

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
KUMASI
COLLEGE OF ART AND BUILT ENVIRONMENT
DEPARTMENT OF PLANNING, KNUST**

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**IMMOVABLE PROPERTY TAX ADMINISTRATION IN KUMASI METROPOLIS.
PROSPECTS AND CHALLENGES**

**A THESIS PRESENTED TO THE DEPARTMENT OF PLANNING IN PARTIAL
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF
DEVELOPMENT POLICY AND PLANNING**

**By
AMA SERWAA ACQUAH-ABABIO (MRS.)**

JULY, 2015.

DECLARATION

I, Ama Serwaa Acquah-Ababio hereby declare that this submission is my own work towards the Masters of Science and that, to the best to my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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Ama Serwaa Acquah-Ababio(Mrs)
Student Name Signature Date

Certified By:
Prof. Kwaku D. Kessey
(Supervisor) Signature Date

Certified By:
Dr. Daniel K.B. Inkoom
(Head of Department) Signature Date

ABSTARCT

Property tax is a major source of local revenue throughout the world and Ghana is no exception to this phenomenon. In Ghana, it has been proven that for many local governments (MMDAs), property tax forms about 40-50% of the assembly's revenue base. Regardless of its potentials of being source of a higher revenue generation, property tax administration in Ghana has not seen the desired results. The study takes a look at the prospects and challenges in the property tax administration in the Kumasi Metropolis and among other things to examine the structure of property taxation in Kumasi Metropolis. The research was conducted in the First class residential areas in Kumasi with Ahodwo as the focal point. This is because it is easier to find property owners to interact with than other first class residential neighbourhoods in the Kumasi Metropolis.

Findings from the survey among other things revealed that property tax collection is undertaken through out-sourcing and in-housing. Due to excessive cost of carrying out the revaluation, the Assembly rarely undertakes revaluation, and that delay in fixation of the rate impost attributable to the bureaucratic procedures that are involved. The major challenge in the administration of property tax is that, the Local Government Act mandates the MCE as both administrative and Political head. There is therefore the possibility of manipulations by Metropolitan Chief Executive (MCE) especially in the area of tax evasion to avoid prosecutions for familiar people. There is the possibility of the MCE interfering in the work of the Rating Division of the assembly. The challenge is in the administration of the rate is the absence of education on projects that have been executed by KMA using revenue from property rate. This discourages taxpayer's commitment to the payment of the tax

Some recommendations were made which includes creating an awareness of projects that have been undertaking as a result of revenue from property rate.

The research is limited to property tax administration by Kumasi Metropolitan Assembly (KMA)

ACKNOWLEDGEMENT

I make this acknowledgement with a heartfelt gratitude to God Almighty for his love, divine favour. I am particularly indebted to my supervisor Professor. Kwaku D. Kessey for his sacrifices, guidance and suggestions offered during the drafting of this dissertation. I am grateful to him as my lecturer and `mentor` for all the guidance he gave me through my study. To him I wish to render my sincere gratitude and appreciation.

I am also grateful to all lectures at the Department of Planning Kwame Nkrumah University of Science and Technology for their immerse support and contribution throughout my course.



DEDICATION

I dedicate this work to my entire family for their immense support and contribution in diverse ways towards this --milestone.

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TABLE OF CONTENT

DECLARATION	ii
ABSTARCT	iii
ACKNOWLEDGEMENT	iv
DEDICATION	v
TABLE OF CONTENT	vi
LIST OF TABLES	x
LIST OF FIGURES	xi
LIST OF ACRONYMS	xii
CHAPTER ONE: GENERAL BACKGROUND	1
1.0 General Introduction	1
1.1 Problem Definition	2
1.2 Research Objectives.....	3
1.3 Research Questions.....	3
1.4 Research Design/ Approach	3
1.5 Methodology.....	4
1.6 Justification of the study.....	5
1.7 Scope of the study.....	5
1.8 Target population.....	5
1.9 Sampling	6
1.10 Type of Data	6
1.11 Data Collection	6
1.12 Research Limitations	6
1.13 Organization of the study.....	6

CHAPTER TWO: CONCEPTS OF PROPERTY TAX ADMINISTRATION	8
2.0 Introduction.....	8
2.1 Principles of Tax Administration.....	9
2.1.1 Tax Control.....	9
2.1.2 Facilitate compliance	9
2.1.3 Fiscally Responsible Citizenship.....	10
2.1.4 Institutional Strengthening.....	10
2.1.5 Efficient methods of running strong taxation system	11
2.1.6 Administrative characteristics and Adapting to Changes	11
2.2 Immovable Property Tax Administration.....	14
2.2.1 Characteristics of Property Tax:	14
2.2.2 The Modern Theoretical Framework of Property Taxation	14
2.3 Evolution of Property Rate in Ghana.....	15
2.3.1 Details of Murray's Report.....	16
2.3.2 Property Taxation	17
2.3.3 Other Sources of Local Government Revenue	17
2.3.3.1 Fees, Charges and Fines	18
2.3.3.2 Interest, Rent and Profits	18
2.3.3.3 Grants.....	18
2.3.4 Current method of Property Rate in Ghana	19
2.3.5 Method of Assessment by the Metropolitan and District Assemblies.....	21
2.4 Conceptual Framework.....	22
2.4.1 Identification of Tax Base	22
2.4.2 Rate Imposit Determination.....	23
2.4.3 Estimation of Tax Liability.....	25
2.4.4 Billing of tax payers.....	26
2.4.5 Revenue Collection.....	27
2.4.5.1 Liability for Non–Payment of property rate	28
2.5 Conclusion	28

CHAPTER THREE: METHODOLOGY	29
3.0 Introduction.....	29
3.1 Research Design	29
3.1.1 Methodology.....	29
3.2.1 Research Approach.....	30
3.2.2 Research Strategy	31
3.3 Data Sources and Collection Methods.....	32
3.3.1 Sources of Data.....	32
3.3.2 Types of Data.....	32
3.3.5 Methods of Data Collection.....	32
3.3.6 Data Validity and Reliability	33
3.3.7 Data Analysis.....	33
3.4 Population, Sampling Technique and Sample Size	34
3.5 Overview of the Targeted Population.....	34
3.6 Profile of Kumasi Metropolitan Assembly.....	35
3.8 Summary of Chapter.....	37
CHAPTER FOUR: SURVEYS, ANALYSIS AND DISCUSSIONS OF DATA	38
4.1 Introduction.....	38
4.1.1 Legal and Institutional Background.....	38
4.1.2 Demographic Data	40
4.1.4 Educational Background.....	41
4.1.3 Immovable Property Tax Mobilization	42
4.1.4 Structure Property Tax Administration In KMA.....	44
4.1.5.1 Rateable Values	44
4.1.5.2 Rate Impost.....	45
4.1.6 Challenge to the amount of Immovable Property Tax Payable	47
4.1.7 Property Tax Collection in KMA; In-house and Outsourcing.....	49
4.1.8 Target in Immovable Property Tax Collection.....	50
4.1.9 Efficiency of property taxes.....	51
4.1.9.1 Knowledge of the Uses of Immovable of Property Tax	51

4.1.9.2 Uses of immovable Property Tax	51
4.1.9.3 Efficiency of Tax Administration.....	52
4.1.10 Tax Exemptions and Incentives.....	54
4.1.11 Punishment for Tax Offenders.....	54
4.1.12 Challenges in the Administration of Property tax	55
4.1.13 Approaches for effective Administration	56
4.2 Summary of Analysis	57
4.2.1 Institutional background	57
4.2.2 Administration of Immovable Property tax.....	57
4.2.3 Notification of Property Tax.....	58
4.2.4 Mode of Collection of Property Tax.....	58
4.2.5 Punishment for Tax Offenders.....	59
4.3 Chapter Summary and Conclusion	60

**CHAPTER FIVE: SUMMARY OF KEY FINDINGS, RECOMMENDATIONS
AND CONCLUSIONS..... 61**

5.0 Introduction.....	61
5.1 Key Findings.....	61
5.2 Recommendation	62
5.3 Conclusion.....	63

REFERENCES Error! Bookmark not defined.

APPENDICES..... 68

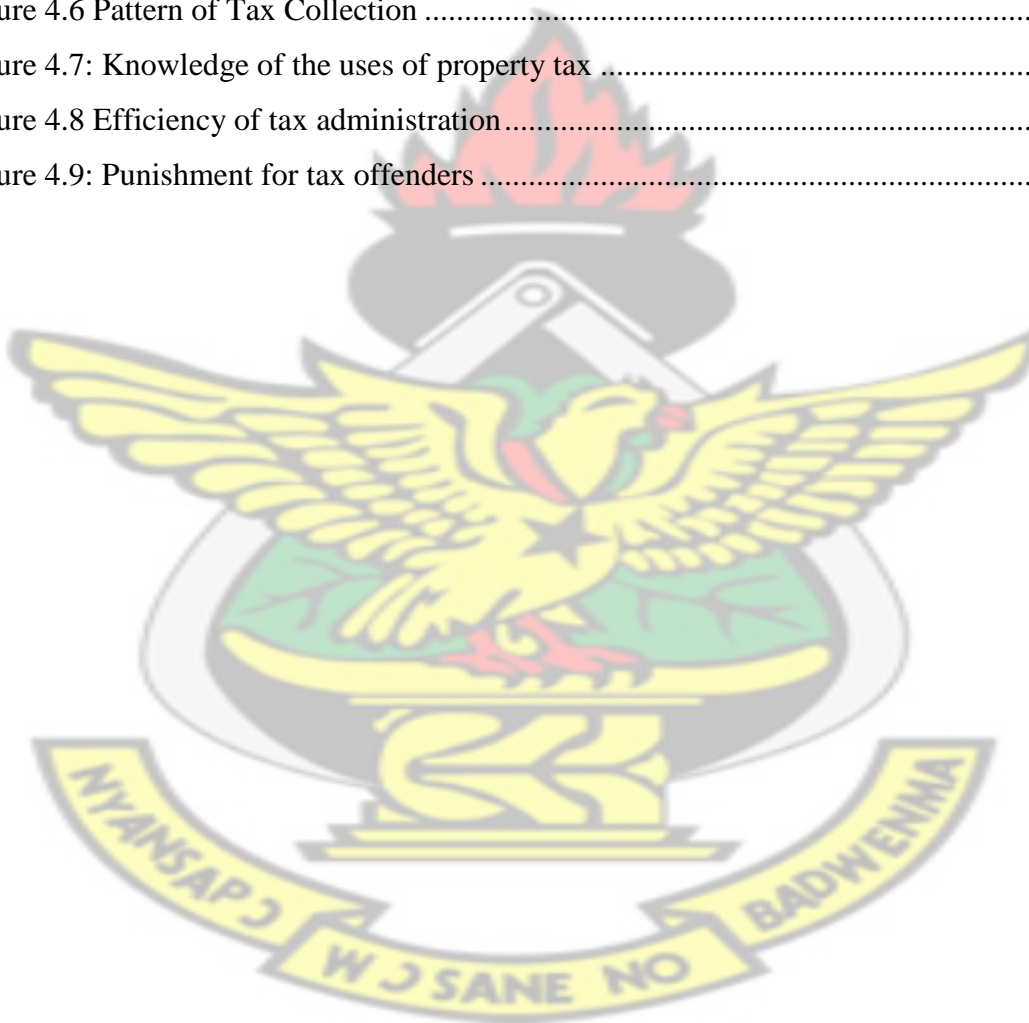
LIST OF TABLES

Table 2.1 Organization and operational practices	13
Table 4.1 Relationship that exist between various institutions, bodies or groups	40
Table 4.2 Mobilization of immovable property tax (KMA).....	43
Table 4.3 Prospects of Revaluation	45
Table 4.4 Rate Impost 2013.....	46
Table 4.5 Projects undertaken by KMA	52



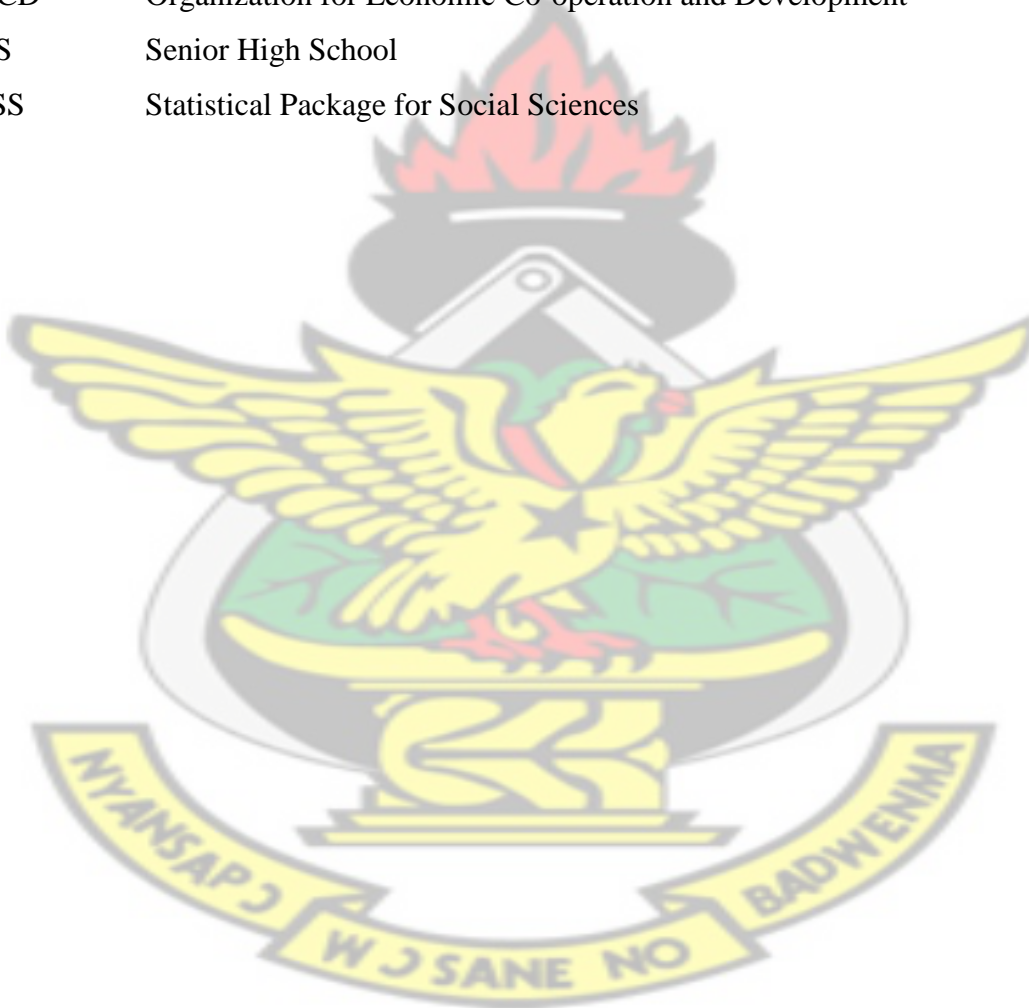
LIST OF FIGURES

Figure 2.1 Process of property tax administration.....	22
Figure 3.1 Map of First class Residential areas in KMA	37
Figure 4.1: Hierarchy of institutional framework.....	39
Figure 4.2 Gender Distributions of Respondents	41
Figure 4.3 Educational backgrounds of Respondents.....	42
Figure 4.4 Property Rate Performance	43
Figure 4.5 challenge to the amount of tax	48
Figure 4.6 Pattern of Tax Collection	50
Figure 4.7: Knowledge of the uses of property tax	51
Figure 4.8 Efficiency of tax administration.....	53
Figure 4.9: Punishment for tax offenders	55



