



GHANA - April 2018

AMA BEGINS PROPERTY REVALUATION EXERCISE 1
GHANA BEYOND AID: THE ROLE OF PROPERTY RATE IN NATIONAL DEVELOPMENT 1

AMA begins Property Revaluation exercise

The valuation of all properties within the Accra metropolis is underway.

The Accra Metropolitan Assembly (AMA) and the Land Valuation Division of Land Commission are undertaking the exercise to establish the required property rate for the various communities.

A statement signed by the Metro Coordinating Director, Sam Ayeh Datey, the exercise is expected to be completed within three months; the exercise will help reduce human interference between property owners.

The Accra Metropolitan Assembly (AMA) and the Land Valuation Division of Land Commission will employ all the necessary approach to promote speed and accuracy in revenue mobilization.

This exercise is also aimed at increasing the internally generated funds and also to establish a complete database to end all the significant losses in revenue from the property.

The AMA demands every Ghanaian to look out for revaluation officers within their various sub-metro and cooperate with them for a productive exercise.

The officers will be in special uniforms with tags for identification purposes.

The Assembly has also provided telephone lines for verification purposes and other problems they will have with the officers or the prices.

The last property revaluation exercise was in 2006.

Ghana Beyond Aid: The Role of Property Rate In National Development

In not too distant tomorrow, Ghana would be exiting from the boarding gate of donor aid and attain cruising altitude without donor aid. Ghana beyond is possible only when government can enhance domestic revenue collections and clamp down on tax holidays to multinationals. Certainly, domestic revenue mobilization holds the key. Generally, Ghana does not collect enough taxes. Tax to GDP ratio is less than 17%; compared with a 19.1% average in Africa, 22.8% in Latin America and 34.3% in OECD member countries.

Ghana Beyond Aid means that the government must work to double its efforts in revenue mobilization that is not regressive taxation. According to research conducted by Oxfam Ghana, Ghana collects approximately 55% of its taxes from indirect taxes. Indirect taxes in the form of VAT, excise levies and customs duties are seen to be regressive and impact negatively on the poor.

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Progressive taxation hinges on the foundation that the more you earn, the more you pay. That is to say that the rich pay more than the poor. The same cannot be said of indirect taxes.

One source of revenue that we have not explored deeply is that of property rates. Property rates is a direct tax meaning the person owning the property is taxed directly. It is also progressive, in that the properties of higher value pay more. The country stands to raise a conservative estimate of 5 billion Ghana cedis annually from property rates if its collection is maximized and its challenges are addressed.

The responsibility of property rate collection lies with the Municipal, Metropolitan and District Assemblies (MMDAs). Property rates are collected annually as part of the Internally Generated Funds (IGF) for the development of social amenities, local services, and infrastructure at the local levels. It is a tax on immovable properties such as land, buildings and improvements. Over the years, District Assemblies have been unable to maximize revenue collection, collecting less than 30% of their revenue targets, due to varying challenges from ignorance of the population to the lack of a database to monitor and track properties and their owners. Addressing these challenges and implementing property rate reform can be the necessary tool we need to wean ourselves from the feeding bottle of donor money.

Property Rate and Development

Around the world, property rates, formally known as property taxes, are used to finance an array of services from waste management to education. In the UK, for example, council tax is used in conjunction with the government funds to provide education, social services, cultural services, environmental services, and local planning. This includes, but is not limited to, flood defense, highway and transport services, police and crime commissioner, as well as fire service. The more revenue raised at the local level, the less reliant each council is to the central pot.

The over reliance on the District Assembly Common Fund seems to provide a comfortable cushion and promotes a lax attitude towards IGF.

Under an effective and efficient property rate collection regime, Accra Metropolitan Assembly (AMA) is estimated to raise 2 billion Ghana cedis annually which can be used for the betterment of health, education and sanitation facilities. Districts can improve public schools in their localities by providing security, employing supervisors and opening community libraries. They can also provide waste management services in the Zongo areas, streets with lights for safety and construct public washrooms with no extra cost to residents. Providing these services at no cost to the national coffers would curb the government's borrowing from Shylock lenders.

Challenges

The ability of MMDAs to maximize revenue lies with individual actions as well as ensuring proper administration is in place. Where there is a shortfall, there is a corresponding loss in revenue. MMDAs face five key challenges.

The first being defaulters; many who are either unaware of the legal requirement to pay property rate, or simply disregard payment all together. Government institutions, which are by law not exempt from paying property taxes, have also been accused of not paying property taxes.

The second challenge is a lack of enforcement and reprimands for wrongdoing. When individuals default in payment, the Local Governance Act, 2016 permits the sale of the defaulters' property, a fine and even jail time at the discretion of the Courts when rates are not paid. However, this is not put in practice. The same reprimands are given to collectors who engage in fraudulent practices that may undermine collection of revenue. This lack of enforcement and poor monitoring encourages many to forgo payments and breeds collectors' corruption.

The Way Forward

The way to tackle these challenges is through civic education, administrative reforms, and a strong willingness to improve the current regime. MMDAs need to put in place mechanisms that ensure efficient and effective collection of property taxes. Creating of regional databases of properties and their owners at the local levels, collaboration between and among Ministries, Agencies and Departments (MDAs) such as the Lands Commission, Ghana Postal Service and Government Revenue Authority (GRA) and enforcing the law order to end the corruption that takes place on behalf of the collectors and negligence on the part of the taxpayer.

Additionally, a transparent monitoring and evaluation structure must be put in place to track the progress of districts in tax collection. This should include notifying the public on what the taxes collected was used for, a comparison of expected revenue to actual collected revenue of taxes, and a comprehensive breakdown of how properties are assessed and calculated. This

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element of transparency would in turn encourage individuals to continue to pay their taxes as they see its benefits across their communities.

Ghana cannot continue to rely on aid money forever. Our hopes of becoming a middle-income country is largely dependent on how much internal revenue we can we can generate. Countries such as the US and the UK generate 3% and 4.2%, respectively, of their GDP from property taxes; and the OECD countries average 1.9% of GDP from property taxes. As of 2016, Ghana's property tax to GDP stands at 0.03%. With these measures in place, we are guaranteed a path to success in developing our localities, supporting development policies and determine our Ghanaian path to success.

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