

# Tax Administration

**MVV182K**

**Property-related Taxation: Issues and Trends**

**Masaryk University  
Brno, Czech Republic**

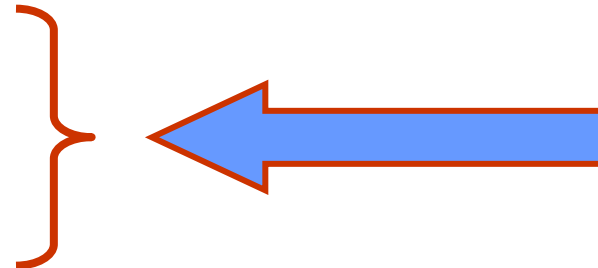
**12-14 November 2019**

**Dr Peadar Davis BSc MRICS**



# Elements to consider

- Tax base and property discovery
- Taxpayer
- Valuation and/or assessment
- Tax rates
- Tax relief
- **Tax administration**
  - **Billing**
  - **Collection**
  - **Enforcement**
- Taxpayer communication
- Overall system management



# Some Lessons Learned from International Practice

- Policy matters, but good administrative capacity produces results
- Revenue yield increases are more sizeable when property tax is **collection** driven
- Valuation or unit area measures are a property tax burden **distribution mechanism** only
- Discovery, identification and valuation of all taxable property is important for equity, but can be expensive to do well
- Communication and information sharing with implementation stakeholders and taxpayers is critical at all stages
- property tax performance should be measured!

# Billing (1)

- Prepared, billed and delivered by statutory deadline
- Objective is to obtain payment in a timely manner with the least taxpayer reaction
- Ensure taxpayer has all the information they need
- Lack of information results in frustration
- Use staff resources appropriately
  - E.g. Dar es Salaam (2001)

# Sort out the Back Office!!



Are you including everybody you should???



## Billing (2)

- **Appropriate systems**
  - Individual billing
    - Postal systems
    - Door-by-door delivery
  - Collective billing
    - Posting in newspaper and at municipal offices
- **Non-receipt of tax bill?**
  - E.g. South Africa – not an excuse for non-payment

# Tax bill information

- *Property database identifier*
- *Name of taxpayer*
- *Property address*
- *Address for delivery of tax bills, if different from the property address*
- *Assessed value of the property*
- *Tax rate(s)*
- *Total current tax due*
- *Date on which the payment is due*
- *Tax arrears if any*
- *Penalty date(s) and amounts*
- *Location(s) for payment of the tax bill*
- ***What is on the back of the tax bill??***



16A Galang Lawo Street (Bo 052)  
Sierra Leone Commercial Bank Limited  
Date: 11/02/09  
No 1050

**CASH DEPOSIT SLIP**  
Account Number: 0 0 4 - 4 1 1 6 3 3 - 0 3 - 0 0 - 0 1  
Account Name: BO CITY COUNCIL  
ID 1923C

**BANK'S COPY**

Amount in words: Twenty Six thousand Leones  
Paid in by: Mohamed  
CUSTOMER'S NAME: Kusa Koroma  
SIGNATURE: M. Samu

**CASH ONLY**

NOTES	Le 10000
	Le 5000
	Le 2000
	Le 1000
	Le 500
COINS	Le 500
	Le 100
	Le 50

CASHIER'S STAMP

TOTAL CASH: 27,000  
TOTAL CREDIT LE: 27,000



Open Well	5	X	553.91	=	27.70
No	0	X	553.91	=	0.00
Wood	0	X	553.91	=	0.00
				+	55.39
					553.91
					609.30
				X	60
				Le.	36,557.73

Property Tax:


Habitable	Yes
Under Construction	No
Destroyed	No

Le. 37,000

Property Tax Payable :

Dambala Road. shall be deemed to have refused or

# Municipal account (1)

  
 POSBUS 80329  
 DOORNPOORT  
 0017

2027879771

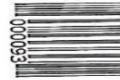
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Account for P16	Stand on 00713	Township DOORNPOORT	Days 120
Address ; 233 PEERBOOM STREET		Sectional title scheme	Unit no. 00000
Meter reading unit 1616201B	Group account	Deposit date 10/05/05	Deposit 149.77
GISKEY: 017200713		Guarantee date	Guarantee 0.00
		BP:	471886