LIST OF ACRONYMS

GDP	Gross Domestic Product
ICT	Information and Communications Technologies
ITEP	Institute on Taxation and Economic Policy
KMA	Kumasi Metropolitan Assembly
LVD	Lands Valuation Division
MCE	Metropolitan Chief Executive
MDG	Millennium Development Goals
OECD	Organization for Economic Co-operation and Development
SHS	Senior High School
SPSS	Statistical Package for Social Sciences



CHAPTER ONE

GENERAL BACKGROUND

1.0 General Introduction

Revenue is the live wire of every government since no development can be carried out without money. Effective administration of any form of revenue is therefore crucial. Property tax is a major source of local revenue throughout the world and Ghana is no exception to this phenomenon. In Ghana, it has been proven that for many Metropolitan, Municipal and District Assemblies (MMDAs), property tax forms about 40-50% of the assembly's revenue base. It is in the light of this that this particular form of tax requires proper structures in terms of administration to ensure that it is effectively realized to boost developmental activities at the grass roots. Although property taxation is a major source of revenue for local government in all countries in the world, Ghana as a country is not moving forward in this direction. This calls for investigation with the view to identifying the administrative bottlenecks and prospects in the administration of such an important source of revenue. Revenue as a concept has diverse meaning and varied applications. Bernstein and Wild (1993) explained that revenue constitute inflows or other enhancements of assets of an entity or settlement of its liabilities resulting from companies' ongoing major or central generation.

Property taxes according to International Standards of Tax Classifications encompasses 'recurrent taxes on immovable property, measured gross of debt and levied on proprietors or tenants; recurrent taxes on net (of debt) wealth; taxes on estates, inheritances and gifts; financial and capital transaction taxes on the issue or transfer of securities and checks, or sales of immovable property; and other recurrent or non-recurrent taxes on property.'(Norregaard 2013). Albeit recurrent taxes on immovable property are the focal point of study.

The MMDAs in Ghana are tasked with development of infrastructure and provision of social services. This function can only be achieved if there are adequate resources or funds to cater for both administrative and developmental responsibilities. The MMDAs have a number of property sources including immoveable property tax. They have other sources of revenue apart from the District Assembly Common fund which is a grant from the central

government which is about 7.5% of the total revenue of the country. Other revenues are generated internally within the assemblies' jurisdiction. These include general and specific taxes, fines and other charges. The rate includes property tax which is levied on immovable properties, payable by the owners of such immovable properties. Property tax forms the main component revenue for district assemblies.

It is one of the lucrative and promising, yet least tapped sources of revenue to urban government (Mou, 1996). Property tax if effectively administered can reduce the over reliance on the form of taxes which can easily be evaded. In well operated property tax jurisdictions, property tax fetches a huge component of Local Government revenue base. This research therefore focuses on ways of assessing the prospects and challenges of property tax administration with the view to providing solution to the challenges so as to ensure realization of property tax to accelerate the development of MMDAs in Ghana

1.1 Problem Definition

Property taxes are widely regarded as an efficient and fair means of raising revenue. Despite this assertion, property tax potential is largely untapped in many developing countries. Property taxes are levied on real properties for the provision of social services by the MMDAs. In Ghana the MMDAs are the rating authorities in their areas of jurisdiction and by section 116 of the local Government act 1993 (Act 462) MMDAs can appoint an agent for the collection of such rates. The fixative nature of properties and the fact that landed properties cannot be hidden has made it a reliable source of revenue in Ghana.

Regardless of its potentials of being an important source of revenue generation, property tax administration in Ghana has not seen the desired results. Property taxation in developing countries and for Ghana in particular is fraught with numerous challenges. These challenges might include the identification of properties, record keeping, determination of taxable properties, which properties should be exempted, the tax base, difficulty of assigning tax liabilities, and collection of tax revenue. Tax payers' resistance to tax obligations, enforcement of tax obligations and dispute resolutions. Moreover, division of responsibilities among agencies and institutions and their lack of cooperation are but a few of the challenges. The most fascinating aspect is the use of the revenue obtained to provide services for tax payers', Adem and Kwateng (2007). The property tax administration has

suffered from inefficiency resulting from such factors as inadequate logistics and negligence on the part of property owners to pay and lack of enforcement of the law by authorities that are mandated to do so. Korkor (2003) has stated that financing local government development programmes in Ghana by the MMDAS has become a typical challenge as a result of the inability of the Assemblies to mobilize substantial revenue from their areas of jurisdiction. Despite the potential resources available to the MMDAs, they have not been able to actualize the mobilization for their full benefit making the MMDAs dependent on the central government for their development finance. It is against this background that the study takes a look at the prospects and challenges in the property tax administration in the Kumasi Metropolis.

1.2 Research Objectives

- i. To examine the structure for property tax administration in the Kumasi Metropolis
- ii. To find out the variables for the estimation of immovable property tax liability
- iii. To examine the tax mobilization process
- iv. To assess performance rate of property taxation

1.3 Research Questions

- i. What is the structure for property taxation in Kumasi metropolis?
- ii. How is tax liability determined in Kumasi Metropolis?
- iii. What are the mobilization processes of property taxation?
- iv. What is the performance rate of revenue from property tax in the Kumasi Metropolis?

1.4 Research Design/ Approach

Research can be classified in many ways, however Myers (1997) notes, that the most common classification is according to the research design (between qualitative and quantitative research designs). In terms of the research design, this study will employ a mixed research design (a combination of qualitative and quantitative designs). This is because the study seeks to analyse and interpret accurately, the meaning of certain phenomenon with emphasis on numeric data whiles at the same time gathering verbal

information rather than numerical data to analyse and give inductive reasoning to explain the research findings.

Fryer (1991) noted that researchers aim to decode, describe, analyze and interpret accurately the meaning of a certain phenomenon happening in their customary social contexts. Contrary to the quantitative method, qualitative approach gather verbal information rather than numerical values (Polgar & Thomas, 1995) Qualitative studies employ content or holistic analysis and inductive reasoning to explain and comprehend the research findings.

The emphasis of quantitative research is on collecting and analyzing numerical data. The quantitative research method assumes that measurement is valid, reliable and can be generalized. It anticipates cause and effect (Cassell & Symon, 1994). Being particularistic and deductive in nature, quantitative method is dependent on the formulation of a research hypothesis and confirming them empirically using specific data set (Frankfort-Nachmias & Nachmias, 1992). The strength of the quantitative research design lies in its ability to collect broad structured information, in the form of numerical data, allowing researchers to measure and compare variations between cases (Seale, 2004). The mixed methods approach as proposed by Tashakkori and Teddlie (2003) is the third class of research methodology. According to them, mixed methods designs incorporate techniques from both the quantitative and qualitative research traditions in unique ways to answer research questions that could not be answered in any other way.

1.5 Methodology

Methodology for the study was non-probability due to the fact that the study did not cover all immovable properties in the Metropolis. The study is centered on properties in first class residential area where properties are easy to locate and many houses being owner occupiers. These properties attract a high capital value that forms the basis for property taxation in Ghana. Purposive sampling would be used for the study. This is because there are a lot of immovable properties in the Kumasi Metropolis but the emphasis of this study is on First class residential properties.

1.6 Justification of the study

A call on government for developmental projects by its citizenry within their area of jurisdiction shows the need for effective revenue administration.. This study will bring to light effective ways of administering property taxation and some of the challenges of tax administration the KMA. Effective administration of property tax will boost the Metropolitan revenue for financing development projects at the Kumasi Metropolis. This, to a large extent would reduce the over dependence on central government for development.

The prospects of Property taxation would be fully tapped at the end of this study to raise enough revenue to reduce the over-reliance on Central Government.

Data collected can be used as basis for designing effective property tax administration for development in Ghana.

1.7 Scope of the study

Geographically, the study covers the First Class Residential Area- Ahodwo, in the Kumasi metropolis, Land Valuation Division of Lands Commission, Kumasi and KMA. The study will measure changing trends of property taxation for the periods 2010 to 2014

Conceptually the study seeks to look at the administrative structure for property taxation, the basis of the taxation with regards to the local government 1993, Act 462. Determinants of rate impost, estimation of tax liability, billing of tax payers and revenue collection of property tax administration will be addressed; with the focal point on the administrative processes involved in arriving at the property rate due a property, Rate Impost as well as Tax liability will be critically looked at. Attention will be directed at the major challenges and prospects of property taxation.

1.8 Target population

The Kumasi Metropolitan Assembly (KMA), property owners of First class residential neighbourhoods. The owner occupiers constituted the universal form from which a sample was selected.

1.9 Sampling

Non probability sampling technique was used for the purposes of this study. Non probability sampling is an approach where all members of population (universe) do not have equal chances of being selected. The study sample was based on properties that are completed and occupied by owners. This is by virtue of the fact that property tax is paid by owners of properties who are in a good position to comment on immovable property taxation.

1.10 Type of Data

Primary and secondary data were used in the study. Primary data were obtained from property owners, staff of Land Valuation Division of Lands Commission and KMA. These were obtained by the administration of questionnaires, interviews and observation. Secondary data on the other hand were collected from trail balance and balance sheet report from KMA and general information on property tax administration widely accepted. This would be gathered from journals, textbooks, published articles, internet, etc.

Questionnaires, interview guides, and focus group discussion are the tools used in getting primary data on property taxation.

1.11 Data Collection

The purposive approach was used. Snow balling method was used to identify the appropriate properties. The process started with the community leaders. Target respondents were selected purposively.

1.12 Research Limitations

The research focused on property tax administration of only one of the many Metropolitan Assemblies in Ghana, consequentially, comparison cannot be made with other practices that have adopted by other metropolitan assemblies. This is however cured by the numerous literatures on property tax administration that served as a guide for the research work.

1.13 Organization of the study.

The research is outlined into five chapters. The first chapter is the introduction. This chapter includes a background to the study and provides an outline of the problem and objectives of

the study. It also has the scope and the limitations of the research. Chapter two reviews the relevant literature on the subject bearing in mind the objectives that have been set for the research. This chapter will be structured according to themes that are relevant to this research. The third chapter gives an overview of the case study area, KMA. It also includes the methodology used in the study. The fourth chapter analyzed the field data that collected from the respondents' whiles the final chapter provided the key findings, conclusion and makes appropriate recommendations.



CHAPTER TWO

CONCEPTS OF PROPERTY TAX ADMINISTRATION

2.0 Introduction

The previous chapter looked at the background to the study and provided an outline of problem and objectives of the study. It also looked at the scope and limitations of the study. This chapter reviews the relevant literature on the subject bearing in mind the objectives that have been set for the research. This chapter will be structured according to themes that are relevant to this research.

Institution on Taxation and Economic Policy, (2011) attributes the fundamental purpose of taxation to government's intentions to raise the revenue necessary to fund public services. In a circumstance where many governments have to grapple with less revenue, increasing expenditures and resulting fiscal constraints, raising revenue remains the most important function of taxes, which serve as the primary means for funding public service such as maintenance of law and order and public infrastructure *Organization for Economic Co-operation and Development* (OECD, 2014). Taxes are primary sources of government revenue, thus countries all over the world in providing citizens with public services mostly depend fundamentally on the revenue generated by their tax system. According to Kloeden, (2011), despite positive but mixed progress over two decades, most low income African countries need to enhance their low tax-to-GDP ratios by mobilizing domestic resources to complement donor aids and to achieve the Millennium Development Goals (MDG) and poverty reduction objectives. With these goals in mind, most African countries have undertaken revenue administration reforms.

When social investment is discussed it is important to address the tax burden, for the reason that, in every decision to spend there is an implicit decision to raise money, therefore, more and more countries adopt rules so that each new investment or expenditure is usually accompanied by the introduction of new taxes or the increase of existing ones. In that respect it is necessary to outline what the best practices are, to ensure sustained growth of government revenues, which would promote consistent investment in development programmes, assuming that the aforementioned institutional strength to spend exists.

Basically internal public revenue generation has two inextricable aspects- namely "policy formulation" and "administration" .The former deals with fiscal goals determination and formulation of laws, rules and regulations for the achievement of the goals: The latter on the other hand covers the implementation of the policies. Though equally important in revenue generation yet they do not receive equal attention both in theory and practice. Revenue policy formulation is given far more attention than administration (Kessey and Gunter Kroes, 1992). Revenue Administration includes assessment, collection, recording and verification of taxable amounts

2.1 Principles of Tax Administration

In this exposition, it is an acceptable belief that "a Tax System is only worth the Tax Administration that runs it," Tax systems are implemented through the Tax Administration. Here, the aspects that constitute best practices for achieving an effective and efficient tax administration will be discussed. A research conducted by the Commission for Social Development, United Nations (2013) outlined four key issues that are essential and which have been pillars for modernizing Tax Administrations in the last decade and these includes: strengthening tax control, improving services, strengthening institutions and creating fiscally responsible citizens.

2.1.1 Tax Control

One of the primary tasks for tax administrations is to exercise control over taxpayers' behavior to reduce tax evasion and avoidance. Efficient tax control deters tax noncompliance and promotes voluntary compliance. The control over billing and the efficient use of information and communications technologies (ICTs) for fiscal control are the two elements that characterize the approach of auditing by tax administrations in recent decades.

2.1.2 Facilitate compliance

Just as the simplicity of the tax system is important, tax administration is required to facilitate voluntary compliance by taxpayers. Making things easier encourages compliance.

