts are still grappling with serious financial problems as the funds are woefully inadequate to meet development needs, they are unable to mobilise internally raised revenue effectively. The *Growth and Poverty Reduction Strategy* report (GPRS II) (2006-2009) notes that the assemblies are weak in mobilising internal revenue and over-dependent on the DACF and external grants.

A number of studies have been conducted on the assemblies' revenue mobilisation and, for example, Farvarque-Vitkovic et al (2008) lamented the inability of district assemblies to generate sufficient revenue from property rates. The use of the *replacement-cost method*[1] as the basis of assessment was considered subjective due to the wide range of properties in a particular rating area, and a change of the tax base from buildings - only to land value - only was recommended to promote the use of mass valuation (Farvarque-Vitkovic *et al,* 2008). Similarly, Martey and Tagoe (2012) attributed the ineffectiveness of property tax mobilising to lack of a Geo-Property Information System. Pogane (1998) also undertook a similar study on property rating in the Bolga District. Although these studies explored property rating in various parts of Ghana, they did not focus on assessing the institutional capacity of the LVD as the state agency charged with providing technical expertise on property rates' administration.

This study therefore focuses on the role of the LVD in the administration of property rates, and investigates whether in the Upper East Region has the capacity to execute this statutory mandate.

Objectives

The objectives of this research are as follows;

- To assess whether District Assemblies in the Upper East Region of Ghana levy property rates;
- To evaluate the performance of the assemblies in levying the property rates;
- To investigate the role of the Land Valuation Division in the administration of property rates;
- To explore challenges in the role played by the LVD and opportunities available, and
- To suggest practical measures that could help inform policy decisions.

[1] *Replacement cost* is defined, with respect to buildings, structures and other developments, as the amount it would cost to provide the buildings, structures and other developments as if they were new on an undeveloped land or site at the time the premises are being valued.

Choice of study area

Between 1994-2004, the share of revenues accruing from property rates in the internally generated funds of the Western, Upper West and Upper East Regions were 21%, 15% and 9% respectively (Mogues, Benin and Cudjoe, 2009), which clearly shows that the Upper East Region is performing poorly in mobilising revenue through property rates. In the other regions, it is common to find newspapers requesting property owners to inspect valuation lists at the assemblies' offices and to submit appeals before the valuation lists take effect, but this is less evident in the Upper East Region. Furthermore, the Upper East Region has many infrastructure shortages, including the lack of basic local services. The Upper East Region is thus chosen for the study, in order to examine the factors militating against effective property rating and to contribute to policy decisions that enhance local revenue mobilisation.

Methodology

Quantitative and qualitative data are used in the study. Thus, both quantitative and qualitative methods of data collection were employed in the collection of primary and secondary data.

The primary data is obtained from three different sets of questionnaires administered to the six District Assemblies in the region, the regional Land Valuation Division Office, and with property owners in each of the five districts, 10 in each district selected through random sampling .. The remaining district was omitted because the assembly did not levy property rates. A total of 58 respondents were interviewed, using three sets of questionnaires as follows: District Assemblies (6), Land Valuation Division (2) and property owners (50). The data collected was analysed through descriptive statistical methods, including percentages and frequencies.

Financing District Assembles and property rating in Ghana

Decentralisation in Ghana

Ghana's decentralisation program began in 1988 with an objective to promote effective and accountable local government. District Assemblies (DAs) - the local government units - have been designated the:

- The highest political and administrative authority
- Planning authorities
- Development authorities
- Budgeting authorities
- Rating authorities (Crawford 2004).

The assemblies are given several additional functions under the Section 10 of the *Local Government Act* 1993 (Act 462) viz to:

- Provide guidance, give direction to, and supervise all other administrative authorities in the district;
- Exercise deliberative, legislative and executive functions;
- Be responsible for the overall development of the district, ensure preparation of development plans of the district and their corresponding budget for approval;
- Formulate and execute plans, for the effective mobilisation of the resources necessary for the overall development of the district;
- Promote and support productive activity and social development
- Initiate programs for the development of basic infrastructure and provide municipal works and services among others.

