2023
March
coou African Journal of Environmental Research *Vol 4, No. 1, 2023. pp 121-138*

LAND VALUE CAPTURE THROUGH LAND BASED TAXATION: FOR SUSTAINABLE INFRASTRUCTURE FINANCE IN ANAMBRA STATE, NIGERIA

Chinwe N. Odimegwu[1], Mike I. Anyakora[2]

[1,2]*Department of Estate Management, Chukwuemeka Odumegwu Ojukwu University Uli Campus, Uli, Anambra State, Nigeria*

Email: cn.odimegwu@coou.edu.ng

Abstract

Adequate infrastructure plays substantial roles in the economic development of nations. Over the years, Nigeria has failed immensely in the provision and maintenance of infrastructure. The Nigerian economy is yet to recover from the aftermath of the COVID 19 pandemic, and country is witnessing an all-time unimaginably high debt profile despite the rise in the international oil prices. In the midst of the above economic challenges, Nigeria is further plagued by hike in crude oil products, oil theft, relocation of major international oil companies out of Nigeria, and the payment of huge oil subsidies to private sector petroleum products marketing companies under questionable conditions by the government. All the above listed economic challenges have resulted in decreased public finance for effective governance. Land Value Capture (LVC) is a financing tool that is being successfully used for infrastructure financing in most developed countries. Some developing countries that have same socio-economic peculiarities with Nigeria also use it. However, it is currently being -utilized in Nigeria. This paper is a theoretical survey of the various systems of LVC taxes effectively in use in other countries, the state of property-based tax practices in Anambra State, Nigeria, the challenges and the way forward for achieving improved public revenue.

Keywords: Anambra State, Infrastructure finance, Land Based Taxation, Land Value Capture

INTRODUCTION

Nations that struggle to raise adequate revenue for essential recurrent expenditures such as salaries, and maintenance of existing facilities, invariably cannot afford sufficient fund for the development of new infrastructure in the country. Weak economic base of a nation, global economic downturn, and poor governance may combine or function independently to impoverish a nation and threaten its ability to generate revenue for capital projects. For close to a decade, oil that is a major source of public revenue earnings in Nigeria has suffered low price regimes in the international oil market. The 2014 downturn in oil prices caused a significant decline in government revenue in Nigeria, and while the government was grappling with the problem, a further decline in oil prices occurred as a result of the outbreak of COVID-19 in 2020. This outbreak caused the international oil price to fall from 57 US dollars per barrel in January 2019 to 15 US dollars per barrel in April 2020 (Varrella, 2020). Consequently, the national budget of Nigeria was revised downwards and Gross Domestic Product (GDP) declined (IMF, 2021.

Since the outbreak of COVID-19, the Nigerian currency (Naira) has suffered series of devaluations; as it exchanged at the black market at 470 Naira to $1 in 2020, 560 Naira in

2021, and 750 Naira in December, 2022. In addition to devaluation of the naira, inflation rate in Nigeria correspondingly increased to 15.75% in December, 2020, 15.97% in 2021, and 20.34% as December,2022 InfoGraphics, (2022). The currency devaluation and spiralling inflation phenomenon now pose a big challenge in fiscal management efforts in Nigeria, and so, the economy is on the decline with insecurity challenges thereby leading to destruction of public facilities. The economy of Nigeria has depressed as the income generating capacities of the private and public sectors have reduced due to the lingering economic disruptions of the COVID-19 pandemic, shortage of dollars, and increased insecurity especially in farming areas.

However, in 2021, oil prices began to swing upwards, and attained a 50% increase, closing at $30 per barrel by December 2021. In 2022, oil prices increased up to US$85 per barrel due to the Russia /Ukraine war; nonetheless, Nigeria is yet to feel the positive impact of increased oil prices because the revenue realized was used to pay petrol subsidies and to service loans. The implication of applying the increased oil revenue earnings arising from the increasing oil price to petrol subsidy and debt servicing is that there is little or nothing for public infrastructure development.

Nevertheless, majority (77%) of the members of the World Built Environmental Forum (WBEF) of the Royal Institution of Chartered Surveyors advised that provision of adequate infrastructure is an effective governance tool for stimulating economies severely affected by the COVID-19 pandemic (RICS, 2020). Regardless of the recommendation of WBEF, the Nigerian government, like its predecessors, still neglects adequate provision of public infrastructure. The cumulative neglect of infrastructure provision has adversely affected the economy as it increased the cost of business transactions in Nigeria. Therefore, the poor infrastructure condition in Nigeria has in a way slowed down the pace of development of the country. It is worthy to note that Infrastructure has both soft and hard components, of which the latter category is the focus of this study.

Chukwuado (2020) defines infrastructure network as the socio-economic climate, created by public and private institutions, that serves as the channel of trade and investment. Provision of infrastructure like transportation network, electricity, water, sanitation, health and educational amenities create an enabling environment for increased wealth and better standard of living for the populace. However, the provision and maintenance of infrastructure of any kind is capital intensive, and the challenge lies in providing the finance.

The Minister of Finance, Budget and National Planning Zainab Ahmed stated that an estimated amount of thirty-six trillion Naira spent annually for the next 21 years is needed to tackle the menace of the infrastructural deficit in Nigeria (Aina,2022). Nigeria‘s widening infrastructure gap cannot be overstated. In an attempt to bridge the infrastructure deficit, the government has resorted to external borrowings with huge servicing costs. The costs of some of the foreign debt are quite enormous, and have raised genuine concerns among academics and Nigerian populace about the sustainability of using debt fund to finance infrastructure provision. The Nigerian government secured loans from the Exim Bank of China for infrastructure investment purposes. The execution of its railway projects from the Chinese loan has commenced with the up grading of railway lines to the North passing through the north, South-west, and South-south of Nigeria. According to Guardian Nigeria (2020), there was a huge furore in the media for the non-inclusion of the South-east region in such a vital infrastructure investment in the country. In 2021, the Minister of Transportation, Rotimi Amaechi approved a single track for Port –Harcourt – Maiduguri rail line still excluding the other eastern states.