Improving services involves informing the public through available information channels (print, Internet, social networks, news radio etc.) in a continuous and efficient manner, about the responsibilities of the tax authorities and its effect on the behaviour taxpayers. Receiving assistance and information in a timely and appropriate manner is part of an effective tax administration.

2.1.3 Fiscally Responsible Citizenship

Fiscal education is the strategy of choice in forming a tax culture based on the concept of responsible fiscal citizenship. For this reason modern tax administrations have made tax education programs a priority in recent years. Administrators have proposed to implement training programs for citizens concerning their commitment to society, ability to exercise their rights and to meet their tax obligations. It aims at promoting tax compliance as an ethical value as well as awareness that tax evasion has harmful consequences for society.

2.1.4 Institutional Strengthening

All of the actions enumerated above cannot be operational without institutional strength to achieve management systems that allow human resources to recruit and keep the best people in public service. Providing Tax Administrations with public servants who are ethically and professionally qualified must be a long-term commitment of all countries. Hence it is important that tax institutions should have special laws for management of staff. Again the tax institutions should define the type of people who are required, selecting the best people, create an appropriate work environment and provide opportunities for development of staff will lower labour turnover in tax administration for efficient administration.

OECD advised that the documents forming OECD Tax guidance series need to be interpreted with a caveat in mind; that is, 'Each Revenue authority faces a varied environment within which they administer their taxation system. Jurisdictions differ in respect of their policy and legislative environment and their administrative practices and culture. As such, a standard approach to tax administration may be neither practical nor desirable in a particular instance.' (OECD, 2001). Consequently, care should always be taken when analyzing a country's practices to fully appreciate the complex factors that have shaped a particular approach.

2.1.5 Efficient methods of running strong taxation system

Tax administrators or authorities to be able to have an efficient tax system are advised to properly manage their relations with their taxpayers in proposing principles for tax administration considered 'Relationship' as a key tool in effective tax systems. A major challenge of revenue authorities is to be responsive to the individual circumstances of taxpayers while at the same time being consistent OECD (2001)

In addressing this challenge, the OCED report suggested that;

Revenue authorities are encouraged to apply tax laws in a fair, reliable and transparent manner; outline and communicate to taxpayers their rights and obligations as well as the available complaint procedures and redress mechanisms; consistently deliver quality information and treat inquiries, requests and appeals from taxpayers in an accurate and timely fashion; provide an accessible and dependable information service on taxpayers rights and obligations with respect to the law; ensure that compliance costs are kept at the minimum level necessary to achieve compliance with the tax laws; where appropriate, give taxpayers opportunities to comment on changes to administrative policies and procedures; use taxpayer information only to the extent permitted by law; develop and maintain good working relationships with client groups and the wider community

2.1.6 Administrative characteristics and Adapting to Changes

Additionally, it is suggested by OECD for adaptation the following administrative principles; Revenue authorities are encouraged to review administrative practices on an on-going basis and make recommendations and/or take actions appropriate to changes in the domestic and international taxation environment. This calls for increasing globalization of the world economy to ensure a prompt and effective exchange of information on changes in tax laws. Hasseldine (2007) explains in their report that, clearly no single country is able to exhibit an all-round excellence, but the message of their report was that there are certain fundamental characteristics within which tax administrations operate.

Dismissing tax policy design and complexity can be summarized as: A professional approach to internal management issues (HR; strategic planning)

Attention to cost efficiency and effectiveness, responsive engagement with all stakeholders,

successful introduction of technology applications, and understanding what drives taxpayers and tax agent behaviour ought to be given attention in tax administration. Informed responses to taxpayer behaviour, including the areas of enforcement and service provision, transparency of governance and detailed performance cannot be over emphasized in tax administration

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Table 2.1 Organization and operational practices

Organization and Management Tasks such as	Operational Tasks including
<p>Strategy and policy formulation</p> <p>Planning, budgeting, resource allocation</p> <p>Monitoring and evaluation</p> <p>Coordination</p> <p>Financial management</p> <p>Personnel management</p> <p>Information Technology Management</p> <p>Asset management</p> <p>Internal control Anti-corruption</p> <p>External relations</p>	<p>Registration of Taxpayers</p> <p>Taxpayer Services</p> <ul style="list-style-type: none"> • Taxpayer education: • Taxpayer assistance: • Facilitation of voluntary compliance: Processing of Declarations and Payments , Monitoring of tax with holders and collection agents, Collection of information about taxable transactions: • Collection of information from third parties. • Intelligence operations. • Search and seizure and survey operations to obtain incriminating evidence. <p>Risk analysis and selection of cases for audit and in vestigation. Audit and Investigation</p> <p>Recovery of Tax Arrears</p> <p>Legal and Judicial Matters:</p> <ul style="list-style-type: none"> • Legislation • Appeals • Prosecution <p>Fiscal studies</p>

Source: Adapted from Gill (2003)

2.2 Immovable Property Tax Administration

Almost all local Governments depend on property rates. Slack asserts that property taxes are the main source of revenue for many municipalities; in Canada, United States of America, Australia, and many countries (Slack 2015.) Immovable property tax are specially defined to encompass those taxes levied on both real and immovable property that are dependent on the value of the property itself (Cameron 2005). This assertion is a fact in Ghana.

2.2.1 Characteristics of Property Tax:

Slack (2015) in explaining property tax identified two unique characteristics that only applies to property taxation; there are visibility and local diversity. The former is the ability to raise property taxes is more constrained than with other taxes. Unlike the income tax, for example, which is deducted at source, the property tax is not withheld at source, and thus taxpayers tend to be very much aware of the property tax they pay and direct payment becomes difficult for people to do. The latter is the structure of property tax at local municipalities varies from local authority to the other since it is largely administered by local authorities at different jurisdiction. Property tax is not a single tax but rather a complex array of taxes with many local variations.

2.2.2 The Modern Theoretical Framework of Property Taxation

According to Cameron (2005), Economists have developed three principal principles under which the incidence of property taxation has been considered. Most importantly, each theory distinguishes between taxes on land and taxes on capital. The observation that a property tax may have a differential effect on land as opposed to other forms of capital results from the difference in elasticity of the supply of each item. Based on the assumption that the supply of land subject to taxation in a given jurisdiction is fixed, the 'Traditional view' suggests that taxes on land will be borne by users of land, which is the owners of the land.

2.3 Evolution of Property Rate in Ghana.

Available records have it that in 1858, the then governor of the Gold Coast, Governor Pine approved an ordinance which established the Municipal Council at Cape Coast, the then capital of Gold Coast. This led to the levying of rates of one shilling per building. This approval led to the replacement of the poll tax which paid per head. Initially property tax was limited to Accra; however, it extended to Cape Coast by proclamation in 1905. At that time the colonial government was authorized to collect house rent without any proper basis of assessment. The tax was introduced in Kumasi in 1928. In 1929 the Public Health Board was set up in Kumasi and it was levying a house tax for local finance of projects.

In 1932 a local tax known as the 'tribute tax' was introduced. In 1935 the native authority was passed but nothing was said about land taxation. All the taxes aforementioned didn't have basis for their implementation. These taxes which otherwise replaced one another was replaced with a more structured property tax law.

In 1946, a coherent statutory basis of assessment was introduced but was passed in 1951; the Local Government Act, 1951(Cap 64) which empowered the municipalities to levy rates on immovable properties. In the same year, 1951, upon the recommendation of the Coussey Commission the Local Government Ordinance, 1951 (No. 20) was passed. This established some urban and local council in the medium size towns. The report of the commission stipulated that the councils should levy a rate of uniform amount per pound on the assessed value of immovable property situated within their area of jurisdiction.

The mode of assessment of the rates all these years was on the number of windows to a house. So that invariably a bigger house was likely to attract more tax than a smaller house. The Local Government Ordinance, 1951 (No. 20) was replaced with the Local Government Immovable Property Rate Regulation in 1954. It was passed establishing the replacement cost as the basis of assessing property rates. The basis of assessment was discriminatory and hence did not pass the requirement for a good tax. Before 1954 there was a distinct dual practice of rating. The Municipalities levied the rates upon the annual basis of fixed rate payment while the urban and the local councils had theirs on the replacement cost of immovable properties. The annual basis was based on the annual income from the

immoveable properties while Replacement Cost is the cost of the property as new, less depreciation.

After a careful study, the government of the Gold Coast decided to seek an expert advice from the United Nations (UN) in 1956 because the basis of the Gold Coast taxation was not uniform, inapplicable and unacceptable. In response a UN expert in valuation and rating, Dr. J.F.N Murray was commissioned by the Technical Assistant Administration of the United Nations to undertake an overall survey of real estate valuation in the country, and to make recommendations as to how uniformity in valuation of properties for rating purposes could be achieved having regard to the conditions and propose a suitable basis for taxation.

2.3.1 Details of Murray's Report

Murray submitted his report in 1958 in which he denounced the use of the Annual Value method and proposed the use of the replacement cost method. His bases for denouncing the Annual Value method were as follows:

- a) The Method was a disincentive to highest and best use of land.
- b) It was not applicable to certain categories of properties, such as churches, schools, stadia, etc, for which no annual income (or annual rent) could be assessed.
- c) The market was inarticulate in that some of the rents were still under the Rent Control Ordinance (No 2 of 1952) notwithstanding the fact that others were not controlled.
- d) At the time of use, there were inadequate Valuers. Even with the few who were present, they were not competent enough to use the annual basis of assessment.

On the other hand he recommended the use of the replacement cost for the following reasons:

- a. It is simple.
- b. The issue of title and boundaries is largely irrelevant.
- c. It had a uniform application and as a result could be applied to all properties in the country.

Disadvantages of the Replacement cost method of property rate assessment.

- a. The cost method presumptuously equates cost to value, which is not usually true.

- b. The cost method relegates the issue of planning and building permits.
- c. The interplay of demand and supply is irrelevant in the use of the cost method.
- d. The method is premised on '*rebus sic stantibus*' ignoring the proceeds from the property.

Criticism of Murray's report: One reason for making the Replacement cost method the preferred choice was because the issue of title and boundaries were largely irrelevant. However, issue of title and boundaries are paramount in Ghana today. Irrespective of the fact that title is crucial in the determination of value today, the Local government Act 1993 (Act 462) still recommends the use of Depreciated Replacement as the only method for rating purposes Ghana. In Ghana the District Assembly is the Rating Authority per the above Act.

2.3.2 Property Taxation

Property tax is the primary source of local government revenue. The statistics show that it is the single most important tax. This is in conformity with the primacy of that tax in many cities and towns throughout the world. However, it is not the highest contributor to total receipt in Kumasi. This position is occupied by market tolls. The major reason accounting for this is the difficulty associated with administering that tax in the Kumasi Metropolis- (Kessey and Gunter Kroes, 1992). Property taxation may be grouped into three main categories. These are acquisition, realization and holding.

Acquisition taxes are those that are paid by land owners for the acquisition and subsequent development of the said land. Examples are the estate duty, gift tax.

Holding taxes are those taxes that are levied by virtue of ownership and possession of the land. For instance rent tax and the property rate.

Realization taxes are charged for the change of ownership of landed properties as a result of a sale or lease. An example is the capital gains tax.

2.3.3 Other Sources of Local Government Revenue

The other sources of local revenue apart from the property tax as discussed by Kessey and Gunter Kroes are the following;

2.3.3.1 Fees, Charges and Fines

They constitute the main nontax sources of revenue in the Metropolis from which market tolls are most prominent. Generally, the factors which influence the importance of market tolls in local revenue generation include the following:

- ❖ The frequency of the marketing activities- that is whether the market runs on daily, weekly or monthly basis. The more frequent the cycle the better it is for the locality revenue generation-wise.
- ❖ The total number of viable markets in the locality counts towards their contribution to total local receipts
- ❖ The level of capital investment in the physical structures in the markets. That is, the type of materials used for the construction of the stores.

In sum, the revenue that could be generated from a market is a function of its local resource base, the quality of the structures, its sphere of influence, the level of rates charged and the methods of collecting them (Kessey and Gunter Kroes, 1992)

2.3.3.2 Interest, Rent and Profits

Generally, interest on fixed bank deposit, rents- generated from immovable property owned by localities- and profits on commercial ventures are not significant contributors to local receipts. For one thing the asset portfolio arrangements of the localities do not give priority to investments in bonds and fixed bank deposits and for another their commercial ventures are usually unproductive (Kessey and Gunter Kroes, 1992)

2.3.3.3 Grants

The districts in Ghana receive grants from the central government for financing various budgeted items. The grants are next to market revenues in terms of contributions to total receipts in Kumasi. Unfortunately, about 90 percent of the grants is specifically for the payment of wages and salaries. This observation raises a lot of questions on the role of grants in the local development process in Ghana (Kessey and Gunter Kroes, 1992). The above are the other sources of revenue by the Assembly, however this research work is interested in property taxation.

2.3.4 Current method of Property Rate in Ghana

Valuation for property rating was undertaken throughout the whole country in 1971. Since the coming into effect of Act 462, all local authority areas in Ghana became valuation areas. The current enactment on property rating in Ghana is the Local Government Act of 1993(Act 462). The current basis of the assessment of this tax is the replacement cost. In Ghana, the district assemblies are empowered by Section 94 of the Local Government Act, 1993 (Act 462) to be the rating authority and no other body other than the assembly can do this. In other words the District assembly shall be the sole authority responsible for levying rates.

Any property found within the jurisdiction of a particular district is obliged to pay the property tax which is assessed and published for the knowledge of all by the Assembly.

The act provides some exemptions of properties. These include:

- ❖ **Public Place of Worship:** Such premises should be exclusively used for this purpose. The major test here is that there should be free entry and exit for any person who wishes to be present. Thus the place should not restrict any person the right of entry and exit. But a residence of a pastor on the church premises is rateable since in this case it will be restricted to the pastor's family and friends behind doors closed to the public. According to Lord Morris the exemption of public religious worship involves the coming together for corporate worship or congregation or meeting or assembly of people and that the worship is in the a place which is open to all properly disposed persons who wish to be present (Blankson, 1995).
- ❖ **Cemeteries and burial grounds:** The owners of these are usually the Local Authority. Their exemption is usually therefore a matter of practical necessity. This means that royal mausoleums should be rated. But the fact is that no one has the moral justification to rate these premises (Blankson, 1995). Presently there are private cemeteries which were not so previously.