DATE	DETAILS	(R) AMOUNT (excl. VAT)	(R) VAT	(R) AMOUNT (incl. VAT)
23/05/12	Saldo Oorgebring	2192.67	0.00	2192.67
02/07/12	Betaling(Dankie)	-2192.67	0.00	-2192.67
<b>22/06/12</b>	<b>Sub Totaal (A)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
01/08/12	Direkte debiet - De drag ( 01/08/12 )	-2482.04	0.00	-2482.04
22/06/12	Erfbelasting	406.02	0.00	406.02
22/06/12	Afvalverwydering	191.44	26.80	218.24
22/06/12	Elektrisiteit	1076.28	150.69	1226.97
22/06/12	Water	420.49	58.88	479.37
22/06/12	Sanitasie	132.86	18.61	151.47
	BTW 14% op dienste van R 1821.07	0.00	254.95	0.00

<b>22/06/12</b>	<b>Erfbelasting</b>			
	Ander Residensi - le Eiendom			
	Mark Waarde: 670000.00 Tarief : 0.0120900 Nie-hefbare Wrde: 15000.00 Waardasiekorting: 35000.00 2012/06 MarkWaarde - Nie-hefbareWaarde x Tarief ÷ 12	659.91	0.00	659.91
	Minus: Waardasiekorting x Tarief ÷ 12	-35.26	0.00	-35.26
	Mark Huishoudelike Korting van 35%	-218.63	0.00	-218.63

# Municipal account 2)



Tel: 012 358 9999  
 Fax: 012 359 6111  
 E-Mail: customercare@tshwane.gov.za  
 Address: P O Box 408 | Pretoria | 0001

**540 RUDEL STREET**  
**MUCKLENEUK**  
**0002**

**Account No.**  
 2019776679  
 5904085069001 /

TAX invoice: 912503181995  
 Issued: 26/04/15

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Account for	P11	Stand no	00043	Township	MUCKLENEUK	Days	24
Address	540 RUDEL STREET			Sectional title scheme		Unit no.	00000
Meter reading unit	1105601B	Group account		Deposit date	23/04/05	Deposit	139.34
BP:						Guarantee date	0.00
GISKEY: 047600645/R						293223	

DATE	DETAILS	(R) Amount (excl. VAT)	(R) VAT	(R) Amount (incl. VAT)
23/03/15	Balance Brought Forward	4,689.24	0.00	4,689.24
04/05/15	Payment (Thank You)	-4,689.24	0.00	-4,689.24
26/04/15	<b>Sub Total (A)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
01/06/15	Direct debit amount ( 01/06/15 )	-3,698.58	0.00	-3,698.58
26/04/15	Property Rates	879.37	0.00	879.37
26/04/15	Waste Management	186.86	26.16	213.02
26/04/15	Electricity	1,394.96	195.29	1,590.25
26/04/15	Water	749.05	104.87	853.92
26/04/15	Sanitation	142.12	19.89	162.01
26/04/15	VAT 14% on services of R 2472.99	0.00	346.22	0.00
26/04/15	<b>Total Current Levy (B)</b>	<b>-346.22</b>	<b>346.22</b>	<b>0.00</b>
<b>TOTAL AMOUNT PAYABLE (A+B)</b>		<b>-346.22</b>	<b>346.22</b>	<b>0.00</b>

Ek sertifiseer dat hierdie 'n ware en juiste afskrif van die oorspronklike dokument is.  
 I certify that this is a true and correct copy of the original document.  
 Kommissaris van Ede/Commissioner of Oaths  
**MARTHA ALETIA BRABBIUS**  
 Fakulteitsadministrasie: Ekonomiese en Bestuurswetenskappe  
 Faculty Administration: Economic and Management Sciences  
 Universiteit van Pretoria/University of Pretoria  
 Datum: 14/5/2015 Date