Anambra State is one of the states that make up the southeast geopolitical region of Nigeria, others being, Abia, Ebonyi, Enugu, and Imo States. Anambra State is in dire need of essential infrastructure both in the cosmopolitan cities and the hinterlands. Infrastructure adds enormous values to land, and land values are the barometer of an attractive environment which in turn attracts investors. Efficient spread of infrastructure in a state mitigates rural-urban migration, reduces poverty and leads to the attainment of the Sustainable Development Goals (SDG). Therefore, there is the need to develop sustainable and reliable sources of revenue in Anambra State. The present harsh realities call for sacrifice on the part of the citizens of the state in the form of tax compliance. Slogans like "tax is the price we pay for civilization" and "nothing is as certain as death and taxes" emphasize the role of tax in nation building.

The land value capture (LVC) concept has recently gained wide stance in governance discussions globally in contemporary times. The Vancouver Declaration in 1976 sparked its discussion and consideration as a very innovative and high potential mechanism touted by experts as well as the international community for infrastructure reform and a source of revenue generation for governments (Mabe, 2013). This tax captures the windfall gains from land and this form of revenue can sustainably be applied to infrastructure provision within built up districts. Africa has showed very little interest in financing infrastructure through land development but the continent will not be able to move forward without this financing option given the enormous present and future infrastructure needs. This paper attempts to reveal and promote greater understanding among public officials, professionals and citizens about the potentials of adopting land value capture-based tax system as a financing strategy for effective and sustainable infrastructure reform in Anambra State.

LITERATURE REVIEW

The Meaning of Land Value Capture (LVC)

Land value capture refers to fiscal instruments used by public authorities to capture increases in property values that are unrelated to actions of land owners (OECD, 2017). Value capture is seen as a system where the community takes back or at least shares in the "unearned increment" in land values which government's developmental actions created, for the use and benefit of the entire community (Guyimu, 2013). Consequently, LVC is seen as the surplus value that is conferred on properties as a result of public investments like infrastructure, government regulatory decisions, neighbourhood upgrade and others. These realized gains which are the values over and above what the values of the properties would have been without the public investment are taxed and the proceeds re-invested in infrastructural projects, to improve the land use management outcome, or for debt servicing.

LVC is achieved either through taxes, fees, exactions and other fiscal means. This financing tool has been successfully used in most developed countries with huge land-based assets, for example, the USA, Hong Kong, etc. Moreover, some countries like Columbia and Ghana that have same socio-economic peculiarities as Nigeria are also using this innovative fiscal policy tool for infrastructure financing without being over dependent on debt financing mechanisms. Rybeck (2018) stated the American Infrastructure Investment Program (proposed by the former American President Trump) provided that "value capture" financing will be required for any transit project to be eligible for federal funding assistance emphasizing the importance of LVC.

Land Value Capture Taxes

While discussing poverty and economic progress, George (1879) argued that landowners contribute nothing to the creation of land. In essence the value of land is determined by its demand created by the growth of the community. This unearned increment or surplus values created by public investments are captured in land value assessments. Land owners typically desire to retain this surplus as a capitalized asset believed to be conferred through the ownership of the land. A fundamental principle in economic theory postulates that legitimately created values belong to the creator of that value (Gihring, 2009). Therefore, government being instrumental to publicly created value is justified in collecting what the community has created in the form of taxes on land. This declaration was also supported by Winston Churchill in his speech in the House of Commons in Edinburgh, July 17, 1909 when he said:

"Landlord who happens to own a plot of land on the outskirts or at a centre of one of the great cities, who watches the busy population around him making the city richer, more convenient, more famous every day, and all the while sits still and does nothing? Roads are made, streets are made, services are improved, electric lights turn night into day, electric trams glide swiftly to and fro, water is brought from reservoirs a hundred miles off in the mountains- and all the while the landlord sits still. Every one of those improvements is effected by the labour and at the cost of other people. Many of the most important are effected at the cost of the municipality and of the rate payers. To not one of those improvements does the land monopolist, as a land monopolist contribute, and yet by every one of them the value of his land is enhanced. He renders no service to the community, he contributes nothing to the general welfare, and he contributes nothing even to the process from which his own enrichment is derived" (Churchill, 1909).

On the other hand, the improvement or building value is the remaining component of property assessments which is created by private capital investment. Land owners should be entitled to a fair return from their investments in improvements to reward them for the capital invested and bearing the risks involved. Such rewards on improvements can be taxed using the property income tax. Land owners having benefited from increases in the value of land generated by society, are the beneficiaries of something to which they have not contributed, as distinct from increases that have resulted from improvements. This philosophy had led governments to search for ways in which part of any increase in land values can be captured on behalf of the communities that generated it.

A variety of taxes, are, in principle, capable of capturing part of land value increases. The typologies of taxes in use in different countries to capture land value increases include, but are not limited to the following.

1. Property Transfer Taxes

This is a one-off tax imposed on wealth when it is transferred from one person to another, either as a gift or as a result of death, lease, transfer of estate between a company and its shareholders, foreclosure, escheat and others. The tax is charged on the fair market value of the interest transferred and paid by the purchaser when a change in ownership is registered at the land registry. There are two forms of property transfer tax: the gift tax, and the estate tax. Munzer (2012) established that property transfer taxes are gratuitous transfers and should be subject to taxation since no consideration was received by the transferor. Three tax rates apply to the tax in Canada, namely 1 % of the fair market for the first \$200,000, 2% up to \$2,000,000 and 3% for values above \$2,000,000. The tax rate ranges from 3% to 4% in

Swaziland, 3.5% in Germany, 6 % in Netherlands and so on. In Anambra State, property transfer tax is charged at 10% of the assets being transferred, and might be the cause of peoples' attempt to evade payment of this form of tax. In practice, most people applying for letters of administration declare only monies in the bank and leave out the properties of the deceased.