- ❖ **Charitable or Public Educational Institution:** Charitable purpose is not established if the purpose is the benefit of particular individuals or if the main purpose is the benefit of the members of the organization. But the fact that the members do not benefit incidentally is not critical. Therefore an institution which provides insurance cannot be said to be a charitable institution. Nevertheless if profit is an incidental one, then such an organization is qualified for exemption. The word charity as used here has four divisions;
- ❖ Trust for the relief of poverty, Trust for advancement of religion, Trust for the advancement of education and Trust for other purposes beneficial to the community.
- ❖ There is a distinction between ownership and purpose as well as between the carrying on of a profitable enterprise and that of a firm which private and profit oriented. With the educational institutions, the test still remains that it is the use to which the property is put which qualifies it for exemption and not just the general purpose for the institution. Thus a headmaster's dwelling accommodation attached to a school boarding house is considered as exempt if only the headmaster's residence is used in the discharge of his duties in providing proper domestic supervision of the people and not merely as a residential accommodation (Blankson, 1995).
- ❖ **Public Hospitals and Clinics:** Currently the orientation of hospitals and clinics has shifted from social welfare to business and professionals. This clearly shows that they have moved from a nonprofit operation system to a profit oriented one. Although the nature of their operations changed their tax exemption status did not change under the charitable operation of the previous statute. The requirement here is that the hospital or clinic should be used as public hospitals therefore in accordance with the interpretation of public as a place opened to all public disposed persons. There is no question as to whether it is publicly owned or privately owned. Consequently all private hospitals which are opened to the general public even if they operate for profit are exempt (Blankson, 1995).

- ❖ **v. Diplomatic Missions:** Diplomatic missions are exempt from the payment of property tax. This exemption are conferred on all diplomats and diplomatic agencies duly registered with foreign affairs. However, if there are premises owned by a diplomat for any purpose other than diplomatic missions such premises are rateable. (Blankson, 1995)

2.3.5 Method of Assessment by the Metropolitan and District Assemblies.

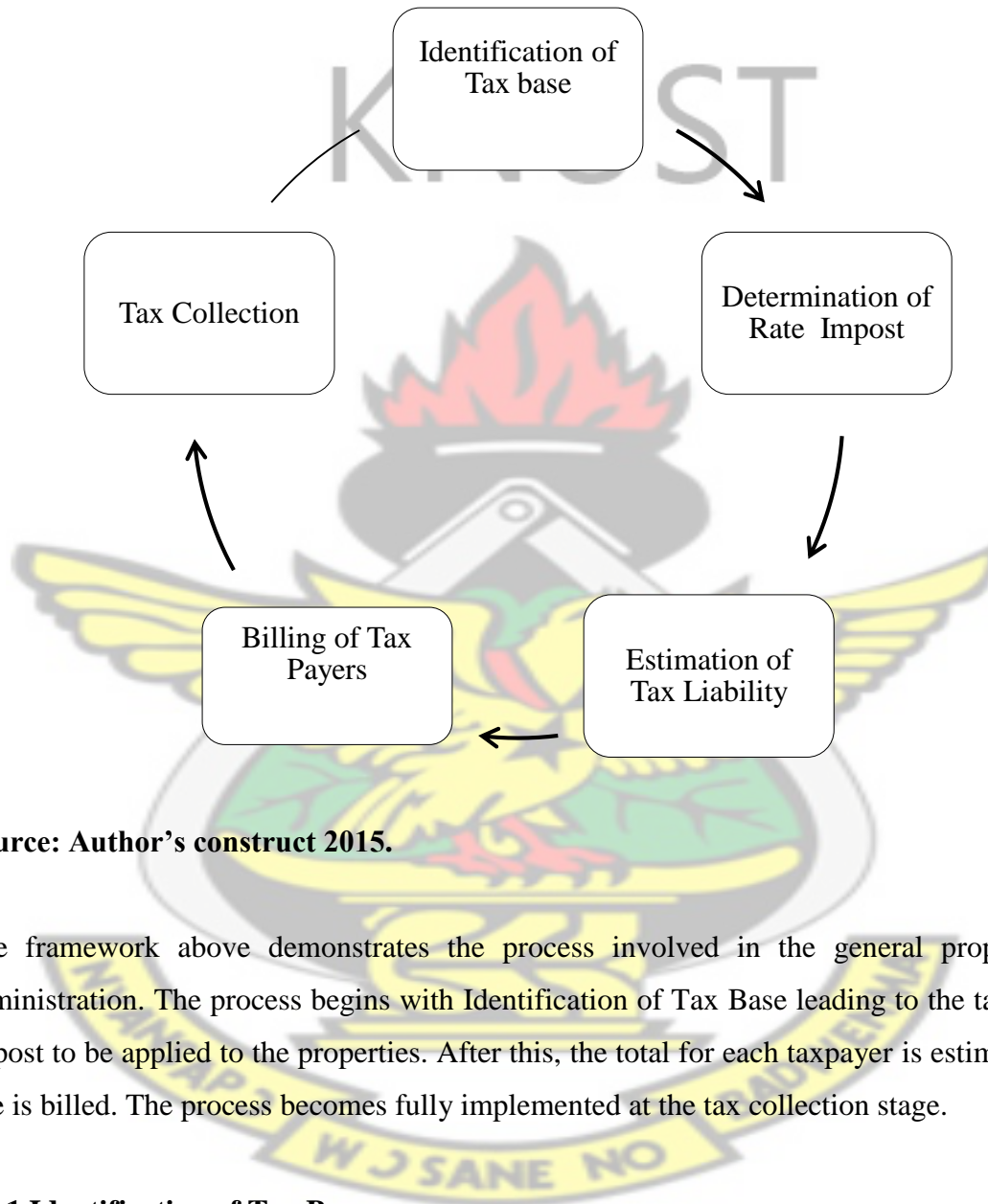
With introduction of decentralization as a local development paradigm in Ghana, revenue for financing the system at sub national level has become a daunting task. Notwithstanding the financial difficulties, the development system has brought to the fore many benefits in local governance (Kessey 2011). The basic Local Government Act 1993(Act 462) has given MMDAs authority to mobilize internal financial resources to support their operations. This has become a difficult assignment for the MMDAs as the process of revenue mobilization involves economic, social, political, institutional, administrative, technical and attitudinal issues. Ghana government in conjunction with donors, have made several efforts to address the challenge (Kessey 2001)

The Local government in Ghana indicates that,.....“the Minister shall in consultation with the Minister responsible for valuation cause to be determined by the authority for the time being responsible for public lands valuation, or by a valuer appointed by that authority the rateable value of premises for the purposes of this section, and may for that purpose cause a valuation list to be prepared for each district.” (Act 462 section 96 (8))

2.4 Conceptual Framework

Process Involved In Property Tax Administration In Ghana

Figure 2.1 Process of property tax administration



Source: Author's construct 2015.

The framework above demonstrates the process involved in the general property tax administration. The process begins with Identification of Tax Base leading to the tax or rate impost to be applied to the properties. After this, the total for each taxpayer is estimated and one is billed. The process becomes fully implemented at the tax collection stage.

2.4.1 Identification of Tax Base

Tax Base is defined by the financial dictionary as the assessed value of all the property within a taxing jurisdiction. Kelly (2000) explains that the property tax base under an ad valorem system is the total value of the properties that are defined as liable for taxation. The property tax base for an area-based tax would be the total area of property that is defined as

being taxable. Tax base refers to the measure or value upon which a tax is levied. Immovable property comprises a sizable tax base. Tax base thus defines the jurisdictional confines of the tax area; all properties within the category of taxation area. It is said that property rate can generate enough revenue because while the tax base may be inelastic between periodic revaluations, the tax rate can readily be adjusted favourably to raise the tax. Tax base involves identifying new buildings and their owners who are supposed to pay the rate.

According to Kessey and Kroes (1995) immovable property tax is assessed as (Taxbase x Taxrate = Tax Liability) per the above estimation principle, the tax base of tax district is very primary to the estimation of the immovable property tax. The tax base forms the first point of property tax assessment. Section 96 (3) of Local Government Act 1993 (Act 462) provides the scope of rating;

A general rate may be;

- (a) a rate payable by the owner of premises within the district on the rateable value of the premises; or
- (b) a rate assessed on the possessions, or any category of possessions of persons who reside within the district;

In addition to the aforementioned, Section 96 (9) of the Local Government Act 1993 (Act 462) states that;

‘... the rateable value of premises shall be the replacement cost of the buildings, structures and other development comprised in the premises after deducting the amount which it would cost at the time of valuation to restore the premises to a condition in which they would be as serviceable as they were when new; except that the rateable value shall not be more than fifty per cent of the replacement cost for the premises of an owner occupier and shall not be less than seventy-five per cent of the replacement cost in all other cases.’

2.4.2 Rate Impost Determination

Agudogo (1999) defined rate impost as the rate per cedi on a rateable value of a hereditament. Thus rate impost is calculated as a percentage in a cedi of a property’s rateable value. Prior to the determination of a rate impost, three key components are

considered; the anticipated total expenditure for the financial or budget year, anticipated revenue from all sources except revenue generated from the collection of property rate; and the total rateable value of all properties within the jurisdiction of the assembly attained from the valuation list. The Rate Impost for a jurisdiction is found by dividing the total estimated expenditure less total estimated revenue from non-property items over rateable values of all rateable properties in the district.

Thus,

$$\text{Tax Rate (Rate Impost)} = \frac{X - Y}{Z}$$

Where;

X = Total Estimated Expenditure of the District Assembly.

Y = Total Estimated revenue from non- property item

Z = Total Rateable Value of all rateable properties in the District

In Ghana, the Local Government Act 1993 (Act 462) provides in Section 96(6) that;

A general or special rate imposed on immovable property under this section shall be at a specified rate per cedi on the rateable value of the property but the amount per cedi shall vary as between specified areas of the district; except that within a mixed development area, the amount per cedi on rateable value shall vary in respect of property used for different purposes.

For that matter, Kessey explained that the assembly fixes different imposts for the various categories of properties. The Rate Impost assessed will serve as the benchmark for adjustments depending on the neighborhood of the premises (Kessey, 2007). The rate impost applied to a property is influenced by certain factors. First is the classification of the zone in which the property is situated.

The rating authorities zone the city into first, second and third classes, based on certain socio-economic considerations such as existing amenities. Another factor that determines a rate impost is the purpose for which the property is used: that includes, (but not limited) to residential, commercial, industrial or mixed use. The rate impost supposed to be determined yearly to reflect the current budget of the assembly. However the procedure is not followed due to lack of expertise.

2.4.3 Estimation of Tax Liability

The Property tax payable by a property owner is estimated after the rateable and the rate impost have been defined. Tax payable is therefore a product of the two. The rate impost is multiplied by the rateable value of an individual property to obtain the property rate payable of that property.

$$\text{Property Rate} = \text{Rate Impost} \times \text{Rateable Value}$$

The Local Government Act 1993, Act 462 defines rateable value as the replacement cost of a building structure and other developments comprised in the premises after deducting the amount which cost at the time valuation of valuation, to restore the premises to a condition in which they would be serviceable as they were new; provided the rateable value shall not be more than fifty percent (50%) of the replacement cost of the premises of an owner occupier and shall not be less than seventy-five percent (75%) of the replacement cost in other cases.

In Ghana, the responsibility of assessing rateable value of properties for taxation rests with the National Land Valuation Board of the Lands Commission. In parallel motion of performing duties, while the Assembly on one hand determines rate impost, the National Land Valuation Division estimates the rateable value. This division of service among the two bodies according to Kessey and Kroes (1999) does not augur well for smooth cooperation in property tax administration. Kessey and Kroes (1995) further argued that the assembly's inability to influence the activities of the board has resulted in a stockpile of properties awaiting valuation. In order to ensure each property is taxed the assembly has introduced flat taxes for unassessed properties which in some cases fall below the tax that would have been realized if the property was duly valued.

However the fact that property rate for unassessed properties could be lower due the adoption of flat rates rather than when assessed as asserted by Kessy and Kroes (1995) though very admittedly, the vice-versa scenario where the property rate for unassessed properties could be high is equally probable. Besides the flat rates adopted by the assemblies for unassessed properties are illegal as there is no legal basis for such collections.

The local government in Ghana states that; ... the rateable value shall not be more than fifty (50%) of the replacement cost of the premises of an owner occupier. It is difficult to

determine an owner occupier in our part of the world. This is because title to land is very rare and so anybody occupying the premises could pose as an owner of the property (Local Government Act 1993 (Act 462))

2.4.4 Billing of tax payers

When the valuation list is submitted at the Metropolitan Assembly and it is published, the property rates payable by rate owners are ascertained.

Section 97 of the Local Government Act 1993 (Act 462) provides that; a rate shall be deemed to have been made and levied by the publication, in pursuance of a resolution of the rating authority in that behalf of a notice in the manner for the time being prescribed by regulations made under section 158 of this Act. The Metropolitan Assembly brings to the notice of tax payers by serving demand notice on persons liable to pay property rates informing them of the amount of property rate due their property for payment, also specifying the place, the date and time for payment.

Section 98 of the Local Government Act 1993 (Act 462) provides that when a rating authority has given notice of a rate in accordance with section 97 of this Act, it shall be the duty of every person liable to pay the rate, to pay the amount to a rate collector or other person duly appointed or authorized by the District Assembly concerned to collect and receive the rate at the time and place specified by the rating authority.

Publications are made in local news outlets to bring to local folks the rates of individual localities and properties.

Some taxpayers upon knowledge of the tax or rate due his property, may challenge the amount of tax, the review procedure for objection to the valuation list and its correction takes into consideration the fact that the assessment procedure may be unfair to somebody and therefore in Ghana the Immovable Property Rate Regulations has made provision for such a person to seek rectification. Section 103 of the Local Government Act 1993 (Act 462) provides as follows the procedure for which an aggrieved person can have a redress;

- 1) There shall be a Rate Assessment Committee for every District, to be appointed by the Regional Minister on the recommendation of the District Assembly concerned.
- 2) The Rate Assessment Committee shall consist of a chairman and four other persons.

- 3) A person aggrieved by a valuation of the valuation authority or the valuer under subsection (8) of section 96 or by a rate imposed on his premises by a rating authority may apply for a review to the Rate Assessment Committee.
- 4) The Rate Assessment Committee shall notify the rating authority of its decision.
- 5) Any person or rating authority aggrieved by a decision of a Rate Assessment Committee may appeal to the High Court.