Financing District Assemblies

District Assemblies in Ghana are authorized to raise revenue from a number of sources – internal and external – under Articles 245 and 252 of the 1992 Constitution and section 34, part vii, part viii, part ix and part x of the *Local Government Act 1993* (Act 462). These revenues may be classified as:

- **Locally generated (traditional) revenues**: Locally raised revenues are derived from the following sources:

  Fees/Fines: These include, court fines, market tolls, lorry park fees, slaughterhouse charges, cemetery charges et cetera;

  Licenses: For motel/rest houses, palm wine/pito sellers, chop bars/restaurants, kiosks, commercial vehicles, district lottery, etc;

  Investment on income: Trading services, interest on savings and treasury Bills;

  Rates: These include Basic Rates – which are a direct development tax on every adult above 18 years – and Property Rates.

- **Central government transfers**: The major revenues include:

  Recurrent expenditure transfers: Central government has, since, 1995 assumed full responsibility for salaries and other remunerations, including pensions for assembly staff.. The government also bears responsibility for the operational and administrative expenses of the Civil Service at the district level.

Ceded Revenue: This is derived from selected revenue sources, such as entertainment duty, casino revenue, betting tax, gambling tax, income tax payable by specific categories of self-employed persons in the informal sector, hitherto paid centrally to the Internal Revenue Service, but now paid to the District Assemblies, in pursuit of decentralisation.

Ceded revenue is centrally collected by the Internal Revenue Service, and the total collected for a year is transferred to the Ministry of Local Government which shares it among the Assemblies using a formula approved annually by Cabinet.

- **District Assemblies Common Fund (DACF):** Article 252 of the *Constitution* (1992) provides for this Fund, of not less than 5% of total revenues of Ghana, to be allocated annually by Parliament and be distributed among the assemblies on the basis of a formula approved by Parliament. The DACF was reviewed upwards to 7.5% of total annual revenues in 2007.
- **Stool Lands Revenue:** Stool lands are community lands vested in traditional chiefs and the revenue comprises all rents, dues, royalties or other payments from such lands. Under the *Constitution*, these monies are collected by the Office of the Administrator of Stool Lands; after the retention of 10% of the total revenue collected by the office as administrative charges, 55%, of the rest is given to the District Assembly where the stools lands are situated.

Several assessments − including the *Growth and Poverty Reduction Strategy II* (2006-2009), the *Ghana Shared Growth and Development Agenda* (GSGDA) (2010-2013), the *Municipal Finance* report by Commonwealth Local Government Forum (CLGF) and ComHabitat (Dirie, 2004), and the *Budget and Economic Policy Statement of Ghana*, 2011, have pointed to the inability of the assemblies to mobilise adequate local revenue and hence they remain over-dependent on central government transfers especially the DACF. According to Kayuza (2006) citing Aluko (2005), Konyimbih (2000) and Max (1991), such dependence encourages a ‘’beggar attitude’’ and erodes the accountability and autonomy of local government authorities.

The over-dependence of local government on central government transfers is a long-standing problem. In 1997 CLGF found that the aggregate revenue for the assemblies was Cedis[2] 140.375 billion (GH₵14.0 million in the new denomination), of which central government transfers provided 69%, own taxes 22%, and user fees and charges 9%. In 2004, Farvacque-Vitkovic *et al* (2008) found that the total revenue to the District Assemblies including the municipalities and the metropolis was Cedis 1,423 billion (GH₵ 142.3 million or US$74.89 million), of which 84% was transfers from central government or donors, with only 16% of internally generated funds from rates, fees and lands revenues.

[2] Ghana redenominated her currency in 2007 to among others, bring it at par with the US dollar as the major currency for international transactions and to also enhance its portability. Per the redenomination, ₵10,000 is now equal to Gh₵1.. On November 16, 2012, US $ 1 = Gh₵1.90 (Ghana Cedi)

These statistics do not point to an autonomous local government system in Ghana. Bahl and Martinez (2006), however, think that the options for local taxes in developing countries are limited without any local income tax. Likewise, Sharma (2010) blames central government in Ghana for the over-dependence of local government on central government transfers, as it collects the elastic and easily paid taxes like customs and excise duties, income and value-added taxes, leaving the more difficult and regressive taxes such as property rates, basic rates and market tolls for local governments to administer.

An overview of property taxation

Property taxation is used worldwide as a source of revenue to sub-national or local governments, and the extent to which local governments can make autonomous expenditure decisions often depends on their extent of control over property taxes (Bird and Slack, 2003). Property taxes or property rates are considered an appropriate source of revenue for local governments because of the connection between many of local services, including the provision of potable water, electricity, or roads and the benefit to property values (Bird and Slack, 2003). Property tax is thus described as a 'benefit tax'.