2. Capital Gains Taxes (CGT)

In the year 1951 at Geneva, economists unanimously agreed at a technical Assistance Conference on Comparative Fiscal Administration that profits made from capital especially from real estate are a proper source of taxation in developing countries (Juanita, 1968). They are justifiable because such investments are highly speculative and not in tandem with the social- economic objectives of developing economies.

This form of tax is backed by the Capital Gains Tax Act CAP C-1, LFN, 2004 which provides that any time an asset, including a real estate situated in Nigeria or outside of Nigeria is disposed of by a Nigerian Tax payer, and a gain is derived, the resulting gain shall be liable to a 10% Capital Gains Tax less such allowable expenditures that were used to enhance or preserve the title to the asset. CGT is paid by a person who is benefitting by the transfer (Seller). It is calculated thus,

₦

Sales Proceeds

Less: Allowable Expenses incurred during acquisition and sale of property.

=Net Sale Proceeds

Deduct: Cost of Acquisition of property

= XX

Apply CGT at 10%

ZZZ

In Anambra State, the capital gains tax is charged at 10% of profit made from the sale of property. There is no system to monitor the property market in Anambra State to know when property rights are transferred so CGT is only charged as fees for the registration of deed of assignment and power of attorney.

3. Land Value Tax (LVT) / Betterment Taxes

In real estate, betterment is the increased value of real property from causes other than investment made by the property owner. It is, therefore, usually referred to as unearned increment or windfall gain. When, for instance, a property is re-zoned for higher-value uses, or nearby public improvements or amenities such as access to public roads, schools, hospitals, electricity and others raise the value of a piece of private land, a property owner is "bettered" due to the actions of others. Because of this, capturing value of betterment for the public through taxation or other means is a common policy approach. This tax should be applied to value increments across the town and suburbs and levied by the local governments (Fensham & Gleeson, 2003). This tax is currently not in existence in Anambra State and it could be introduced.

4. Development Charges

Charges on real estate investors who convert land to more intensive uses are known as development charges (Cameron, 2018). This is charged by government on estate developers for the provision of infrastructure in an estate. Development charges are calculated based on the cost of infrastructure required to serve the property developments in particular contexts. It is a one-time payment levied on development projects during the granting of building permits. Anambra State government collects this levy through the State Housing Corporation and Anambra State Physical Planning Board.

5. In–kind Contributions by Developers

This form of tax is charged in lieu of a development charge. According to the Belfast City Council (2020), developers are expected to contribute to the cost of infrastructure to mitigate the impacts of development on the existing infrastructure. In-kind contribution is paid by prospective developers by way of infrastructure provision or property developments in neighbourhood of their private development schemes. This is currently not operational in Anambra state. The State has begun to witness the springing up of large scale modern real estate developments of first class world international standards in Awka the state capital territory and environs. Therefore, it is considered ripe for the state to create the framework and relevant legislation for tapping the benefits of this form of tax for enhanced sustainable infrastructure provision in the state.

6. Ground Rent

This is an annual fee paid to the owner (Government) who holds the freehold in the property by virtue of section 1 of the Land Use Act (of Nigeria), 1978. In Anambra State, it is charged at N5 per square metre for all lands, both state and non-state lands with title. It is also charged at N5 per square metre for the registration of deed of assignment and mortgage while it is 20k per square metre for certificate of occupancy for agricultural lands. It is collected by the Ministry of Lands. Ground rent is expected to be paid before the end of January of each year. Defaulters are penalized at the rate of 20%. Challenges encountered in collecting the tax include lack of or improper house numbering which makes the distribution of demand notices cumbersome; Non-availability of contact details of property owners; non-provision of transportation facilities by the government for logistics and others.

7. Road Tax

These levies are charged on motor vehicles before such can be used on the road. They include vehicle licensing fees, Toll gate fees, and others. The vehicle licensing fees are effectively collected in Anambra State but there are no toll gates yet. In August, 2021 the Nigerian Federal Executive council (FEC) approved a new toll policy aimed at reintroducing toll gates on Nigerian roads. The introduction of tollgates at major highways in the state would go a long way in providing finance for infrastructural development.

8. Parking Levy

Parking levies are government charges on parking spaces in designated areas. This levy is collected by the local government and used for infrastructural maintenance. Few government parking spaces exist in Anambra state.

9. Property /Tenement Rate

This is tax levied on property and paid to the Local Government Council by the owners of the property. It is a tax on the ownership or occupation of property, the proceed of which is used for funding Local Government social services or to finance construction and maintenance of roads, drainages, refuse disposal, markets, slaughter houses, burial grounds, public conveniences etc. This is an instrument for raising revenue for discharging the functions of the local government like financing infrastructure and providing other social services. It was established in Anambra State by the Property Rating Assessment Law 1963 also known as Cap.11 Laws of Eastern Nigeria, 1963 and later enabled by the Property Rates Law CAP 108 RLAN 1991 and the Assessment Law CAP 11 RLAN 1991. The various local government authorities conducted the valuation of hereditaments in their jurisdiction based on the rental values on an annual basis. The gross value (rent) of a property is determined and statutory deductions are made for outgoings to arrive at Net Annual value. These values form the valuation list from where the Rate Nairage is applied to determine the property rate liability of the property owner. The principle is based on the ability of landed property to earn income.

Tenement rating has a basis in classical rent, valuation and land as a surplus rent theory postulated by Ricardo, Von Thunen and others (Onwuanyi, 2020). The fact that land can earn income (rent) which is due to its owner is the theoretical and rational basis of the tenement rate charge. The principles of rating assessment are that the property is assumed vacant and available to let, values at its current state, rent assessed not the rent actually paid, but the rent which a hypothetical tenant will agree to pay. This tax was collected previously in the state but was stopped in 2009.