90 Days	90+ Days	Total charge (excluding VAT)	Total VAT	Total charge (including VAT)
0.00	0.00	-346.22	346.22	0.00
<b>DUE DATE</b>		18/05/15	<b>AMOUNT PAYABLE</b>	<b>0.00</b>

**THIS STUB MUST ACCOMPANY PAYMENT**

Name	Final date for payment	Account no	
FRANZSEN, R C D	18/05/15	2019776679	0.00

Please use this Ref. no. when making Bank Payments  
 Ref. no 2019776679  
 TAX invoice: 912503181995

**EasyPay** >>>>>> 9 1945 2019776679 6

Post Office 0247

First National Bank  
 ABSA  
 Standard Bank  
 NEDBANK

012 358 9999  
 012 359 6111  
 customercare@tshwane.gov.za  
 P O Box 408 | Pretoria | 0001

CITY OF TSHWANE VAT REG NO 4000142267  
 20197766796

# Undeliverable tax notices

- Reasons
  - Refusal of tax notice by taxpayer
  - Abandoned property
  - Change in ownership
- Response
  - Keep all undeliverable or returned notices and follow up
  - Re-deliver – where appropriate

# Collection of revenues

- Ease of payment results in faster receipt of revenues
- Payments received must be recorded and system continuously updated
- Capture any changed data
- Timely banking of revenues maximizes investment and reduces security risks

# Payment options

- Manually
  - In cash at municipal office
  - In cash at ward offices
  - Door-to-door collection
  - Banks, post office, shops (e.g., South Africa)
- Electronically
  - Internet banking
  - Debit order
  - Mobile phone (e.g., Kenya; Tanzania)

# Uncollectible taxes?

- Administrative error
- Indigent debtor
- Bankruptcy
- Amount of debt too small to pursue
  - E.g. cost of collection exceeds amount of bill
- Statute barred
  - E.g. debt too old

# Tax administration - enforcement

- Enforcement
  - As allowed ***and required*** by law
    - It is not optional...
  - Essential to ensure integrity of the total property tax system
  - “Rule of law” must apply
  - Requires **political will** and management support
  - Enforcement versus harassment...
- Effective taxpayer communication
  - E.g. taxpayer policies or annual reports
  - E.g. tax bills



# Enforcement

- Enabling Environment:
  - Political backing
    - Culture of payment
    - Lead by example
  - Support from senior management
  - Knowledge of the most appropriate enforcement measure or measures
  - Reliable data

# Enforcement process

- The purpose of enforcement of tax payment is *a means through which the municipality receives the taxes to which it is entitled*
- The tax enforcement recovery process is not simply an exercise in filling out forms, sending letters and seizing (movable or immovable) property
- It is not intended as a means by which taxing jurisdictions acquire land or other property

## Trumpet success but aggressively pursue tax avoiders

- The success of the reforms should be widely publicised
- but it is just as important to publicize the fact that non payment will not be tolerated
- Many countries have not pursued non payment
  - Legitimising non payment
  - Undermining the basis of the tax
  - Even public officials don't pay!!
  - Zimbabwe has 'forgiven' and cancelled arrears!!!
  - Why would YOU pay???

**Compliance –  
Carried Out!!**

**Justice done – and  
SEEN to be done!!**

CIVIL SUMMONS

STATEMENT OF CLAIM:

The Plaintiff claim against the defendant is for:

1. Recovery of the sum of L. 254,000
2. Penalty for late payment at 25% on (1) above for late payment
3. Interest of 15% per annum from the time the above became due and owing till the delivery of Judgment.
4. Cost

PARTICULARS OF CLAIM

1. The Plaintiff is at all material times of this Action a Chief Administrator of a Local Council under the Local Government Act 2004 and the Defendant is the purported owner of the building at **3 SANDI STREET, NEW YORKBO**
2. The Plaintiff has assessed a value for the building at **3 SANDI STREET, NEW YORKBO** and Bo District Council at its November 2011 meeting adopted a uniform annual rate for 2012 for the **DWELLING** class of building resulting in a calculation of a property rate tax, and in furtherance thereof the Plaintiff issued and delivered a Rate Demand Notice.