2.4.5 Revenue Collection

The collection of property rates in Ghana is the sole responsibility of the Metropolitan Assembly. After the property rates payable by rate owners have been ascertained, the Assembly takes full control of the collection of the rates by authorizing suitable persons (rate collectors) to collect these rates. It is provided in Section 111 (2) of the Local Government Act 1993, (462) that; a District Assembly may in writing, authorize any suitable person, in respect of a specified area of the District in this Act referred to as a "rate collector" to collect rates.

The rate collectors visit the properties within the jurisdiction of the Assembly to collect the rates. The rate of visit is determined by the Assembly in question. Collection entails the mechanism put in place to ensure effective and efficient collection of the revenue i.e. staff and logistics. This aspect of tax administration is very important because the quantum of revenue that may be realized depends very much on the collection procedure.

Tools for Property Rating include; Land Register, Cadastral, Master Plan, Divisional Plans, Block Plans, Field Notebook, Property Record Sheets, Valuation List, (Kuusaana 2013).

The Local Government Act 1993 makes provision for the enforcement of the payment of property rates. Property rate defaulters in the district must be made to honour their tax liabilities. Measures are therefore put in place to compel defaulters to honour their tax liabilities, for example in Ghana through prosecution, which indirectly deter others from non-compliance.

2.4.5.1 Liability for Non-Payment of property rate

Like every other law, there are reprimanding provisions to check its enforceability. The Local Government Act, 1993 (Act 462) prescribes in section 106 the procedure for dealing with defaulters;

- 1) If the amount of the general or special rate due in respect of any premises is not paid within the period of forty-two days as provided in section 104 of 1993 Act (Act 462), the District Assembly may apply to a court for an order for the sale of the premises.
- 2) If the court is satisfied, after hearing a representative of the District Assembly evidential proof, the court may order for a sale of that property to defray the rate payable.
- 3) Premises ordered to be sold to defray the amount of the rate due shall be sold under the direction of the person authorized by the court.
- 4) If at any time during proceedings before the sale of the premises payment of the amount of the rate due and of all expenses properly incurred is made, all further proceedings shall cease.
- 5) If no payment is made, and the premises are actually sold, and the sale becomes absolute under subsection (3) of this section, the court shall grant a certificate to the person who was declared the purchaser at the sale to the effect that he has purchased the premises under this Act.

The Act however is silent on the punishment of property rate collectors who decide to defraud the state and abscond with state money. Although the Act spells out clear punishments for defaulters of property rate, the assembly still leaves much to be desired.

2.5 Conclusion

From the literature that has been reviewed so far it is evident that immovable taxation has a long history in Ghana's governance system. For that reason, it has gone through different legal and legislative instrument. These instruments have consequently affected the administration the tax.

The current act which is going to be the source of reference for this research is the Local Government Act 1993, (Act 462).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter brings forth the methodological issues related to this research study. It seeks to explain the strategy employed in this study to obtain answers to the research questions posed in chapter one. It is important to identify clearly the methodological issues for this to make the study acceptable scientifically. The chapter also covers the sampling, instrumentation, data collection and analysis procedure.

3.1 Research Design

Research design is a complete overview of the entire approach to research. This covers a subset of methodology which is more specific and detailed.

3.1.1 Methodology

The research methodology suitable for the study has been assessed to be case study because the subject under study required an in depth opinion from respondent through methods such as questionnaire administration, interviews or focus group discussions. Considering the nature of the study, qualitative research is appropriate in analyzing relevant issues.

Methodology is generally used to refer to the general approach to empirical research on a particular issue(s). Buckley and Chiang (1998) also define it as the strategy or architectural design by which the researcher maps out an approach to problem-finding or problem solving. According to Hart “methodology is a system of methods and rules to facilitate the collection and analysis of data. It provides the starting point for choosing an approach made up of theories, ideas, concepts and definitions of the issues under study, it is therefore the basis of a critical activity consisting of making choices about the nature and character of the social world (assumptions). This should not be confused with techniques of research: the application of methodology” (Hart, 1998).

From the various definitions, it can be deduced that methodology defines the theory underlying the research process, providing the guiding principles for determining, among other things, how to choose the techniques used for gathering evidence and why. As Cull

and Chapman (2000) expresses, it is important to base a choice of methodology, not on any preference for a given methodology but rather on the ability of the methodology to adequately meet the research objectives and questions set out.

3.2.1 Research Approach

Research can be classified in many ways, however Myers (1997) notes that the most common classification is according to the research design (between qualitative and quantitative research designs). In terms of the research design, this study employs the mixed research design (a combination of qualitative and quantitative designs). Fryer (1991) noted that qualitative researchers aim to decode, describe, analyze and interpret accurately the meaning of a phenomenon happening in their customary social contexts. Contrary to the quantitative method, qualitative approach generates verbal information rather than numerical values (Polgar & Thomas, 1995) Qualitative studies employ content or holistic analysis and inductive reasoning to explain and comprehend the research questions.

The emphasis of quantitative research, on the other hand is on definition of models, collecting and analyzing numerical data. The quantitative research method assumes that measurement is valid, reliable and could produce expected results for decision making be generalized. It anticipates cause and effect (Cassell & Symon, 1994). Being particularistic and deductive in nature, quantitative method is dependent on the formulation of a research hypothesis and assessing them empirically using a specific set of data (Frankfort-Nachmias & Nachmias, 1992). The strength of the quantitative research design lies in its ability to collect broad structured information, in the form of numerical data, allowing researchers to measure and compare variations between cases (Seale, 2004). It allows researchers to feel confident about the representativeness of a sample for broader inferences using statistical procedures (Silverman, 2005).

Units are the ways that variables are classified. These include: individuals, groups, social interactions and objects. The mixed methods approach as proposed by Tashakkori and Teddlie (2003) is the third class of research methodology. According to them, mixed methods designs incorporate techniques from both the quantitative and qualitative research traditions in unique ways to answer research questions that could not be answered in any other way. This type of methodology is advocated by Neo pragmatists who encourage its use

in order to avoid being constrained by a single monolithic method (Maxcy, 2003). He argues that this is a pragmatic way of combining the strengths of both the quantitative and qualitative approaches. This is precisely why this approach was chosen for the study, because it afforded the researcher the advantages of both approaches. This combination was deemed necessary to achieve the research objectives.

3.2.2 Research Strategy

Bryman (2008) describes research strategy as “a general orientation to the conduct of research” According to Robson (1993) there are three traditional research strategies namely; experimentation, case study and survey. Out of these strategies, the case study and the survey strategy were chosen for this study. This was based on a comparison of the various strategies suitability for answering the research questions as recommended by Yin (2003b).

The case study method on the other hand is an “empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2003b, p. 13). These characteristics make it well suited for technically distinctive situations especially because it relies on multiple sources of evidence and benefits from prior development of theoretical propositions to guide data collection and analysis Yin (2003b).

Concerning the survey strategy, Kelley et al. (2003) explain it as the collection of data from a large sample of respondents from a predetermined population so as to make inferences about the population. They observe that this is usually, but not necessarily done through questionnaires and interviews. Thus it allows for the collection of a large amount of data from a sizeable population in a highly economical way. An important defining characteristic according to Descombe (1998) is that it provides a snapshot of a phenomenon at a particular time. This strategy does not attempt to control conditions or to manipulate variables; it does not allocate participants into groups or vary the treatment they receive (Kelley, Clark, Brown, & Sitzia, 2003).

As already indicated, the survey strategy was deemed most appropriate to answer the research questions, especially because it allowed for collection of data from a large percentage of the research population.

3.3 Data Sources and Collection Methods

3.3.1 Sources of Data

Data will collectively be gathered from both primary and secondary sources. In the quest to investigate how property rates are administered, this study employed secondary sources of data in the form of legal and administrative documentations and provisions regulating the assessment, imposition and collection of property rates in Ghana. These sources were chosen because they contain details of how the holistic administration of property rates is to be carried out. General information on comparative property administration systems worldwide is analyzed in the form of literature review. In addition to the secondary data, primary data will be garnered through semi-structured interviews of property rates

3.3.2 Types of Data

Data will be gathered through the form of qualitative and quantitative approaches. Qualitative data is in the form of observation and description (words) while the quantitative data will take the form of numbers which yield more objective and accurate information. The research thrives on both primary and secondary sources. Primary data was garnered from the case study or the field survey.

Secondary data are sources of information that are collected by a person or organization other than the users of the data; however, it can be relevant to the studied problem (Saunders et al., 2009). Secondary data sources included the review of related literature, books, journal articles which are related to the subject matter under study.

3.3.5 Methods of Data Collection

The research adopts the administration of both questionnaires and interview guide as data collection tools. The literature on property tax administration will serve as a source of questions for the interviews and the questionnaire in order to juxtapose with the reality what is the proper mode of property tax administration. The data collection instruments that were employed for the study include the use of semi structured institutional questionnaires, observation and interviews.

With the Interview, the researcher seeks to have one-on-one interviews with the principal administrators directly associated with property tax administration both at the assembly level and the lands commission.

The questionnaire will be composed of both open-ended and close-ended questions. With the close-ended questionnaire, the researcher provides questions with exhaustive list of answers to enhance appropriate choice. The open-ended questionnaire however, only provides questions without answers in order to get divergent and distinct views and opinions of respondents.

3.3.6 Data Validity and Reliability

Joppe defines reliability as: ‘The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered as being reliable and consistent. Validity determines whether the research truly measures that which it was intended to measure or how acceptable the research results are. (Joppe, 2000). This research passed the test of validity and reliability as the questions raised with respect to the set objectives were measured. The information gathered were reliable

3.3.7 Data Analysis

Data gathered from the survey will be analyzed using simple statistical methods with the help of the Statistical Package for Social Sciences (SPSS) and Microsoft Excel to translate relevant portions of the data into tables and figures to vividly give a pictorial description of the issues on the ground. However an interpretational addition to the statistical diagrams and tables will be followed to give explanatory meaning to them. This eventually will lead to the meaningful drawing of inferences and conclusions leading to the realization of the research objectives. These were achieved.

Content analysis of the answers to the questions in the questionnaires administered will also be done. A content analysis according to Patton (2002) is “any qualitative data reduction and sense making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings.” This process draws out the core meanings, patterns and themes

in data. Descriptive analysis approach will be used to analyze qualitative data gathered from the field survey. Most of the open ended questions will be analyzed by the content analysis form.

3.4 Population, Sampling Technique and Sample Size

A non-probabilistic research approach is used for this research work because not all properties within the selected neighbourhood have equal chance of being selected. Uncompleted and unoccupied properties were not part of the universe. Purposive sampling technique would be used for this research work. Properties as people relevant to this study were considered.

Other stakeholders were management and staff of Kumasi Metropolitan Assembly (KMA) and Rating section; Lands Valuation Division (LVD) of Lands Commission. In carrying out the study, the purposive sampling method was employed in the selection of staff from the Kumasi Metropolitan Assembly and staff from the Lands commission (valuation division). In all, the Heads of the Budget Office, Property section and the Metropolitan Finance Office of KMA were interviewed. Questionnaires were administered to property tax collectors of KMA. Also the head of the Rating section of LVD was interviewed.

Another dimension of the target population is the cross section of the public or residents within the jurisdiction of KMA that pay property rate. The selection of areas to be sampled is purposively done as the study concentrated on first class residential areas. For the relevance of this study, first class residential areas will be limited to the definition as implied by the Kumasi Metropolitan Assembly. Ahodwo has been selected to be the focus of this study. The use of questionnaire was employed purposively to obtain data from the respondents, owners and occupiers of properties. The target population which comprise of properties is in a total of 245. A sample size of 111 was chosen, with a 7% margin of error. Questionnaires were sent to these respondents of which an eighty percent (80%) response rate was obtained.

3.5 Overview of the Targeted Population

It is important to note that property tax is collected from every household that finds itself within the jurisdiction of Ghana. The Local Government Act 1993, (Act 462), mandates the

assemblies to collect property rates from houses within the Assemblies' enclave. The target population consists of the Kumasi metropolitan Assembly as the Universal institutional respondent and the first class residential areas specifically (Ahodwo) were purposively selected for their contribution to immovable property tax in the Kumasi metropolis. In order to provide a backdrop for the discussion of the sample selection process, an overview of the targeted population is provided in the next section.

The main purpose of property tax collection is to generate money for the Assemblies to undertake developmental projects in their respective metropolis. This has become necessary due to the insufficiency external fund such as District Assembly's Common Fund to fully cater for the Assembly's activities. This is widely and internationally accepted as the best means of generating revenue to fund local developments. Property rate is collected from every Ghanaian immovable owner. Realistically and practically, property rates are better paid by residents of residential area classified areas. By virtue of the fact that first class residential areas are more responsible with regards to paying property rates. This is partly attributable to the literacy rate and knowledge of the law. Thus examining the efficiency and effectiveness of property rate administration at these areas was appropriate..

3.6 Profile of Kumasi Metropolitan Assembly

The city of Kumasi Metropolis was founded in the 1680's by King Osei Tutu I to serve as the capital of the Asante State (Fynn, 1971). Given its strategic location and political dominance, Kumasi developed into a major commercial center with all major trade routes converging on it. (Dickson, 1969). However, it came under the influence of the British rule in 1890 (Adu Boahen, 1965). With time the city began to expand and grow thereby making it second only to Accra in terms of land area, population size, social life and economic activity. Its strategic location has also endowed it with the status of the principal transport terminal and has assured its pivotal role in the vast and profitable distribution of goods in the country and beyond. Simply put it is a capital of Ghana.

Kumasi is located in the transitional forest zone and is about 270km north of the national capital, Accra. It is between latitude 6.35o – 6.40o and longitude 1.30o – 1.35o, an elevation which ranges between 250 – 300 metres above sea level with an area of about 254 square kilometres. The unique centrality of the city as a traversing point from all parts of the

country makes it a special terminus for many to migrate. The metropolitan area shares boundaries with Kwabre East District to the north, Atwima District to the west, Ejisu-Juaben Municipal to the east and Bosomtwe to the south. Its former beautiful layout and greenery accorded it the accolade of being the “Garden City of West Africa”. From the three communities of Adum, Krobo and Bompata, it has grown in a concentric form to cover an area of approximately ten (10) kilometers in radius. The direction of growth was originally along the arterial roads due to the accessibility they offered resulting in a radial pattern of development.

The city population is rapidly growing with an annual growth rate of 5.47 per cent (Regional Statistical Office, Kumasi). It encompasses about 90 suburbs, many of which were absorbed into it as a result of the process of growth and physical expansion. The 2000 Population Census kept the population at 2,098,000. It was however projected to 1,610,867 in 2006 and has further been projected to be 1,889,934 by 2009 (<http://www.kma.ghanadistricts.gov.gh/>).