In the early 2000s in OECD countries, property tax revenues constituted 2.12% of GDP, while in developing and transition countries they contributed 0.6% and 0.68% respectively of GDP (Bahl and Martinez-Vazquez, 2006). This trend is worrying and there is need to take a second look at the system of property tax administration in developing countries.

The tax base for property taxation differs among countries, and can relate to: the land only (eg: Kenya and Jamaica); the buildings and improvements on land (eg: Kosovo and Tanzania), or to both as practiced in many countries (Canada, Germany, Japan, some parts of Australia, the United Kingdom, Indonesia, Thailand, Guinea, Tunisia etc) (Bahl and Martinez 2006; Bird and Slack 2003).

It is argued here that tax administration is critical to property taxation, and a well administered land and property tax can positively impact on revenue and ensure equity and efficiency (Bird and Slack 2003), suggesting the need for a review property rates/tax administration in Ghana and elsewhere. Local authorities however sometimes lack the capacity to administer the property tax and its administrative functions are often performed manually instead of being computerized (Bird and Slack 2003). Problems include the low revenue base due to limited recording of taxable properties and low collection rates (Bird and Slack, 2003). Bahl and Martinez (2006) suggest that four factors may enhance property tax collection in developing countries: decentralisation; the efficacy of shortcuts to property valuation; technology catch-up, and the willingness of central governments to give local government's access to productive tax bases. The use of computerized appraisal and satellite-aided mapping can also help cut the cost and time delays of valuations (Bird and Slack, 2003).

Other inherent problems in the tax administration system also emerge. Kelly (2000) in a study of in East Africa (Kenya, Uganda and Tanzania) found that the rate of property tax collection was extremely low and enforcement for non-compliance was virtually non-existent. Fiscal cadastre information was incomplete and out of date, and there was an over-reliance on individual parcel valuation without any use of simple mass valuation techniques, challenges common to many countries in Sub-Sahara Africa.

Kelly (2000) suggests that four critical lessons have been drawn from reforms in East Africa:

1. *Property tax reform must be comprehensive – linking property information, valuation, assessment, collection and enforcement:* reforms should be holistic and recognize the links between policy and administration and between administrative components, ie: property identification, valuation, assessment, enforcement, and taxpayer services. Narrow concentration on a single aspect will not yield positive results.
2. *Stakeholder education linked to customer service:* successful property tax reform involves mobilising widespread support from stakeholders within central and local government and the private sector. Educational programs for taxpayers to understand the rationale and procedures for property tax are essential, and customer service should be improved through more efficient and equitable tax administration and more effective and accountable delivery of local public services. Tax collection in the absence of service delivery is very difficult.
3. *Need for mass valuation:* in East Africa, as elsewhere in sub-Saharan Africa, valuers visit each property to assess its value. This approach may produce accurate valuations, but is labour and time intensive, thus resulting in a backlog of out-of-date and incomplete valuation rolls. Thus, mass valuations techniques are recommended to provide more up-to-date values in a cost effective and timely manner.
4. *Need for sustainable revenue mobilisation:* the main objective of property tax reform should be to ensure sustainable production of local level revenues. Thus the institutional capacity of local governments needs to be developed alongside strategies to enhance property tax revenues. Effective administrative procedures, combined with a strong local capacity and political will, are essential for sustainable property tax mobilisation.

Property rating in Ghana

Rating as a tax has a distinguishing feature that the amount of revenue required from rates is decided and the liability then distributed among the ratepayers (Emeny and Wilks 1984). As noted above, the tax base for rating in Ghana is the buildings / improvements only, and the rating system is manual, based on individual parcel valuation which is laborious, time consuming and administratively expensive.

District Assemblies are the sole rating authorities empowered to make or levy rates in their areas of jurisdiction (Act 462 of Section 94). The Act identifies two (2) kinds of rates – ***general rates*** and ***special rates***. In section 96(2) of the Act, a general rate is referred to as a rate made and levied over the whole district for the general purpose of the district, while section 96(3)(a) defines *general rate* as a rate payable by the owner of premises in the district on the rateable value of the premises; or (b) a rate assessed on the possessions, or any category of possessions of persons who reside in the district. Under ss96(2), a *special rate* means a rate levied over a specified area in the district for a specified project approved by the District Assembly for that area, while s.96(4) defines the *special rate* as the basic amount payable by everyone of 18 years or above who resides in the area, or owners of movable or immovable property in the area.