# Enforcement measures (1)

- NOTE: These may be contained in different Acts
- Indirect or preventative measures:
  - Incentives for early/prompt payment
- **Administrative measures:**
  - Interest on arrears
  - Penalties
  - Withholding of municipal services  
(e.g. issuance of licences, building permits, water, electricity)
  - Clearance certificates before transfer of property can be registered (e.g. South Africa)
  - Publishing names of defaulters

# Enforcement measures (2)

- **Legal measures:**

- Civil action (i.e. debt collection) against owner
  - Significant (legal) cost involved
- Attachment of wages, bank accounts, rent (i.e. action against third parties)
- Action against occupier (e.g. where the whereabouts of owner is not known)
  - e.g. Rwanda, South Africa
- Seizure and public sale of movable property (e.g. furniture and television)
- Tax lien ('first charge' or 'preferential claim') against immovable property (e.g. Canada and Uganda)
- Forfeiture and sale of the relevant property

# Forfeiture or tax sale (1)

- Seizure of property and sale in execution
  - **Australia, Canada, Namibia, South Africa**
    - **Public sale after 3 years**
  - **Sierra Leone**
    - **Sale after 6 months**
- In strict accordance with the law

## Forfeiture or tax sale (2)

- Must be provided for in the law
  - Adhering to a “due process” is critical
- Property advertised in official gazette and/or local newspaper (i.e. proper notification)
- Do a title/deed search
- Notify mortgage holders
- File all required documents
- Redemption period
- NB: Owner retains right to pay and retain property



# Property tax “incentives”?

- “Carrots” vs. “sticks”?
- Discount for early payment?
- Waiving of interest?
  - E.g. Nairobi City Council, Kenya
- Tax amnesty – forgive and forget?
- Tax holidays?
  - E.g. Caribbean countries

# Taxpayer rights

- The right to be treated fairly and equitably in terms of all relevant laws
- The right to be treated with respect
- The right to be dealt with in an objective, impartial, professional and ethical manner
- ***The taxpayer does not have the right to evade tax or avoid payment of taxes***

# Enforcement: Summary

- Advise owner of actions being taken during the collection process and make him/her aware of options available to pay taxes owing to the municipality
- The objective is to get payment that will put the owner in a current position in the least possible time AND to prevent the forfeiture or tax sale prior to the statutory date

# Conclusions: Tax administration

- Don't think politically – the politician will do that
- Administer (i.e. bill, collect and enforce) strictly in accordance with the law (i.e. statute and regulations)
- Develop business rules in accordance with the law
- Administer timely and efficiently
- Enforce effectively and visibly
- Respect the taxpayer's rights

# Elements to consider

- Tax base and property discovery
- Taxpayer
- Valuation and/or assessment
- Tax rates
- Tax relief
- Billing
- Collection
- Enforcement
- **Taxpayer communication**
- Overall system management



# Taxpayer communication

- Communicate as frequently as practically possible
- Avoid jargon, acronyms or “legal speak”
- Prepare bulletins and pamphlets on frequently asked questions and any changes in legislation
- Include contact phone numbers, names and addresses on all correspondence
- Offer different language options if necessary and to the extent possible
- Utilize public meetings, radio, television, billboards, etc.
- **Be serious about the job at hand: You are competing with other creditors!**

# Elements to consider

- Tax base and property discovery
- Taxpayer
- Valuation and/or assessment
- Tax rates
- Tax relief
- Billing
- Collection
- Enforcement
- Taxpayer communication
- **Overall system management**



# Overall system management

- All of the key elements, i.e. –
  - Property discovery and tax base coverage
  - Valuation and assessment
  - Billing
  - Collection
  - Enforcement,must be administered professionally and diligently
- Relevant systems and data bases must consistently and continuously be updated
- Requires political will and administrative capacity and minimum skills levels



# Conclusions

- Local tax administration
  - Dillinger (1991) states that “the low yield of the property tax is... the combined result of inappropriate policy and poor tax administration”.
  - Kelly (2003) states that the “major obstacle to improved property [tax] is not valuation but poor administration and the lack of political will for collection and enforcement”.