The figure below shows the map of the targeted population. The areas curved out of the map are first Class Residential neighbourhood with Ahodwo as the focus area for this research.

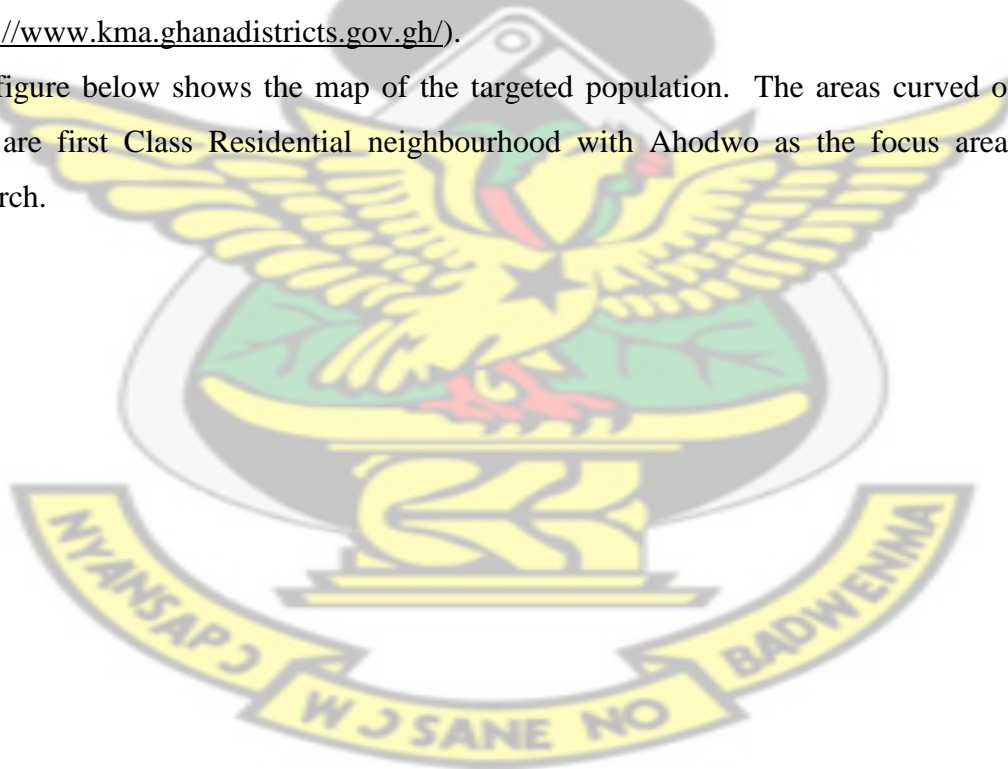
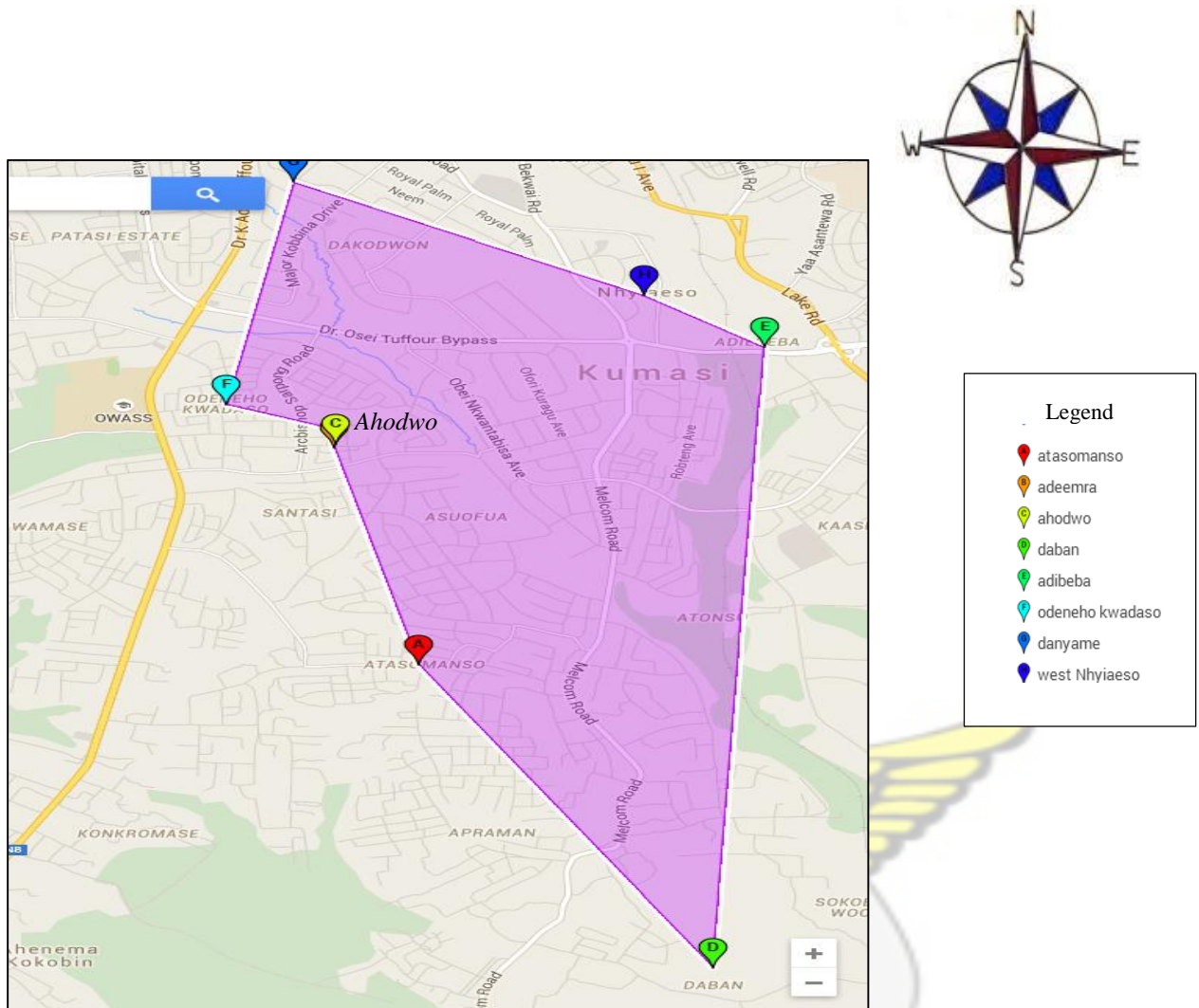


Figure 3.1 Map of First class Residential areas in KMA



Scale 1:100,000

Source: KMA Database

3.8 Summary of Chapter

From the discussion in this chapter, it could be deduced that the choice quantitative and qualitative methodology is very essential for ensuring that the research objectives are met and research questions posed are answered appropriately. Questionnaires and interviews were administered. The questions sought, among others, to inquire about who the ratepayers are, the extent to which they are involved in rates determination, their methods of rate payment and their impressions on property rate as a form of tax.

CHAPTER FOUR

SURVEYS, ANALYSIS, AND DISCUSSIONS OF DATA

4.1 Introduction

The aim of this chapter is to present the findings that resulted from the data collection and exploitation of analytical methods, described in the previous chapter with Ahodwo, a first class neighbourhood as the study area. It covers analysis, on findings on the administration of property rate by Kumasi Metropolitan Assembly, the role of Land Valuation Division of Lands Commission and views on property tax administration from the taxpayers and revenue collectors. The results of the analysis of the data are discussed in the light of existing literature. This will allow valid conclusions to be reached and inferences made. The various analyses and discussions are organized according to the set objectives of the research.

4.1.1 Legal and Institutional Background

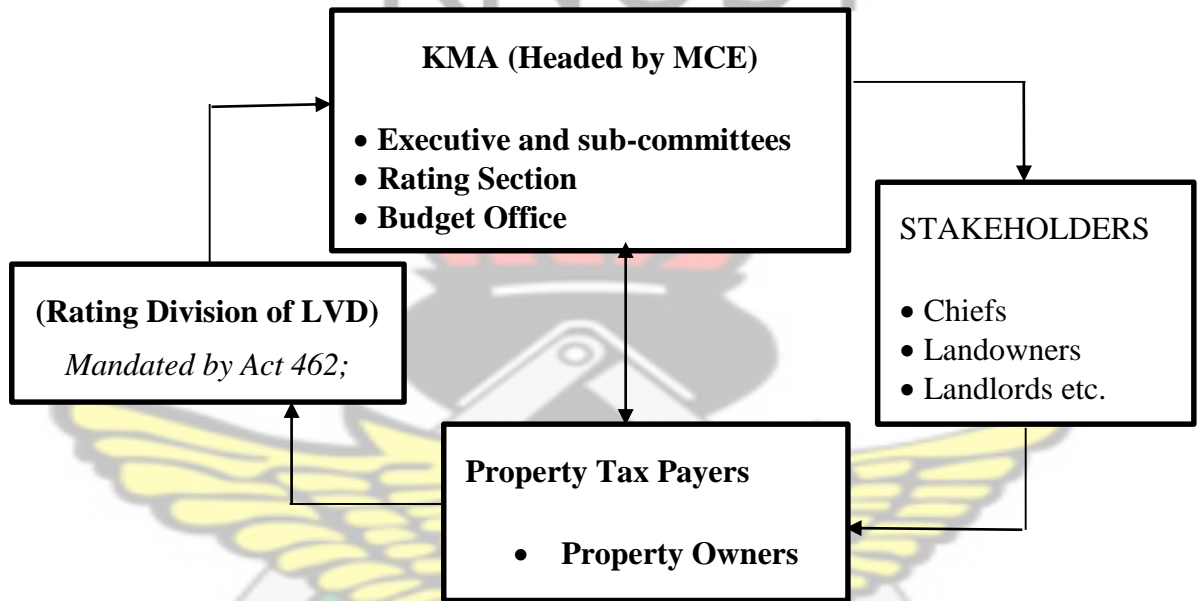
The Kumasi Metropolitan Assembly (KMA) by the Local Government Act 1992 (Act 462) has been mandated to administer property tax in the Kumasi Metropolis. The Assembly carries out its mandate of taxation together with the Lands Commission. The Rating Section of the Assembly liaises with the Rating Division of the Lands Valuation Division of the Lands Commission to obtain rateable value of properties. The KMA work hand in hand with Lands Valuation Division by creating the enabling environment for them to work...”

The property tax is ‘a major source of revenue to the Assembly. The Tax serves as a balancing factor; after incomes from other revenue sources are summed up, the property tax serves as that factor making up for the budget shortfall for the budget year. KMA performs its responsibility of administering property taxation with the participation of other bodies which together work hand in hand. There exists some form of relationship among these bodies. Available information per the KMA interview indicates that; the KMA, the Lands Valuation Division, Stake holders (Traditional Councils, MMDAs, Association of Landlords, etc.) and tax payers together form the institution responsible for the entire taxation process. Within the KMA, the various departments involved in property taxation

are; the Executive and the sub-committee, the Budget section, Rating section, Revenue office, and Tax collectors.

The frameworks, relational functions among these institutions and bodies have been illustrated in the figure 4.1 and table 4.1 below.

Figure 4.1: Hierarchy of institutional framework



Source: Authors construct, 2015

The figure above represents the various stakeholders and the institutional bodies that together form the administrative channels through which property tax in KMA is administered. The various bodies and groups have relations with one group or another. The table below shows the relationship linking these bodies and institutions.

Table 4.1 Relationship that exist between various institutions, bodies or groups

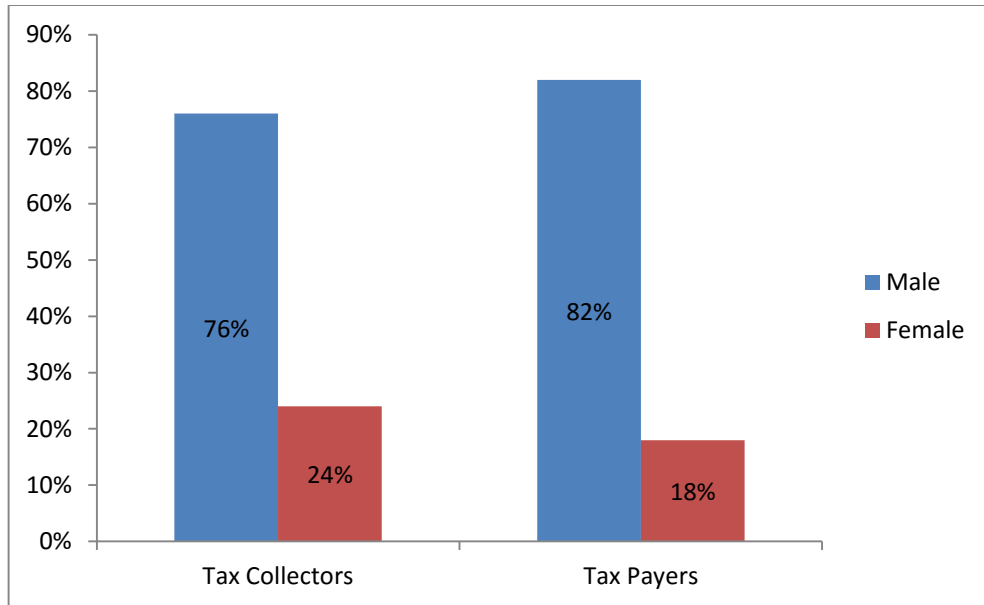
INSTITUTIONS/ GROUPS	KMA <ul style="list-style-type: none"> • Rating Division • Budget Section • Rate Collectors 	STAKEHOLDERS <ul style="list-style-type: none"> • Chiefs • Assembly members • Landlords
Lands Valuation Division Rating Division	<ul style="list-style-type: none"> • The LVD relates to KMA in the preparation of rateable values of properties in the first class residential areas. • The LVD analyses and submits the valuation register to the KMA. 	Makes enquires at the LVD as far as the value of their properties are concerned.
STAKEHOLDERS <ul style="list-style-type: none"> • Chiefs • Assembly members • Landlords 	The KMA relates to the stakeholders on; <ul style="list-style-type: none"> • Deliberations leading to the fixation of appropriate rate impost to be applied to the rateable values of the properties. 	Interaction among themselves as far as ownership of property is concerned.
Property Tax Payers <ul style="list-style-type: none"> • Property Owners 	The KMA through their tax collectors relates to the property owners in terms of tax collection.	The KMA/stakeholders bring to the notice of the property owners on the agreed tax burden for the year. That is the tax impost.