For the purpose of this study, the definition of rate in section 96(3) (a) is the most appropriate. A *rate* could thus be said to be a local tax imposed by a District Assembly on the rateable values of immovable properties to generate revenue to provide local services.

Replacement cost, rateable values and rate impost

The statutory basis of rating practice in Ghana is the ***replacement cost approach***.

- *Replacement cost* is defined as the amount it would cost to provide buildings, structures and other developments as if they were new on an undeveloped land or site at the time the premises are being valued (*Local Government Act*, 1993 Act 462, Section 96(10)(a)..
- *Rateable value of premises* under section 96(9) of Act 462 is the replacement cost of the buildings, structures and other developments comprising the premises after deducting the amount which it would cost at the time of valuation to restore the premises to a condition that would be serviceable as new. The Act adds that rateable value should be no more than 50% of replacement cost for owner-occupied premises and no less than 75% of the replacement cost in other cases. Thus, rateable value in Ghana is simply the replacement cost of premises less depreciation.
- *Depreciation*, according to Essel (1991) (in Pogane, 1998) is the loss of value of a property relative to its replacement cost, i.e. the difference between the replacement cost when the property is new and the market value of the property at the date of valuation. Depreciation thus measures the extent to which the old building is not as good as the new one. The lower limit of depreciation, as per Act 462, is 50% for owner-occupier premises, with an upper limit of 25% in all other cases.
- *Rate impost* is defined as a specified rate per Cedi on the rateable value of the property. This is computed by deducting expected non-property rate revenue from the total estimated expenditure of the assembly divided by the total value (rateable value) of all properties within the rating area, as follows:

$$\text{Rate Impost} = \frac{\text{Total Expenditure} - \text{Total Non-rate Revenue}}{\text{Total Rateable Value}}$$

For example, if the total estimated expenditure of the District Assembly is Gh₵ 13,500, and all other revenue from non-rate sources is Gh₵ 8,100, with the total rateable value being Gh₵ 18,000,000, then the:

$$\text{Rate Impost} = \frac{13{,}500 - 8{,}100}{18{,}000{,}000} = \frac{\text{Gh₵ } 5{,}400}{\text{G h₵ } 18{,}000{,}000} = 0.0003$$

Preparing the valuation list

The *valuation list* is derived from the valuation of rateable properties within the rateable area. In rating valuation, the details of the property are first recorded in the Property Record Sheet. The details include name and address of the owner, the property number, and date of inspection, construction details, dimensions and valuation of the property. Once floor areas are determined, an appropriate rate/m^2 for construction is applied to arrive at the replacement cost, and an applicable rate of depreciation is applied to give the rateable value. The rateable values are then recorded in a standard format, and the form containing all the rateable properties with their corresponding rateable values is called the valuation list.

On approval, the valuation list is deposited at the District Assembly and publicised, and property owners are given 28 working days to inspect and register any concerns. The list is normally advertised in local newspapers and, after the 28-day consultation period has elapsed, the valuation list takes effect immediately, and property owners become legally bound to pay the rates calculated following application of the rate impost.

Exemptions

Although all immovable properties or hereditaments are rateable, there are some tenements that are statutorily exempt under the *Local Government Act*, 1993, (Act 462) from assessment and rating, ie:

a) Premises used exclusively for public worship and registered with the District Assembly;

b) Cemeteries and burial grounds registered by the District Assembly;

c) Charitable or public educational institutions registered with the District Assembly;

d) Premises used as public hospital and clinics; and

e) Premises owned by diplomatic missions as may be approved by the Minister for Foreign Affairs.

The Land Valuation Division (LVD)

Before 1986, the Valuation Division of the Ministry of Local Government was responsible for carrying out rating valuations in the country. Then in 1986 under the Provisional National Defence Council (Supplementary and Consequential Provisions) Law, 1982(section 43), the Valuation Division was transformed into the Land Valuation Board (LVB) and charged with preparing valuation lists for property rating, and determining compensation for land acquired by government or any public corporation (Kasanga and Kotey 2001). However, a number of constraints faced the LVB, including a severe shortage of qualified staff, lack of logistical support and vehicles, poor staff remuneration, and delays in compensation payments by government (Kasanga and Kotey 2001). Under the recent *Lands Commission Act* 2008 (Act 767), the LVB was changed to the Land Valuation Division (LVD) of the Lands Commission.

