Property Tax Demystified

Property tax, like any other tax, is money most people would prefer not to pay if they could avoid it. But like every other tax, in an ideal system where all institutions actually perform the tasks they are responsible for conscientiously and without prejudice or bias, this is a very important source of funding for government. There are different forms of property tax: Property rates, Ground rates and the actual property tax.

1. **Property rates**: This is a levy paid to the District Assembly. It is paid annually on both residential and commercial real estate.

2. **Ground rates**: This is paid to the Stool/Skin Lands Commission, in the case of the property belonging to the Skin/Stool for disbursement among the legitimate traditional owners; or to the Lands Commission for disbursement to the rightful owners. This is paid annually on residential and commercial real estate.

3. **Income tax on rent received**: Rent is a taxable income and landlords/landladies should declare such income and pay the required income tax on such. The tax should be calculated on the lump sum, if it was a one-time payment, or paid monthly if rent is received on a monthly basis.

4. **Property tax**: this is an annual tax charged on every real estate property, including land and is payable to the Internal Revenue Service. It is payable on residential and commercial properties. Property tax, popularly known in Ghana as property rate, paid on immovable property, is collected annually under the auspices of the Ghana Internal Revenue Service (IRS). The Domestic Tax Revenue Service charged with assessing and collection of property related taxes determines how much is to be paid by Ghanaian property owners.

Property tax is levied annually by local authorities on the estimated value of the property, depending on the classification of the area where the property is located. Previous rates ranged from 0.5% to 3%. These rates were by far, the highest rates paid on properties in the capital, Accra in comparison with other regions of Ghana.

Recently, rate imposts for all the rating zones in Accra have increased to approximately 13.33%. With the recent increase announced, property owners in Accra will pay about 10% more in property taxes annually. To obtain how much property tax to pay for the year, multiply your property’s ratable value by the rate impost applicable to the property type and rating zone.

The best way to know how much property tax will be levied on your property is to know your rating zone or residential class.

Below are some rating zones of the **Accra Metropolitan Assembly (AMA)**:

- **Residential Class 1A**: Achimota Forest Residential, Roman Ridge, Airport West, East Legon, Ambassadorial Enclave, Ridge.
- **Residential Class 1B**: Zoti, Abelenkpe, Dworwulu, North Dworwulu, East Legon Extention, West Legon, Ringway Estates, Nyaniba Tesano-1.
**Residential Class 2A:**

**Residential Class 2B:**

**Residential Class 3A:**

**Residential Class 3B:**

**Residential Class 3C:**
- Chorkor, Mpoase, Bbegbeise, Shiabu, Luga, Osu Amanfo/Alata.

**Commercial Class 1:**
- CBD and Extended CBD

**Commercial Class 2:**
- Extended Central Business District including Tudu, Osu Amantra, Osu Anorho, CDC, Kuku Hill, Airport West, Switch Back Road, Roman Ridge, Airport By-Pass, Police Quarters, and DVLA.

From these residential ratings, it is easy to surmise that property tax is dependent as much on the location as on the value of the property. Commercial class property pays the most tax whilst tax payers in the residential class 3C contribute the least.

**Benefits of Paying Property Tax:**
Property owners stand to gain, when all State institutions work as they should;

1. **Guaranteed security:** The State is aware of you and your status as a legitimate property owner, it knows where you are, how to reach you, and how to address your needs as and when they arise.
2. **Legitimacy:** You have all records of your ownership of the property including the title deed documents and copies of receipts of your periodic property tax payments on file with the State Authorities. These can be used to prove your legitimate ownership of the property in the event of any ownership dispute arising.
3. **Exercise of right to property:** Attended by the responsibility of paying for the
4. **Easier Access to State Services:** There are few or no obstacles to seeking redress or other services from the state if the need arises. Your legitimacy as guaranteed by your dutiful payment of taxes facilitates this access immensely.

**Consequences of Non-Compliance:**
In the event a landlord or other real estate property owner fails to comply with the taxes and levies applicable to their property, and the bill accumulates past a certain threshold, and they are unable to pay the sum, the State could repossess and auction off all the defaulter’s properties, including but not limited to the real estate property, until the debt is paid off. In the event, the bill is still not cleared after all property has been sold off, the defaulter could file for bankruptcy, but would still be responsible for settling the bill at any time they get solvent again.

**Tie common fund disbursement to property rate collection - land economist**

Ghana’s parliament would have to review the criteria for disbursement of the District Assemblies’ Common Fund, according to a professor with the Kwame Nkrumah University of Science and Technology (KNUST).

Government is mandated to allocate a proportion of collected national revenue to the local assemblies to drive development.

But land economist, Prof. Seth Opuni Asiamah, says conditions for selection and sharing of the common fund must be tied to the property rate collection potentials of each assembly.

“I don’t see, for example, why AMA, KMA and STMA should be paid huge sums of money from the district assemblies common

**International Property Tax Institute**

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.
fund when there are poor assemblies who cannot afford to execute development projects because the kind of revenue that they are collecting from property rate is so low; yet we give all the money to the big assemblies,” he stated.

Prof. Asiamah has observed that the Accra, Kumasi and Secondi-Takoradi Metropolitan Assemblies have huge opportunities to generate revenue from property rate collection.

He was speaking in an interview on the sideline of a symposium in Kumasi on the value of commercial properties and the effect on doing business in Ghana, organized by the Good Governance Africa (GGA) – West African Centre, an independent research and advocacy organization.

The event was on the theme: “Towards Improved Revenue Generation in Ghana: The Role of the Development and Use of Commercial Properties in Ghana”.

According to Prof. Asiama, cities and towns are not developing at a faster pace because assemblies receive cheap money from the Common Fund, hence fail to be proactive in property rate collection.

He is also advocating taxation on idle lands to compel people to develop their lands “rather than leaving them idle and creaming off profits when the value has increased and just have to sell them”.

Head of Land Economy Department at the KNUST, Jonathan Ayitey, says the real estate industry has huge capital potentials yet to be tapped.

He identified and categorized commercial properties in Ghana and the key drivers of rents and rates for commercial properties in urban settlements in Ghana.

Participants commended GGA for providing the platform to enlighten the public on the opportunities and challenges in the sector, especially in rent charges.

Chief Executive of GGA-West Africa, Tina Asante-Apetu, says outcomes of the engagement will be put into policy papers to drive national planning.