Source: Author's construct 2015

4.1.2 Demographic Data

The main respondents to the questionnaire were the tax collectors and tax payers. These respondents have been categorized according to gender. The figure below illustrates gender distribution of the respondents;

Figure 4.2 Gender Distributions of Respondents



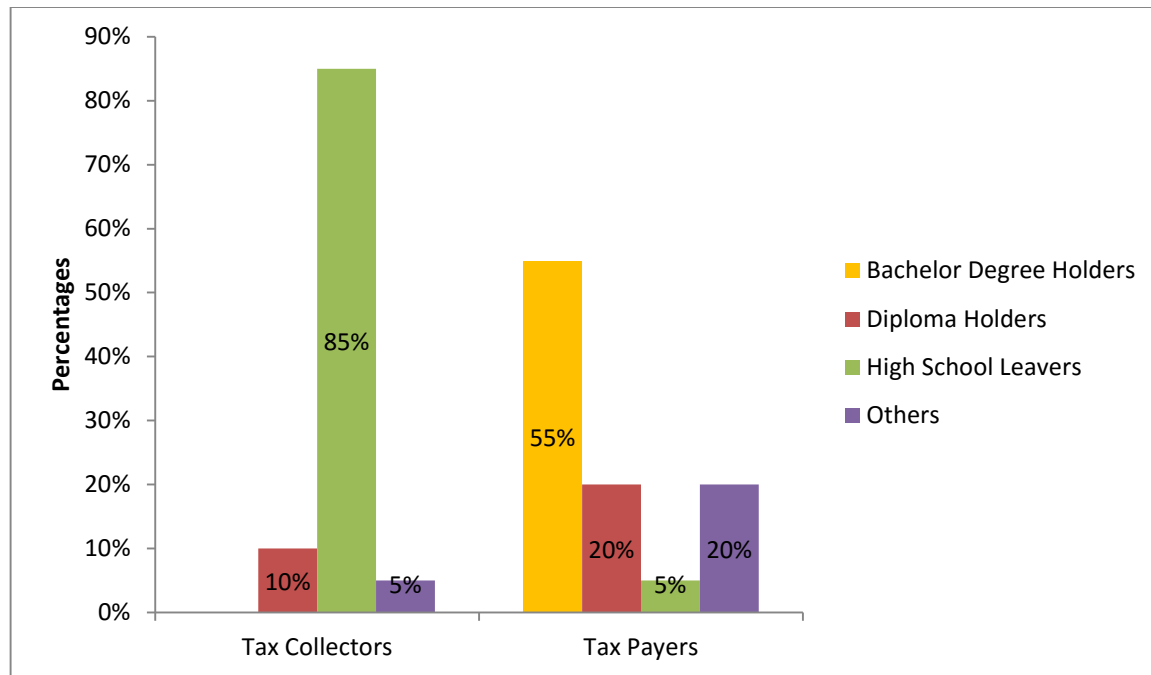
Source: Author's construct 2015

From the above figure, there are fewer females in both the collection and paying sectors. This is so because the nature of tax collection involves a stressful exercise which is disincentive to women. Again most of the tax payers who responded were males. This shows the pattern of property ownership in the Kumasi metropolis.

4.14 Educational Background

The level of education of respondents: Tax collectors have been classified as Diploma Holders, SHS leavers and Middle School Leaving Certificate Holders and Tax payers have also been classified as Degree Holders, Diploma Holders and SHS leavers. This is graphically presented in figure 4.3 below;

Figure 4.3 Educational backgrounds of Respondents



Source: Author's construct 2015

From the figure above about 85% of the tax collectors are SHS leavers, 10% are Diploma holders, and others included Middle School Leaving Certificate. Moreover none of the tax collectors was a graduate. About 55% of the tax payers were Degree holders, 20% were Diploma holders and 5% are SHS leavers. However, about 20% of the taxpayers are below the SHS level. The educational background of the collectors also contributes to the effective tax administration of the assembly.

4.1.3 Immovable Property Tax Mobilization

Immovable property tax contributes about 40 per cent of total local revenue of KMA. The tax is the highest contributor to local revenue. KMA however, is not able to raise enough revenue per its capacity.

The performance of KMA between 2010 and 2014 is presented in table 4.2 below;

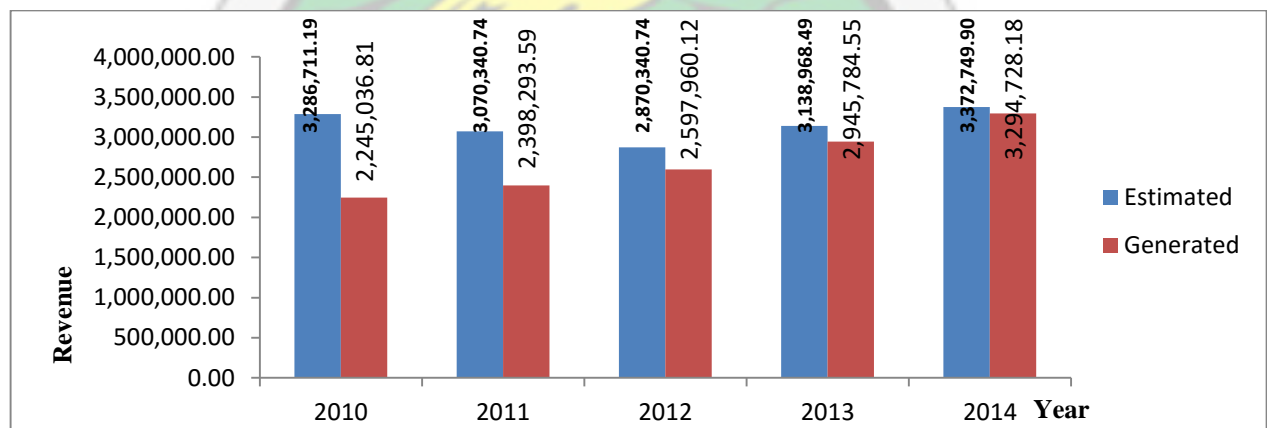
Table 4.2 Mobilization of immovable property tax (KMA)

Year	Estimates (GH¢)	Actuals (GH¢)	Outstanding (GH¢)	Achieved %	Outstanding %
2010	3,286,711.19	2,245,036.81	1,041,674.38	68.3%	31.7%
2011	3,070,340.74	2,398,293.59	672,047.15	78.1%	21.9%
2012	2,870,340.74	2,597,960.12	272,380.62	90.5%	9.5%
2013	3,138,968.49	2,945,784.55	193,183.94	93.8%	6.2%
2014	3,372,749.90	3,294,728.18	78,021.72	97.7%	2.3%
Total	3,147,822	2,696,361	451,462	85.7%	14.3%

Source: KMA Data base 2015

It can be seen in the table above that the KMA for the five year period; 2010 to 2015 has been able to maximize its actual revenue in relation to its budget. This is as a result of good administrative eg public education programmes all held from time to time. Percentage achieved is inversely proportional to percentage outstanding which is indicative of a positive performing system. KMA is thus putting corrective measures in place to avoid tax loopholes in property tax collection. A graphical presentation of these is shown in figure 4.4 below;

Figure 4.4 Property Rate Performance



Source: Author's construct 2015

The figure above shows the performance of property revenue in KMA. KMA is striving to achieve its target given the fact that revenue generated increases year after year though targeted revenue is not achieved.

4.1.4 Structure Property Tax Administration In KMA

The entire structure of property tax administration involves the process of identifying the tax base, determination of tax impost, estimation of tax liability, billing of tax payers and tax collection. Identification of tax base forms the basis or the first point upon which property taxes are estimated. The tax base comprise of the total taxable immovable properties within the tax jurisdiction. As such all taxable immovable properties in the first class residential area with Ahodwo as the focal point forms the tax base for the survey. Subsequent to the identification of the tax base, an estimation of the rateable value of the properties is undertaken by the Lands Valuation Division (LVD).

4.1.5.1 Rateable Values

The rateable value as explained by Lands Valuation Division (LVD), is an estimated value of a subject property as assessed by LVD on which rate impost are applied to arrive at the property tax liability. A valuation List as explained by him is a list of properties with their respective rateable values within an assembly area. The LVD after the preparation of the rateable value of properties within the Assembly's jurisdiction submits the list to KMA for the application of rate impost by the Assembly. The Assembly works hand in hand with the LVD to obtain the rateable values by creating an enabling environment; providing LVD with logistics and incentives for staff. The LVD (Rating Division) assesses the rateable values of properties using the Replacement cost approach / method of valuation. The valuation excludes Land values, however, all improvements on the land are considered. The Valuation is based on the cost of constructing the subject property less depreciation (i.e. how much it will cost to make the building new).

The valuation list needs to be constantly updated to conform to current rateable values of the properties as well as new properties which hither to where not part of the valuation list. According to both KMA and LVD, the last revaluation was done in 2005. Revaluation is the total valuation of the property as at the date of valuation. With revaluation, all properties within the rating area are valued to obtain current property values as at the date of valuation. An update was subsequently done in 2007 to prepare a valuation for all properties which were not part of the 2005 revaluation. The director of budget reiterated that, revaluation is difficult and expensive leading to the inability of the Assembly to undertake it as stipulated.

The Assembly works with the LVD on the revaluation exercise. All the cost of the revaluation is financed by the KMA. Cost includes logistics for the exercise, allowances for the staff, the length of time required for the exercise and many others. These factors enumerated above are the restraining factors that make revaluation difficult. The last revaluation exercise and the subsequent update was done 2005 and 2007 respectively. The overview of revaluation has been outlined in table 4.3 below

Table 4.3 Prospects of Revaluation

Revaluation Year	Benefits	Challenges Encountered
2005 A revaluation was undertaken. Properties were revalued.	<ul style="list-style-type: none"> • The Rateable value of properties increased by 4%. • New Properties were also valued leading to an increase in the tax generated. 	<ul style="list-style-type: none"> • Cost incurred; logistical cost, staff remuneration and allowances. • Delay in the exercise; due to legal requirements (the public must be notified within 21 days)
2007 New developments which were not already captured by the Assembly were considered	<ul style="list-style-type: none"> • Lapses in terms of tax evasion were reduced. • New properties were discovered. 	<ul style="list-style-type: none"> • Huge financial burden • Delay due to gazetting process

Source: Author's construct 2015

Estimation of Rate Impost comes after the completion of the valuation list is completed. That is the rate per cedi to apply to the rateable values to arrive at the rate payable.

4.1.5.2 Rate Impost

Rate Impost is determined by the assembly. This is done on annual basis theoretically. Practically however, the rate impost is sometimes maintained or remained constant for 2 to 3 years having due regard for prevailing economic conditions, ability and willingness of taxpayers to pay. The rate impost as defined by the Rating section of the assembly is the rate per cedi of the rateable values of the properties. The rate impost is normally fixed before the budget or sometimes is done concurrently. It undergoes a process before it is accepted and then becomes fixed. The Budget committee adopts the rate and presents it to the finance

sub-committee of the assembly. The sub-committee deliberates on the rate. It is then presented to the Executive committee.

At this stage various stakeholders such as traditional Authorities, Association of Landlords, etc. are invited to deliberate on the rate chosen. The Executive committee then presents the rate to the general assembly where the rate is debated, voted and accepted. The rate so accepted is then gazette. The process of fixing a rate impost is usually six (6) months. The whole process is sometimes delayed due the intentional act of Assembly members whose intention is to accumulate huge allowances by meeting so many times on the rate impost deliberations. The accepted rate is published in newspaper and pasted on the notice board of the KMA for public information. The sub-metro offices are also notified of the rate impost adopted for different uses of properties and also paste the rates on their notice board for public information. The rate impost is a rate fixed by the Assembly after the deliberation among the major stake holders. It is arrived at having due regard to developments and infrastructure within the neighbourhood of the taxation area. The use of the property determines the rate impost, thus a rate impost for first class residential properties are different from that of third class residential properties.

Below is a table showing rate impost for the year 2013; for different classes of Residential uses.

Table 4.4 Rate Impost 2013

RATE ZONE	PER CEDI VALUE (2013)
RESIDENTIAL	GH¢
1st Class	0.00098
2nd Class	0.0009
3rd Class	0.0008
Mixed Use	0.0124

Source: Adopted from KMA Data base

These classifications are done by the Town and Country Planning, a Government Institution mandated by law to do so. It is inferred from the above table that, the rate impost is fixed according to how the area is Zoned (i.e. 1st class, 2nd class etc.) and not the use of the

property. For residential uses, the impost for 1st class residential areas is higher than the 2nd class areas and in that other basically because of infrastructure and developments that has been provided within the neighbourhood.

Estimation of tax liability is undertaken by KMA after the rateable values of properties and rate impost have been completed. The rate impost multiplied by the rateable value forms the tax payable by tax payers. This is expressed mathematically as
Property tax liability = Rateable value * Rate Impost.

The assembly adopts flat rate for properties whose rateable values has not been assessed by the Lands Valuation Division (LVD). This usually occurs in the instance of new properties and redeveloped properties.

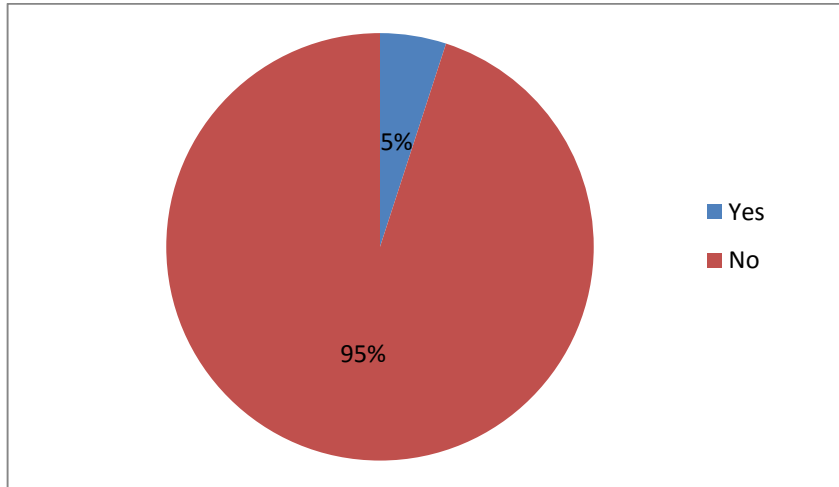
Billing of tax payers comes in the form of notices to the tax payers. Owners or occupiers of taxable property are notified of the property tax payable for the fiscal year. The notices normally referred to as demand notices are issued to the tax payers; owner occupiers and properties not occupied by owners. The demand notice for each property comprises of the assessed rateable value of the property and the rate impost fixed for the fiscal year. The amount of tax payable for that fiscal year is stated (that is the rateable value multiplied by the rate impost). If there are unpaid taxes or arrears from previous year(s), it is also stated and added to the current tax. The accumulated figure is the amount of tax payable. The tax payer has three (3) months within which to pay the property tax amount stated on the demand notice. The demand notices are physically given to the taxpayers by the tax collector. The Demand notice is also pasted on the notice board of KMA and the Sub-Metropolitan offices within KMA showcasing the individual property taxes for different locations.