The *Local Government Act 1993* (Act 462) allows private valuers and firms to undertake rating valuations. The Act (462) mandates the LVD to supervise such private valuers, and the LVD operates under guidelines set out in the *Immovable Property Rate Regulations* 1975 (L.I. 1059) and Act 462.

Furthermore, under section 22 of the new *Lands Commission Act* 2008 (767), the functions of the Land Valuation Division are outlined as follows:

(a) Assessing the compensation payable following government land acquisition
(b) Assessing stamp duty
(c) Determining the values of properties rented, purchased, sold or leased by or to Government
(d) Reparation and maintenance of valuation list for rating purposes
(e) Valuation of interest in land or land related interests for the general public at a fee
(f) Valuation of interests in land for the administration of estate duty
(g) Other functions determined by the Commission

Data Analysis and Presentation of Findings

Of the nine districts in the region, questionnaires were administered in six districts, namely, Builsa, Kasena-Nankana East, Kasena-Nankana West, and Bongo Districts, and the Bolgatanga and Bawku Municipalities. Information on the remaining three – Bawku West, Talensi-Nabdam and Garu-Tempane districts – was provided by Municipal Valuation Offices and focused on whether or not they levied property rates.

The Municipal Valuation Offices[3] are directly responsible for rating valuations in the region while the regional office of the Land Valuation Division (LVD) plays a supervisory role. The District or

[3] These are the same as the District Valuation Offices. The term ‘Municipal’ is used here because the assemblies in the Upper East Region where these offices are sited have municipal statuses.

Municipal Valuation Offices are the decentralized units of the LVD charged with preparing valuation lists for the districts, which report to the Regional Valuer of the LVD. Indeed, the District or Municipal Valuation Offices are controlled by the Regional Office of the LVD and not the District Assemblies that they are serving. It is worth noting that the District or Municipal Valuation Offices are established mainly in the more urbanized districts, but with the responsibility of serving the other less urbanized ones.

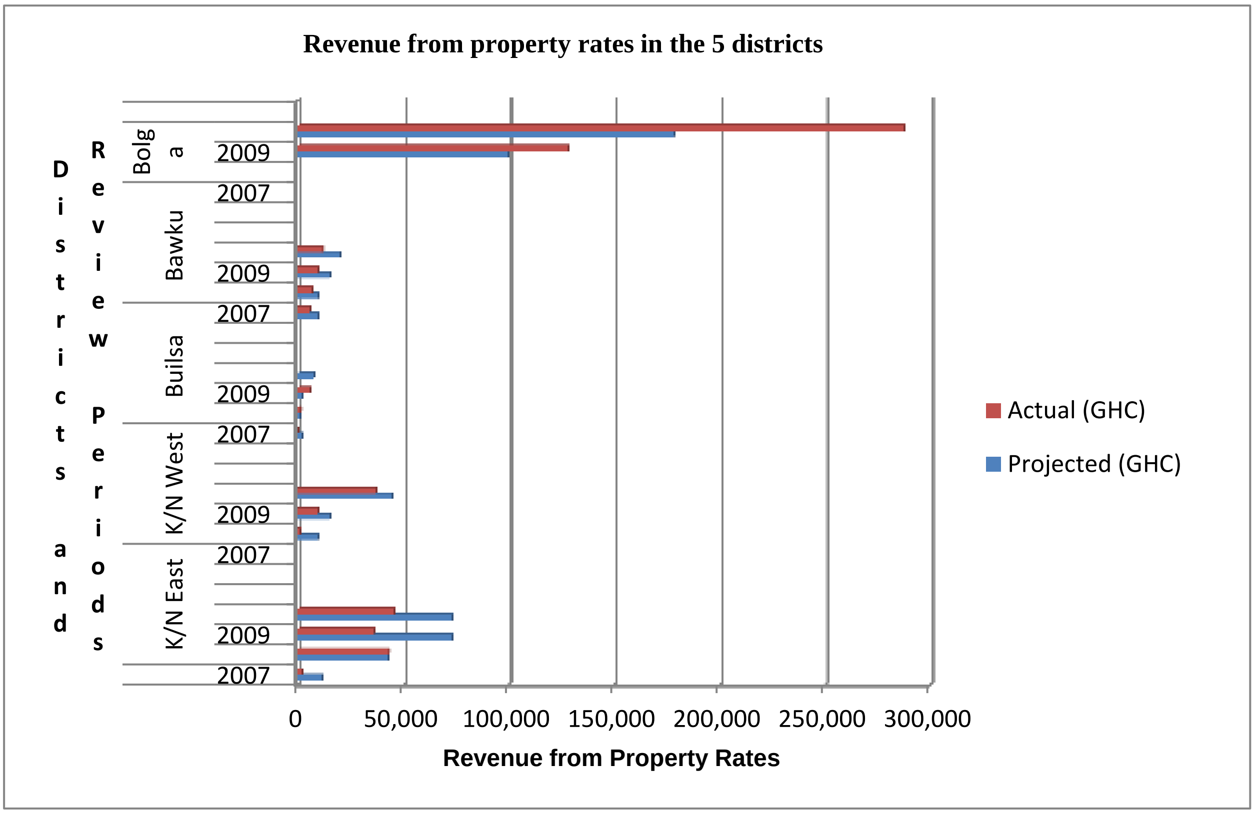
Low rate coverage and minimal property revenue