Neighbourhood Improvement Levy

This levy is collected by the local government for the provision of infrastructural facility at public expense in a private estate or developed or undeveloped lands in the neighbourhood. This tax was discontinued and integrated into the Anambra State Property and Land Use Charge (APLUC).

10. Premium

This is a lump sum of money that the lessee is expected to pay to the government for the lease of public land at the commencement of the lease. In Anambra State, premium is charged as illustrated in Table 1

Table 1: Approved Land Based Tax Rates In Awka/ Nnewi And Environs

LAND USE TYPES IN AWKA					
		URBAN		RURAL	
	PREMIUM	RESIDENTIAL	COMMERCIAL	RESIDENTIAL	COMMERCIAL
1	1-1,000/M^2	₦250,000	₦ 450,000	₦ 50,000	₦ 150,000
2	1,001-2500/M^2	₦ 450,000	₦ 750,000	₦ 150,000	₦ 300,000
3	1,501-5,000/M^2	₦ 850,000	₦ 1,350,000	₦ 250,000	₦ 450,000
LAND USE TYPES IN ONITSHA AND ENVIRONS					
		URBAN		RURAL	
	PREMIUM	RESIDENTIAL	COMMERCIAL	RESIDENTIAL	COMMERCIAL
1	1-1,000/ M^2	₦ 300,000	₦525,000	₦50,000	₦150,000
2	1,001-2500 M^2	₦ 500,000	₦ 825,000	₦150,000	₦300,000
3	1,501-5000 M^2	₦ 850,000	₦ 1,350,000	₦250.000	₦450,000

Source: (Anambra State Ministry of Lands, 2022)

Premium is charged on public lands based on the location, land area and also land use. It is mostly charged on public lands in Awka, Onitsha and its environs including Nnewi. In urban areas, higher premium is charged for both residential and commercial land use types than in rural areas. Commercial land-use type also attracts higher premium than residential land use type in all the areas. This levy has been efficiently collected and it is been a good source of government revenue.

11. Waste Management Charge and Environmental Pollution Charge:

These are levies charged by the government for the disposal of solid environment waste, for the collection or disposal of pollutants or fee charged based on the quantity of pollutants discharged into the environment. As at the year 2021, the Anambra State government has been spending about N1.5bn yearly on solid waste Management (NewsDirect, 2021). According to Sahara Reporters (2022), the executive governor of Anambra State, Professor Soludo imposed sanitation levies on Anambra State residents. The sanitation levy which came into effect on October, 2022 is charged annually on individuals, institutions and organisations and classified according to the rural, semi-urban and urban categories. For instance, the rate for a duplex is fixed for N12,000 in rural areas, N18,000 and N 24,000 for semi-urban and urban areas.

12. Withholding Tax charged on property transactions for sale or rent

Withholding tax on real property applies on the rent of both corporate bodies and individuals. It requires the tenant to withhold ten per cent (10%) of the rent payable to the landlord, where the recipient of the income is a corporate body or individual. The withholding tax is remitted to the Federal Inland Revenue Services (FIRS) or the State Inland Revenue services (IRS), as the case may be. This tax is not charged on registrable instruments and individual rents in Anambra State.

13. Value Added Tax (VAT)

Value Added Tax (VAT) is a tax on value of real estate goods and services and is applied at the rate of 7.5% which is added to the rent. This is also collected and remitted to either the FIRS or the State (IRS). This tax affects negatively the practice of Estate Surveyors and Valuers since their clients see them as agents of government for being channels of VAT collection (Ayedun, Durodola, Oloyede & Oni 2018). This tax is not yet applied on real estate goods in Anambra State.

14. Building Plan Approval

This is an amount of money paid by developers or landowners to obtain a building plan approval or permit. This levy is administered by the Anambra State Physical and Planning Board with offices in all local government headquarters in the state. The payment is now automated and the compliance level is high.

15. Land Use Charge

This is an annual tax levied on land and landed property. It consolidated the real property taxes with land based rates and charges; the ground rent, the Neighbourhood Improvement Charge, Development /Infrastructural/ Maintenance Levy and the Tenement Rate, into one single Property Land Use Charge called the Anambra State Property and Land Use Charge (APLUC). This tax was promulgated in 2011 and seized operation in the year 2018 due to poor performance. Presently, tenement or property tax is not levied in the state (Odimegwu, 2018).

In Anambra State, the property/tenement rate was suspended in January, 2009 by the government of Mr Peter Obi, and the Anambra State Property and Land Use Charge (APLUC) Law 2011 came into force on the 29th day of November, 2011. The APLUC law consolidated the ground rent on public leases paid to the state government, the development/infrastructural/ maintenance charges also collected by the state government and in addition, the tenement rate levied on property by local governments.

The tax base included property and land (both developed and undeveloped). The main objective of the tax law was to generate additional revenue needed to develop the state. The tax system was controversial. Unlike the tenement rate, the Land Use charge (LUC) does not appear to be backed by any theory of value used or understood by registered Estate Surveyors and Valuers. While the tenement rate was based on annual value, APLUC was an annual tax based on capital value using the depreciated replacement cost valuation method. The tax was based on total worth of properties instead of the income from properties. The drafting of the tax law and its implementation did not involve certified valuers, but rather involved government employees who, basically, were not Estate Surveyors and Valuers. The tax assessment basis and method were neither appropriate nor transparent, the sanctions applicable to defaulters and late payers were adjudged harsh and draconian. It was a state government-controlled tax system which also usurped the constitutional responsibilities of the local governments. Widespread objections from professional bodies and the public, coupled with low tax compliance trailed the tax system until 2018 when Governor Willy Obiano suspended the operations of the tax.

