



## AFRICA - KENYA– August 2019

LAND RATES TOP NAIROBI’S SH10BN TAX PAYMENTS .....1

### Land rates top Nairobi’s Sh10bn tax payments

Property rates topped City Hall’s revenue collection as the county raised Sh10.25 billion in taxes, levies and penalties in the financial year ended June, falling short of the annual target by nearly Sh5 billion.

Data by the County Revenue Department shows that the Governor Mike Sonko administration collected Sh2.04 billion land rates, Sh1.95 billion from parking fees while business permits generated Sh1.99 billion.

The county increased its own-revenue collection by a paltry Sh130 million from the amount raised in the 2017-18 financial year citing inadequate resources to collect taxes, rampant staff corruption and use of outdated valuation rolls on property rates.

Taxes from property, business permits and parking raised a total of Sh5.98 billion against Sh9.23 billion targeted as the county reported the third-lowest annual collections since the start of the devolved system of government in 2013.

“Challenges affecting revenue include use of an outdated valuation roll, lack of automation for all revenue streams, offer of waivers and lack of adequate resources for revenue mobilisation,” City Hall says in the report.

The Kenyan capital recorded an increase in property rates collections from Sh1.72 billion last year and Sh1.97 billion in business permits from the 2017-18 figure.

#### Parking fees

Parking fees, which had raised Sh2 billion last year, declined in the period.

The Sh500 million fall in parking fee collections came on the back of payment hitches in a new payment system that replaced JamboPay in June and close to two-weeks of workers’ strike where motorists and residents parked for free.

### City hall collections vs targets

#### Sh bn FY2018/19

Collections

Target

Land rates

2.04

3.6

Parking fees

1.95

3.03

Single business permits

1.99

2.6

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## Building permits

0.99

1.5

## Billboards &amp; advertisement

0.79

1

## House rents

0.56

0.56

## Fire

0.34

0.34

## Others

1.58

2.87

*The county managed Sh10.24bn in own source revenue against a target of Sh15.49bn*

Fire inspection certificates and house rents are the only streams that hit their revenue targets for the 2018-19 period.

City Hall raised Sh344 million against a target of Sh340 million in fire certificates while house rents hit Sh563 million against the targeted Sh560 million.

The county has year-on-year missed its revenue targets since establishment of the devolved units in 2013 with Sh11.71 billion raised in 2015-16 period being the highest raised so far.

City Hall continues to grapple with a narrow taxation net while property owners pay land rates at 25 percent of the unimproved site value based on the 1980 valuation roll, which City Hall reckons has seen it lose on the appreciation of plots.

## New taxes

In his budget speech for the 2019-20 period, Nairobi County Finance and Economic Planning Executive Charles Kerich said City Hall will introduce new taxes, increase some charges and introduce a new valuation roll to match the prevailing market prices for property.

Parking fees increased to Sh400 daily from Sh200 while the county introduced a Sh2,000 in an annual mandatory fire certificate for all households through a legal notice by Mr Kerich last month.

"The demand for services by far outmatches the ability of the county to deliver, partly because majority of the county's population enjoy the services without contributing any amount as fees or charges," said Mr Kerich said in June.

Households will pay between Sh100 to Sh600 charge for garbage collection every month in the notice that says the new taxes took effect from July 19th 2019, drawing opposition from ward representatives.

City Hall intends to raise Sh3 billion in fire certifications alone from the estimated 1.5 million Nairobi households as it seeks to free more funds for provision of services like health, building roads and expanding markets for informal traders.

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