Out of the nine districts in the region, Builsa, Kasena-Nankana East, Kasena-Nankana West, Bawku West and Garu Tempane Districts, and the Bolgatanga and Bawku Municipalities levy property rates. Bongo and Talensi Nabdam districts were the only two districts not levying property rates in the region. Bongo District blamed their inability to levy property rates on non-availability of property data.

With the exception of Bolgatanga and Bawku Municipalities, the other five districts levying property rates used flat rates (i.e. rates neither based on rateable values nor rate impost). Rating by the districts was also selective because the districts levied rates only on commercial properties and a few modern or concrete-built residential premises − contrary to the stipulation of Act 462 which makes every property liable (except for specified exemptions).

Thus, the coverage of rateable properties and the quantum of revenue realised from rating were low (Figure 1), because most of the districts, especially Kasena-Nankana East and Nankana-Nakana West, levied rates on only a few properties, contrary to the wide tax liability given by Act 462.

Figure 1: Revenue from property rates in the 5 assemblies: 2007 - 2010



Source: Author's Field Survey, 2011

Due to the selective nature of the rating exercise, most property owners, even in the district capitals had no knowledge of property rating in their districts (Table 1). Imposition of flat rates, other than applying a rate impost on the depreciated replacement cost of the rateable properties, was also found out to be rampant in most of the districts. The imposition of flat rates by the districts does not conform to the requirements outlined in the law (Act 462). Among other determinants, the law requires that property rates are determined from rateable values through the rate impost.

Table 1 Knowledge of property owners about rating in their districts

Districts	Are you aware of property rate levies in your district	
	Yes (%)	No (%)
Bolga Municipality	10 100	-
Bawku Municipality	10 100	-
Kasena-Nankana East	3 30	7 70
Kasena-Nankana West	4 50	6 60
Builsa	6 60	4 40

Source: Author's Field Survey, 2011

LVD: challenges in preparing valuation lists

The role of the Land Valuation Division (LVD) as gathered from the study is to carry out valuations of all rateable properties in the districts, and to prepare valuation lists for the purposes of levying property rates. This is consistent with the position of Plimmer and McCluskey (2010) who argue that the valuation organisation should be different from the tax-spending authority to avoid conflict of interest. However, the LVD has not been able to carry out valuations in the newly created districts, and is unable to undertake regular revaluations of properties to reflect current market values.

Lack of experts and specialist units

In all the five districts studied, none had professionals or personnel with technical background in rating, such as valuers, land economists or graduates in HND Estate Management, or in handling the administration of property rates. In response to questioning, it transpired that the districts did not have the financial capacity to engage such professionals.

Most of the districts, except for Bolgatanga and Bawku Municipalities, had no rating units as part of their administrative set-up. In the majority of cases, it was the Budget Offices which had additional responsibility of levying property rates in the districts. None of the Budget Offices in the various districts had staff with relevant academic or professional backgrounds relating to property rating. Thus, there were no technically trained rating personnel in the districts to support the LVD.

Non-Engagement of Private Valuation Firms by District Assemblies

All the five districts interviewed knew that they are permitted by law (Act 462) to engage the services of private valuers to prepare valuation lists, for the purpose of levying property rates. However, none of the districts had ever hired private valuers for such services, mainly on cost grounds or because the districts had faith in the LVD, and saw no need for private valuers.