Prospects of Land Value Capture

i. Value capture, seen from an economic theory perspective, fixes an unfair and inefficient distortion, whereby private owners of land benefit (through an unearned increase in land values) from public expenditure on infrastructure.
ii. Land value capture helps to close up the infrastructure funding gaps, accelerate housing provision and enhance social polarization of the society.
iii. Land value capture has an inbuilt economic efficiency test
iv. Costs of collection are relatively low
v. LVC makes it financially unattractive to hold an undeveloped or under-developed land. This is directed at the improvement of under-used urban sites by making land idling and holding prime lands for speculation a burdensome option for landowners. This will also reduce land costs.
vi. It acts as an employment boost by unlocking infrastructural projects, forcing land to attain its highest and best use. Taxes would be highest where land values are highest. This would induce development on high-value sites (to generate income from which to pay the tax)
vii. There would be increased compliance (Because land values reflect the value of public infrastructure, landowners would pay in proportion to the public benefits that they receive).

Challenges of Land Value Capture

A number of factors should be in place for land value capture instruments to serve as good financing tools for infrastructure. They are:

i. **An enabling policy**: Promulgation and implementation of a clear national policy devoid of political interferences with the constitutional responsibilities of the local government council by the state and federal government.
ii. **Quality of land administration index**: Secure land ownership systems, appropriate and efficient land use planning and management systems which will ensure an efficient and inclusive infrastructure financing and delivery. Land title registration processes which are not time-consuming or fraught with bureaucratic bottlenecks. There should be a robust land cadaster, regular land assessment and re-assessment practice, and effective tax administrative capacity at the local level.
iii. **Functioning land and property markets:** An active land and property development market with an increasing demand for residential, commercial and industrial properties with the absence of property development constraints like certification/building approval bottlenecks, high interest on loans and sale-associated exploitation by community youths. There should be the availability of mortgage finance channels especially for the residential sector. A strong local real estate market that naturally supports information sharing.
iv. **Corruption:** Nigeria has continued to contend with corruption in the generation of tax revenue especially in the public sector. The autonomy of, and capacity of tax agencies should be enhanced. As well as internal quality assurance, use of technology and taxpayer education.
v. **COVID-19** effects such as unemployment, loss of jobs, compulsory close down of companies, industries, shops etc.

The Way Forward

Property tax is most logical and closely linked with infrastructure finance. Many countries harness a value capture mechanism embedded in their property tax to assist in infrastructure finance and encourage an efficient use of land through higher-density planning (Rybeck, 2004). Anambra State government can achieve this by adopting property/tenement rating or reforming the property tax.

Anambra State Property and Land Use Charge (APLUC)

The failure of the tax system could be attributed to the use of inappropriate tax basis and assessment method, poorly drafted tax law, public unacceptability of the tax due to lack of tax payers' education and lack of transparency of the tax system (Odimegwu,2018). The tax reform can hinge on the following property tax features:

Exemptions

According to UN-HABITAT (2011), properties could be exempted from paying tax. These exemptions could be based on the entity that owns the property such as religious institutions, charitable groups, universities and schools, governmental organizations or cultural groups. The exemption can also be based on how land is used, for instance when agricultural land is exempted. In some cases, exemptions are granted because of the nature of the service provided by the entity, including such services as hospitals, museums and parks. There are also exemptions granted based on the social or economic characteristics of the property owner. Common examples include the aged, and low income households. And in some instances too, exemptions are granted to encourage economic development, including enterprise zones, redevelopment areas, and others. It is often politically appealing to grant an exemption, but in all cases, granting an exemption reduces the revenue potential of land and property tax.

Exemptions are a significant source of revenue loss in tax revenue projections. A correctly functioning tax system is one that applies a low tax rate across a broad tax base. Properties exempted from property tax in Anambra state should be revisited especially those exempted on the grounds of being charitable and non-profit entities. Tax base expansion usually requires improvement in the fiscal cadasters (comprehensive land and real estate property recordings) which was developed during the land right formalization process. The cadastres used in the operation of APLUC needs to be upgraded so as to capture more properties and increase the tax base. Full development of Anambra State Land Information Management System (ALIMS) and digitalization of the land documents registration processes will go a long way in building up the fiscal cadaster for tax base expansion in Anambra State. These reforms when combined with street naming programmes (as already commenced by the state government) will make identification of tax payers and tax collection easier.

Tax Rate

Variable tax rates could be used by policy makers to achieve different objectives:

i. higher tax rate on vacant and undeveloped land to discourage speculation and encourage rapid developments,
ii. different tax rates based on location for properties that benefit from public services and infrastructure,
iii. different tax rates for various land uses in particular areas to achieve urban land use master plans, and
iv. higher tax rates to higher value properties to achieve wealth distribution.

Decisions on tax rate(s) on land and property should incorporate consideration of the tax base, tax revenue aims and the affordability for tax payers. If the tax payers do not understand why they are taxed at a certain rate, they will be less likely to comply.

Valuation/Assessment

Valuation or assessment of the tax base is one of the greatest challenges in implementing land and property tax (Ezeudu,2009).As citied in Collier, Glaeser, Venables, Blake & Manwaring, (2018), in developing countries, simple valuation methods have failed to capture a reasonable proportion of the land value increment such as in Nigeria and Rwanda while more complex valuation methods exceed the administrative capacities of countries like Ghana, Liberia and Gambia. A hybrid of area-based assessment and market-based assessment systems which captures the land value increment and also easier to administer should be adopted.

Capital Market Value Assessment

This type of valuation is based on the market value of land and/ or properties. It is based on sales of similar pieces of land or properties. Land value capture through comparable sales requires data on land and property sales, as well as property attributes (active property market). Using these data, regression analysis can be used to estimate current capital market values of land and property. The Computer-Aided Mass Appraisal (CAMA) model is used to predict values of land within 90% of true plot value using comparable sales. This approach is accurate, fair, and acceptable to taxpayers. It also enhances revenue collection from high value properties but is largely dependent on a very active and mature property market, accurate sales valuation (well trained valuation professionals), and an accurate, updated and accessible property transfer record systems. It also requires significant investment in software and model development, staff employment and training to provide the necessary technical expertise for the process. Benjamin, Guttery and Sirmans (2004), explains that market comparison approach based on sale prices has several limitations. It is based on past trends (i.e. historical data of recent sales), rather than current data or forecasts, and the past does not necessarily represent the future. Secondly, the adjustments done in the comparison method can be very subjective. However, this approach is capital intensive and might be unsustainable in Anambra State given the socio-economic and cultural environment.