Challenges in collecting property rates

In addition to very old valuation lists, the districts were also confronted with other challenges. High illiteracy among their populations is a serious problem, and most inhabitants did not understand why they should pay rates on houses they toiled to build.

Another more serious factor is lack of political will. According to most of the respondents, any time their district wanted to collect the rates according to the rules, a political tag or colour was given to it and as no administration wants to incur the wrath of the electorate; thus staff at the assemblies were often forced to relax in their efforts to levy rates. The assemblies were also understaffed and thus found it difficult to accomplish their mandate.

Lack of finance

The Valuation Offices do not charge the assemblies for the valuation lists prepared, but considered that the District Assemblies and central government should provide funding to cater for expenses such as fuel, stationery, and lunch for the rating personnel during valuations or revaluations. The Valuation Offices were unable to publish the valuation lists regularly due to lack of funding for these expenses, but staff mentioned that they usually undertake 'new and altered' or supplementary valuations annually. Meanwhile, as provided for by Act 462, revaluation in the various districts needs to be undertaken every five years by the Valuation Offices.

Personnel shortages at municipal valuation offices

For rating valuation to be successful, the Municipal Valuation Offices indicated need for the following staff:

- Technical Officers, who have responsibility for referencing, sketching of building plans in the field and assessing the rateable values of the properties;
- Technical Assistants, who assist Technical Officers in the functions above;
- Valuation Assistants, mainly responsible for filing and indexing the records;
- Draughtsmen, who refine the sketches done by the Technical Officers, and
- Support staff eg: typists for typing the valuation roll.

The table below therefore gives the current number of personnel with their age brackets in the two Municipal Valuation Offices which are responsible for carrying out rating valuations for all the nine districts in the region.

Table 2: Current Personnel at the District Valuation Offices

	Bolgatanga Mun Valuation Office			**Bawku Mun. Valuation Office**		
Personnel Required	**No. & Age Bracket**			**No. & Age Bracket**		
	Below40 yrs	40-50 yrs	Over50 yrs	Below 40 yrs	40-50 yrs	Over 50 yrs
Technical Officer		1	2		3	1
Technical Assistant			1	None		
Valuation Assistant	None			None		
Draughtsman	None			None		
Other support staff						
Typist/Stenographer	1			None		

Source: Author's Field Survey, 2011

Age of staff is also a problem. From the table above, the Bolgatanga Municipal Valuation Office has a total of just four technical personnel, comprising three Technical Officers, of which two are over 50 years, with the remaining one being between 40-50 years. The Technical Assistant is also over 50 years of age, and there is only one typist aged below 40 years. The Bawku Municipal Valuation

Office also had four Technical Officers, with three being between 40-50 years in age and other one aged over 50.

Thus, it is clear that the Municipal Valuation Offices are severely understaffed and without new recruitment, the offices would be closed down in a few years' time. It is remarkable that, with so few personnel, the offices can still undertake 'new and altered' or supplementary valuations as mentioned earlier. Indeed, it is disturbing that the LVD of the Land Commission is still beset with problems of personnel especially when such problems were identified and publicised over ten years ago by Kasanga and Kotey (2001), among others.

Both the Bolgatanga and Bawku Municipal Valuation Offices mentioned that each required the following personnel: ten Technical Officers, ten Technical Assistants, five Valuation Assistants and one typist. Respondents said that staffing problems were compounded by the closure of the Valuation Training School in Accra, about a decade ago, due mainly to funding challenges. The school was established to train the requisite technical personnel for rating valuations in the country.

Lack of equipment

The Municipal Valuation Offices also lack logistics support, such as vehicles, motor cycles, computers and accessories, measuring tapes and property record sheets. The Bolgatanga Municipal Valuation Office had no vehicles or computers, and only had two measuring tapes and property record sheets. The office however indicated the need for one pick-up vehicle, ten motor cycles, two computers and printers and twelve measuring tapes.

The situation with the Bawku Municipal Valuation Office was similar as it had just one motor cycle, two measuring tapes and enough property record sheets. However, the Bawku Office needs one pick-up vehicle, ten motor cycles, two computers and printers, and ten measuring tapes.

Thus, the logistical support such as vehicles, motor bikes, computers and printers etc, required by the Municipal Valuation Offices was virtually non-existent. Even measuring tapes which do not cost much were also in short supply.