Rental Value Assessment

This approach values land and property based on the value of a typical rent required to occupy a property or land. It is used in Australia, China, United Kingdom, and others. According to Lent (1974), origins of rental tax are found in the customary terms of the lease when transactions in property itself were infrequent and there was no property market data. This approach accurately reflects the market values of land and property. Data on rental values are easily obtainable, although the data collection process needs to be developed for this system to succeed. However, the approach has been criticized for its tendency to discourage the release of land for more efficient uses since the assessment is based on current use. Moreover, it is difficult to use rental value assessment approach for properties that are rarely on rental markets, or that are affected by rent controls.

Area and Location-Based Assessment

In the land tax values process using this approach, land property taxes are usually assessed based on: land area, location, and land use; in addition to the building area or volume. Some countries levy property tax on the basis of land area assessment or usable space with a charge per square metre or unit area (Bird & Slack, 2002). According to McCluskey and Trinh, (2013) such approaches are used in Serbia, Estonia, Hungary, Slovakia, Czech Republic, Poland, Central and Eastern Europe Area. Land and property (development on land) are taken together as a unit of taxable property to which meter squared value is assigned based on zones to reflect land use, and the quality of the location. Taxable value is calculated by multiplying the square metre of property by the (per metre squared) base value established for the zone. However, buildings are divided into classes based on the construction type and building quality before ascribing per metre squared base value for each class of building. It does not require land and property transaction data or characteristics of plots. The method requires limited estimation capacity, and it is easy to communicate to the public. The tax system is transparent, and its administration is easy. However, the area-based assessment approach lacks the capacity to accurately obtain the actual value of properties. It is unable to capture the dynamic impacts of neighbourhood growth on property values in the long run.

Points –Based Assessment

This valuation approach is a hybrid of area-based assessment and market-based assessment systems (Collier, Glaeser, Venables, Blake, & Manwaring, 2018). Based on characteristics that are adjudged to affect relative values of land/property– such as location, access to paved roads, electricity, water, and other urban amenities; qualitative adjustments are made to the surface area of land and properties. The highlighted characteristics are given positive or negative 'points' based on how they are adjudged to affect relative market values of land and landed property. This acts as a proxy for market values. The more the number of relevant characteristics of properties that are included in this system, the more closely this system reflects market values of land and property. To improve accuracy, a city can be divided into "zones" of similar neighbourhood structure where the neighbourhood characteristics are estimated to have the same effect on property market values. In the points-based assessment approach, neighbourhoods are assigned different "points" based on the characteristics of the zones. The advantage is that results of a points-based system of assessment can be compared with a sample of available data on land and property sales in the same zone. Assessments can be harmonized and points recalibrated accordingly, using the market value sample as a guide. This process can be carried out each year, to more closely reflect market values with time. This can then be used to value properties that have not been valued for sale in the recent past. Recalibration of points-based systems over time can bring the values of infrequently transacted properties in line with market values.

This approach offers the following benefits:

i. Does not require much land and property transaction data, but can include it as it becomes available,
ii. Has relatively few administrative requirements, making it more sustainable over time.
iii. Relatively easy to communicate to the public,
iv. New or upgraded buildings can be immediately assessed and taxed upon completion, and
v. It is more precise than using area alone, and therefore more accurately and fairly captures differences in value between land and properties,

A practical study of Points Based valuation in Sierra Leone and Malawi done between 2006 - 2015 which made it possible for local authorities to increase revenue by 250% to 450% between 2007 and 2011 (Collier, et al 2018) showed that points assigned to properties are determined by

i. **Area of property**- measured by surveyors using a tape measure and surveys done to determine the number of floors of a building. Where this is not possible, drones could be employed to measure the roof area of buildings. This is multiplied by a "base" number which is determined by relative construction values. In table 2, the area of the property is given as 77.70/m^2 indicated as base value. It is multiplied by a base factor 100% determined by construction values. The initial rateable values determined by points given as 77.70.
ii. This is adjusted by a certain percentage, depending on the characteristics. The property features are weighted and adjusted to a certain percentage (19%) which is applied to the initial rateable value (77.70) to give 14.76. This value is added to the initial rateable value (14.76 + 77.70) to arrive at the annual rateable value (92.46). This value is then multiplied by the mill rate (300) which is the (tax rate which is listed under the tax unit the property is located) rounded down to the nearest 1000.

This calculation is clearly outlined to taxpayers on the tax bill to enhance transparency of the system as shown below.

Table 2: Points Based Property Tax Bill

Base Measure:		Dwelling for residential use
Base Value:	Square meters	77.70
Base Factor:	x	100.00 %
Initial Rateable Value:	Expressed as points	77.70
Sum of Value Adjustments:	19.00 %	14.76
Initial Rateable Value:	+	77.70
Annual Rateable Value:		92.46
Mill Rate:	x	300.00
Property Tax Payable:		27,738.90
Arrears:	+	0.00
Penalty: 0.00 %	+	0.00
Payment(s) Made:	-	0.00
Total Payable (rounded down to nearest 1,000)		27,000.00

Feature	Result	Adjustment
03 Road Surface	Earth	0.00 %
04 Accessibility	Moderate	-5.00 %
05 Expansion Potential	Some Potential	8.00 %
06 Drainage	Dry Soil	0.00 %
07 Sanitary	Septic Tank	2.00 %
08 Landscape	None	0.00 %
09 Special View	None	0.00 %
10 Fence	None	0.00 %
11 Electricity Mains	Yes	0.00 %
12 Water Supply	Mains Water	0.00 %
13 Water Tank	No	0.00 %
14 Type	House	0.00 %
15 External Wall	Fired Brick	5.00 %
16 Wall Finish	None	0.00 %
17 Wall Condition	B	0.00 %
18 Servants / Boys Quarters	No	0.00 %
19 Roof Cover	CIS	0.00 %
20 Roof Guttering	No	0.00 %
21 Roof Condition	C	-20.00 %
22 Air Conditioning	No	0.00 %
23 Garage	None	0.00 %
24 Verandah	Open	2.00 %
25 Windows	Metal / Glazed	7.00 %
Location Band	B	10.00 %
Road Frontage	Yes	10.00 %
	Sum of Value Adjustments:	19.00 %

Source: (Collier, Glaeser, Venables, Blake & Manwaring, 2018)

Tax collection and Appeals

Efficient and effective tax collection is the key to raising revenues from land and property taxation. It also prevents unfair distribution of the tax burden, making taxes legitimate and acceptable to the public. Government can improve efficiency of tax collection by:

i. Automation of billing and computerized payment platforms to make for efficient collection of payments, monitoring and reduce corruption.
ii. Decentralization of tax billing and collection to the local level, which will be effective given the localized knowledge and interaction that exist at the local level.

Enforcement of Tax Payment

Tax compliance is likely to be enhanced if there are effective ways of identifying, resolving and punishing tax defaulters. The threat of confiscation of land and property for non- payment is extremely difficult and costly (politically and financially) to enforce. Realistic sanctions which include but are not limited to fines, publication of names of defaulters and others should be employed.

Mitigating None Compliance

Political and administrative challenges bothering on none compliance to payment of tax can be addressed or reduced by the following actions:

i. **Linking taxation to public investment**
Property taxes should be viewed by tax payers as the price paid for public investments. It should be linked to the tangible benefits provided by the tax. There will be greater level of compliance if tax payers believe that taxes are well spent, particularly in the property location.

ii. **Tax payer Education**
Efforts should be made to educate the taxpayers on the processes of the tax system, especially the determination of the tax burden. Mediums or platforms such as neighbourhood meetings, television and radio programmes, bill boards, newspaper adverts and social media too could be employed for implementing this vital education.

iii. **Transparency and limited opportunities for oversight**
Reducing windows or opportunities for corruption is key to achieving legitimacy and public acceptance of the tax system. The design and implementation of the tax policy processes should be made publicly accessible and understandable at each stage.

iv. **Involvement and communication with taxpayers and local authorities**
Taxpayers and traditional leaders are likely to comply with property tax reforms if they are consulted and carried along in the design and implementation.

CONCLUSION

Value capture taxes are not available to local governments in Anambra State seeking to capture value increases on behalf of local communities that created them because the law does not permit them to levy them. The state government also does not utilize the variety of land value capture taxes at their disposal. Some taxes are partially levied while some are not harnessed at all. Property transfer taxes are only charged on the deceased's monies leaving out the properties. Capital gains tax is only charged on registrable documents because there is no property market monitor to detect when property rights are alienated. Betterment taxes are non- existent while in- kind contribution by developers in lieu of development tax is a venture yet to be utilized. Tenement rate and property tax are non-existent in the state; waste management and Environmental pollution charge not well administered notwithstanding the current sanitation challenges faced by the government. The state is yet to commence the mandatory levying of withholding and value added taxes on real estate goods as stipulated by the federal government.

RECOMMENDATIONS

The land-based tax policy of Anambra State needs to be reconfigured in line with those of other developing economies similar to Nigeria that have successfully imbibed the contemporary international best practices. There is the need to comply with the constitutional requirements guaranteeing the autonomy of the local government as stipulated in section 7 CFRN 1999 as amended. The local governments should be involved in the administration of land-based taxation policy for ease of administration and effectiveness. This is so, because land value capture funding mechanisms involve, the legal designation of the scheme and spatial taxation zones all of which are within various local government areas. Moreover, because of the proximity of the people to this tier of government, local governments have deep knowledge of land-based issues within their administrative jurisdictions. Also, the changing social concerns of the people are better understood by this tier of government. Consequently, the inclusion of local government in the administration of land-based tax system will be seamless and efficient in providing sustainable finance for infrastructure development in Anambra State, Nigeria.

In other climes, property tax and betterment tax are mainly collectible by the local authorities and its proceeds are used for the development of their localities, and for the payment of staff, among other things, without need for reliance on allocations or transfers from the Federal or State government. This is unlike in most African countries where such responsibilities are concentrated in the hands of the State and central government.

Also, Anambra State property tax base should be made widely inclusive for the land-based tax liability to be possibly borne by all, and not just a few as is presently captured in the tax net. To achieve wider inclusivity, Geographic Information System (GIS) and property identification exercise across all local government areas are important prerequisites for the success of the entire process. As it stands, the property tax base in Anambra State is minimally harnessed, and can be significantly improved upon through a computerized property identification exercise.

Mechanisms should be put in place to ensure transparency and proper accountability from this third tier of government. The use of technology and improved taxpayer education would go a long way in reducing corruption. The services of professional Estate Surveyors and Valuers who are experts in land and property tax should be engaged in the design and implementation of the property tax system in Anambra State to ensure the acceptability of tax and tax revenue adequacy. The points-based assessment method for property tax could be explored given the low administrative cost, transparency and sustainability. Functional machinery should be set up to investigate claims of the deceased assets when applying for letters of administration. This will go a long way in improving revenue from property transfer tax.

REFERENCES

Aina. D. (2020). $2.3tn needed to resolve infrastructure challenges –Finance Minister. *Punch news*. Retrieved from https://punchng.com/2-3tn-needed-to-resolve-infrastructure-challenges-finance-minister.