Recommendations and Conclusions

Education

With the high illiteracy rate in the region, there is need for an intensive public education program through radio stations and community centres on the need to pay property rates. This would enhance property owners' understanding of the need to honour their rate obligations. However, District Assemblies must note that, as indicated by Bird and Slack (2003) and Kelly (2000), property tax is a benefit tax and revenues must therefore be used to provide visible local services. It is also important for the districts authorities to be transparent and accountable in the use of revenues raised from property rates.

Elimination of political interference

Political interference is also a serious problem affecting District Assemblies' efforts to levy property rates. It is therefore appropriate that politicians allow civil servants to levy property rates without hampering their efforts because of political interests.

If property rating is delinked from politics, the districts could enhance their rating revenues to complement the DACF for local development. It will be necessary for the politicians to help inform the electorates that it is impossible for central government alone to fully finance local development without the support of the local people who are the direct beneficiaries such developments. When such concerted efforts are made by the politicians, it would not be sustainable for any taxpayer to link payment of property rates to any political party or regime. Political interference would then be eliminated since no government would be able to pressurize District Assemblies to stop levying rates in order to gain votes at the next election.

Provision of logistics support

Rating valuation in Ghana still involves the movement of technical personnel and equipment around an entire district, covering large distances over often poorly developed roads. There is thus an urgent need for Municipal Valuation Offices to be provided with relevant equipment such as pick-up vehicles, motor bikes, computers and printers etc.

There is also need for central government to debate with the assemblies the potential of withholding a percentage of the District Assemblies Common Fund (DACF) to support revaluations. Once such investment goes into revaluations, up-to-date property values would widen the rating coverage rate and take more revenues from property rates. This can only be achieved through commitment by the assemblies. Staff may also need ICT training to enable them create databases on property for the various districts.

Furthermore, since rating practice in Ghana involves valuation of individual properties, which is very laborious, just as identified in the case of East Africa and several other Sub-Saharan African countries, mass appraisal techniques should be piloted to gradually replace the individual parcel valuations. Even though mass valuation employs the same principles as in individual parcel valuations, mass valuation does not involve regular visits to collect individual property data for valuation, and would also reduce the access difficulties that valuation officials encounter due to the poor road network in many parts of the country. Mass valuation would provide more equitable, up-to-date values in a cost effective and timely manner.

Valuation training

Valuation Offices are woefully understaffed a situation that is compounded by the closure of the Valuation Training School in Accra. It is recommended that government as a matter of urgency should provide the necessary funding for the revival of the only school in the country accredited to train technical personnel for rating valuation.

As a stopgap measure, government should contract the Ghana Institution of Surveyors (specifically the Valuation and Estate Surveying Division) to provide short training on rating to graduates in the fields of Land Economy and Estate Management for secondment to Valuation Offices in the Upper East Region and other regions. The reopening of the Valuation Training School would ensure regular training of such technical personnel for the Districts and the Valuation Offices to sustain property rating valuations.

It is also imperative for rating units to be created as part of the administrative structure of the District Assemblies so that every district, as a matter of policy, would have a valuer and other trained personnel to complement the efforts of the LVD in administering the property rate. This would ensure more focus on levying property rates than currently provided under the Budget Offices.

Conclusions

The administration of the property tax is a major challenge facing developing countries in their efforts to boost property tax revenues. Ghana is no exception. Surprisingly, many recent studies and government assessments in Ghana have blamed District Assemblies alone for their inability to generate enough revenue from property rates, resulting in an overdependence on the DACF. Yet, the updating of valuation lists as the basis for levying property rates is rare because the state agency responsible (the LVD and its Municipal Valuation Offices) is woefully understaffed and lacks logistics capacity. The Valuation Training School which is supposed to train the technical personnel to man the Municipal Valuation Offices had been closed down for over a decade. It thus appears that Ghana's central government is partly to blame for low internal revenue collection from property rates, and as a matter of necessity, the state should pilot a mass appraisal model for property valuation as a gradual means to change the replacement cost method as the basis of assessment in the country.

For the districts, there is significant potential to harness maximum revenue from property rates through education of their people on the need to pay rates. It is also incumbent on District Assemblies to broaden the coverage of the properties liable to rates. Since property rate is a benefit tax, district authorities should provide local services from the proceeds of the tax to encourage ratepayers to pay the rates.

Generally, there is still need for further studies in the region to assess collection and enforcement capacity for property rates, as this study focused mainly on valuation and assessment through the investigation of the role and institutional capacity of the Land Valuation Division.

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