Ayedun , A. A, Durodola, D. O, Oloyede, S. A & Oni, A. S. (2018). The value added tax (VAT) administration in Nigeria and the practice of estate surveying and valuation. *Covenant Journals of Business and Social sciences, 9 (1)*. Retrieved from https://journals.convenentuniversity.edu.ng/index.php/cjbss/article/view/920

Belfast City Council (2020). *Developer contribution framework*. https:www.belfastcity.gov.uk/documents/developer-contributions-framework

Benjamin, J. D, Guttery, R. S. & Sirmans, C.F. (2004). Mass appraisal: An introduction to multiple regression analysis for real estate valuation. *Journal of Real Estate Practice and Education, 7(1).* Retrieved from www.researchgate.net/.../228609581_mass_appraisal

Bird, R. M. & Slack, E. (2002). Land and property taxation review around the world. *Journal of Property Tax Assessment and Administration 7(3).* Retrieved from .http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.203.2450&rep=rep1&type=pdf

Cameron, M.K. (2018). Developers pay developer charges. *Cities, Vol.74, (1-6)* https://doi.org/10.1016/j.cities.2017.10.019

Chukwuado, K. E. (2020). Alternative measure in providing real estate infrastructure in a recess economy in Awka, Anambra State, Nigeria. *International Journal of Engineering, Applied sciences and Technology, Vol.4, 11(28-33).* Retrieved from http://www.Ijeast.com

Churchill, W. (1909). *Speech on land and income taxes in the budget*. Retrieved from www.savingcommunities.org/doc

Collier P, Glaeser E., Venables T, Blake, M. & Manwaring, P. (2018*). Land and property finance: International growth centres cities that work*. Retrieved from www.theigc.org>publication

Ezeudu, C. U. (2009). The importance of property rating and taxation in local government administration in Nigeria. *The Nigerian Academic Forum Journal 16(2).* Retrieved from www.globalacademicsgroup.com>journals.

Fensham, P. & Gleeson, B. (2003). Capturing value for urban management: a new agenda for betterment. *Urban Policy and Research, 21(1),93-112* https://www.tandfonline.com/doi/abs/10.1080/0811114032000062164

George, H. (1879). *Progress and Poverty*. Retrieved from https://www.econlib.org/library/Enc/bios/George.html

Gihring, T.A. (2009*). The value capture approach to stimulating transit-oriented development and financing transit station area improvements*. Victoria Transport Policy Institute. Retrieved from www.vtpi.org

Guardian Nigeria (2020). South-East, South-South rail network in death throes*. Guardian news*. https://guardian.ng/saturday-magazine/cover/south east-south-south-rail-network-in -death-throes.

Guyimu, J. (2013). *Public Land leasing as a value capture instrument for financing road infrastructure on Federal Government Land in Gwarinpa, Abuja- Nigeria*. Published MSc Thesis on Urban Management and Development. Erasmus University of Rotterdam. Retrieved from www.semanticscholar.org>paper

InfoGraphics Nigeria. (2022). *CPI and Inflation Report.* Retrieved from https://nigerianstat.gov.ng/elibrary/read/1241208.

IMF, (2021). 2020 Article IV Consultation-Press Release; Staff Report; and Statement by the Alternate Director for Nigeria. Retrieved from https:www.imf.org/media/files/publications/Cr/2021/English/INGAEA202100

Juanita, D.A. (1968). Taxation of capital gains in developing countries. *IMF eLibrary Publications*. Retrieved from https://www.elibrary.imf.org/view/journals/024/1968/002/article

Lent, G. E. (1974). The urban property tax in developing countries. *Journal of Public Finance Analysis, New Series, 33, 1 pp 45-72.* Retrieved from http://www.jstor.org/stable/40911109

Mabe, J.B. (2013). *Financing urban infrastructure and services through Property tax and land leasing: A case study of Sekondi- Takoradi Metropolis, Ghana*. Published MSc thesis. International Household Survey Network. https://catalog.ihsn.org/index.php/citations/32571

McCluskey, W. J. & Trinh, H-L. (2013). Property tax reform in Vietnam: Options, directions and evaluation. *Land Use Policy, 30, 276-285*. Retrieved from http//www.elsevier.com/locate/landusepol

Munzer, S. R. (2012). *A theory of property*. https://www.cambridge.org/core/books/abs/theory-of-property/gratuitous- transfers/AE0BB654213165CC5A3A2AF075413E1C

NewsDirect, (2021). ASWAMA -Anambra government pays out about N1.5bn yearly on solid waste management. https://nigeriannewsdirect.com/aswama

OECD, (2017). *Building a global compendium on land value capture*. Retrieved from https:// www.oecd.org/cfc/cities/flyer-land-value-capture.pdf.

RICS, (2020). The economics of infrastructure and the post covid-19 recovery. World built environment forum webinars. Retrieved from www.rics.org>ssa>wbef>webinars.

Rybeck, R. (2004). Using value capture to finance infrastructure and encourage compact development. *Public works management & Policy* 8(4):249-260. Retrieved from https://www.researchgate.net/publication/25191499-using-value-capture-

Rybeck, R. (2018). Financing infrastructure with value capture. *Strong Towns Podcasts*. https://cooperative-individualism.org/rybeck-rick_financing-infrastructure-with-value-capture-the-good-the-bad-and-the-ugly-2018-feb.pdf.

Sahara Reporters, (2022). *Governor Soludo Imposes up to N24,000 Sanitation Levies on Anambra State Residents.* https://saharareporter.com/2022/10/04/governor- soludo-imposes-n24000-sanitation-levies-anambra

United Nations Human Settlement Programme (UNHABITAT), (2011). *Land and property tax: A policy guide*. Retrieved from http://www.unhabitat.org.

Varrella, S. (2020). *Contribution of oil sector to GDP in Nigeria 2018-2020.* Retrieved from www.Statista.com> fossil fuels.