4.1.6 Challenge to the amount of Immovable Property Tax Payable

After the demand notice have issued out, any aggrieved person on the amount of tax payable is required to submit their grievances to the KMA. The Rate Assessment Committee is tasked to handle complain to the amount of tax payable. The Rate Assessment Committee primarily determines the rateable values of the properties so assessed by the Lands Valuation Division (LVD). Any tax payer still not satisfied with the decision of the rate assessment committee must proceed to the High Court. From the field survey most tax

payers are discouraged by this procedure and this is statistically presented in the figure below;

Figure 4.5 challenge to the amount of tax



Source: Author's construct 2015

Per the responses of the taxpayers, it could be inferred that, limited number has concerns with rates. The field studies revealed that most of the property owners are more aware about who to complain to when they have challenges. However, they sometimes complain to the tax collectors who do not properly address their concerns. The few that are aware about feels it is cumbersome to go through the process for those grievances to be addressed and they prefer not to go through it at all. They therefore refuse to challenge the tax amount.

The process of challenging the amount of tax payable is strictly in accordance with section 103(3, 4, and5) of the local Government Act 1993 (Act 462);

“A person aggrieved by a valuation of the valuation authority or the valuer, or by a rate imposed on the premises of that person by a rating authority may apply for a review to the rate assessment committee. The rate assessment committee shall notify the rating authority of its decision. A person or a rating authority aggrieved by a decision of a rate assessment committee may further appeal to the High Court.”

4.1.7 Property Tax Collection in KMA; In-house and Outsourcing

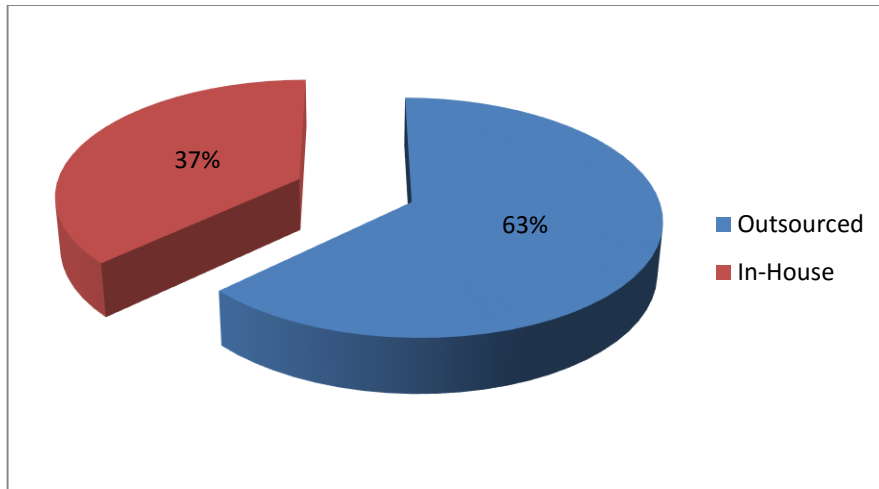
When the Assembly completes the billing exercise it initiates steps to collect the property taxes. The collection process is usually carried out alongside the billing process. KMA operates an In-House and Outsourcing approach to tax collection. The Assembly has its own staff at post at the Assembly and Sub-Metropolitan Assemblies for property rate collection. These collectors receive taxes from tax payers on behalf of the assembly. Receipts are issued to tax payers. The management of the in-house staff is fully catered for by the Assemblies. Most of the property tax collection is however predominantly undertaken through Outsourcing.

Outsourcing; KMA employs a third party company which takes care of collection of property taxes from individual property owners or establishments. The staffs that go round to collect the taxes are managed by the third party company; their emoluments, conditions of work are catered for by that company. The KMA do not have direct responsibility of collectors outsourced, It is the responsibility of the company outsourced to fully cater for such collectors. KMA has a contract with the outsourced company (third party Company) to only collect the property taxes on their behalf. KMA pays the third party based on their contractual agreement.

The In-House team however supervises and serves as a check on the performance of the third party company. A graphical presentation of property tax collection is illustrated in figure 4.7 below;



Figure 4.6 Pattern of Tax Collection



Source: Author's construct 2105.

The figure above shows that most of the collectors are outsourced. Administration of questionnaire was limited to the internal tax collection staff and management staff of KMA. Defining the relationship between the tax collectors and the tax payers is necessary for effective tax collection and also eliminate the abuse of powers especially on the part of tax collectors. KMA thus has defined tax collectors with the following task in dealing with tax payers; deliver demand notices, collect property taxes, friendly interaction with tax payers on daily basis, and take tax payer's concerns back to KMA for redress.

4.1.8 Target in Immovable Property Tax Collection

Tax collectors explained that this target is not dependent on the number of property within the area of taxation. Once the target amount given to collectors is achieved, irrespective of the number of properties outstanding, the Assembly is satisfied. Tax collectors further opined that within the budget year, they may not visit some properties primarily due to the fact that their target is not tied to the number of properties they can visit rather the amount of money they can garner. Thus, when their monetary target is achieved, they may not go to all properties. Another important issue is they delay by taxpayers in paying the rate due to unavailability of the tax collectors.

4.1.9 Efficiency of property taxes.

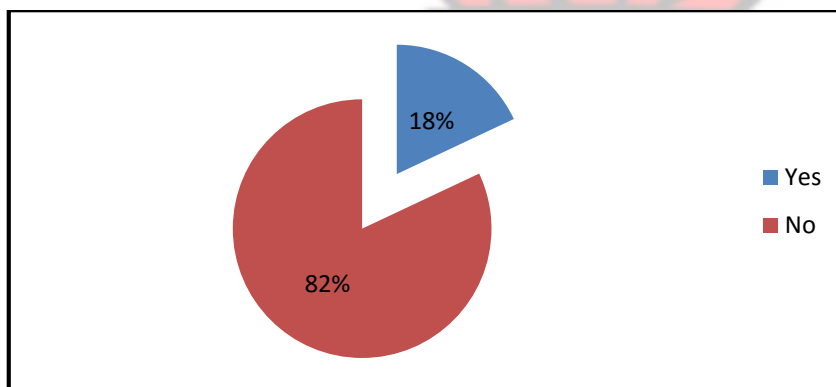
Property tax payers and tax collectors assess the performance of property tax administration based on factors given below;

4.1.9.1 Knowledge of the Uses of Immovable of Property Tax

Tax payers have various reasons for paying property tax aside the legal implications of non-payment of the property tax. The use to which their tax is put is another critical factor of consideration by tax payers in the payment of property tax.

The figure below shows tax payers knowledge of the use of the property tax or projects that have been undertaken with the use of property taxes.

Figure 4.7: Knowledge of the uses of property tax



Source: Author's construct 2015

From the survey, it could be said that most of the taxpayers are not aware of how the monies from property rate are used to their advantage. This is a single factor that accounts for evading of property rates within the study area.

4.1.9.2 Uses of immovable Property Tax

The Assembly through the use of property tax has undertaken the various projects in some areas. However projects were not sponsored by revenue from property rate alone. The Planning Division of the Assembly explained that amount of immovable property tax was insufficient to undertake the projects enumerated below.

Other sources of revenue from Internally Generated Fund (IGF) are used in addition to property rate revenue to finance the projects.

Table 4.5 Projects undertaken by KMA

Towns	Project Name	Year Started	Year Completed
Nhyiaeso	Construction of Public Park	2013	2015
State Experimental	Construction of 1no. Complex School	2015	On-going
Adiebeba	Construction of 20 seater WC	2013	2014
Adiebeba	Construction of 6Unit Classroom Block	2013	2014
Ahodwo	Construction of Mechanized Borehole with overhead tank	2014	2015
Danyame	Construction of Library block	2013	On-going
Danyame	Construction of 6Unit Classroom Block	2013	On-going

Source: Adopted from KMA Data base

4.1.9.3 Efficiency of Tax Administration

The efficiency of the administration of immovable property tax has been described by the tax collectors and tax payers below,

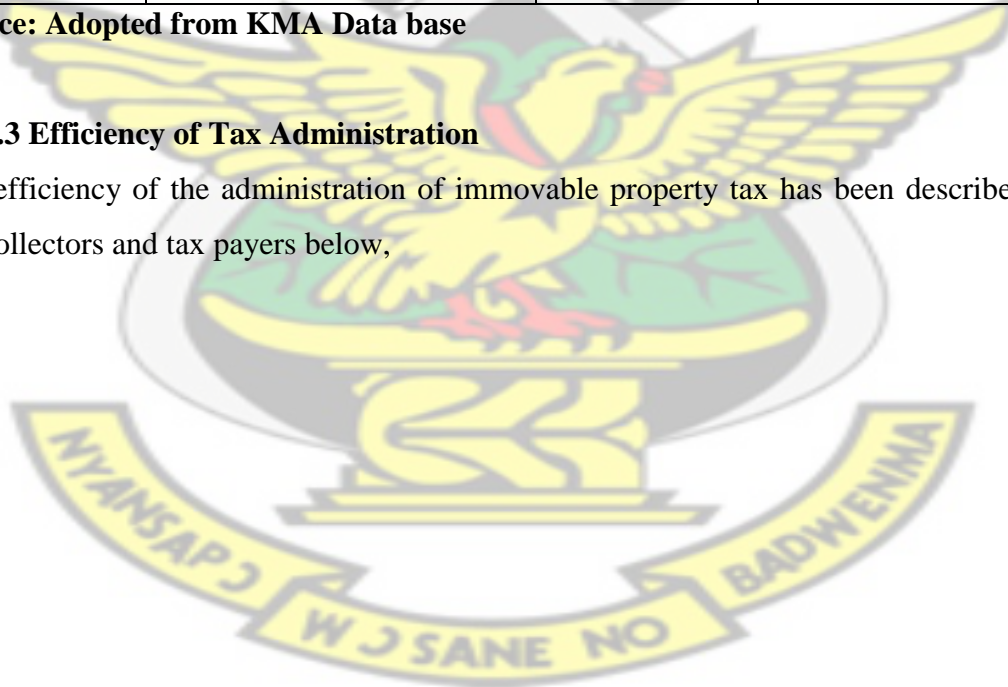
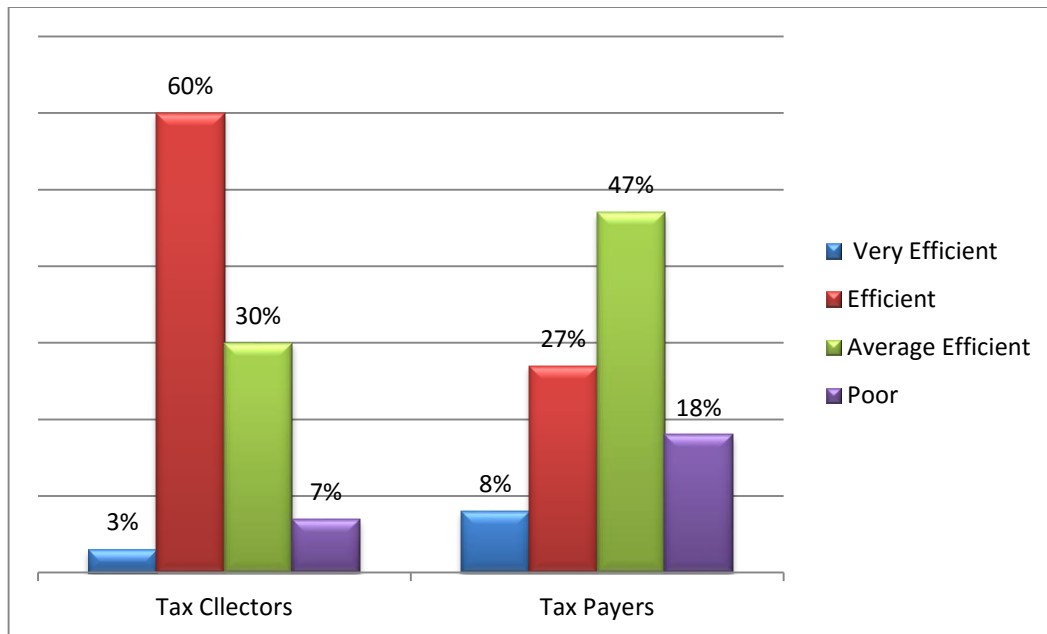


Figure 4.8 Efficiency of tax administration



Source: Author's construct 2015

From the above majority of tax collectors see the administration of property tax as efficient. Staffs are adequately resourced logistically to perform their duties as well as their remuneration. From the tax collectors point of view, they were doing their best in the given circumstances and contend that more could be achieved when manpower and logistics are made available to them.

In contrast, the taxpayers see it as inefficient as they do not see the impact of the rates they pay since projects constructed in the neighbourhood are not explained as to how they are financed by the Assembly. Tax payers further enumerated the following factors as their basis for the assessment of property tax administration; the use to which property tax is put to is not known to them, property tax collectors are not punctual, property taxes cannot be paid like any other utility bill, property taxation is not a common tax in the ordinary Ghanaian society and education of the citizenry on property taxation is inadequate.

4.1.10 Tax Exemptions and Incentives

- **Tax Exemptions;** Some properties as enshrined in section 99 of Act 462 are exempted from the payment of immovable property tax. The Assembly accordingly exempts some properties in the payment of the tax.
- **Tax Reduction;** Sometimes, the Assembly may want to undertake a developmental activity such as construction of road but needs the involvement of the residents. The Assembly provides the logistical support while the residents provide financial. The KMA reduces the tax burden as an incentive for the citizenry to help with some developmental projects.
- **Tax Waivers and Holidays;** this is rarely granted. It is mostly granted when the residents want to single handedly undertake developmental activities in their neighborhood.

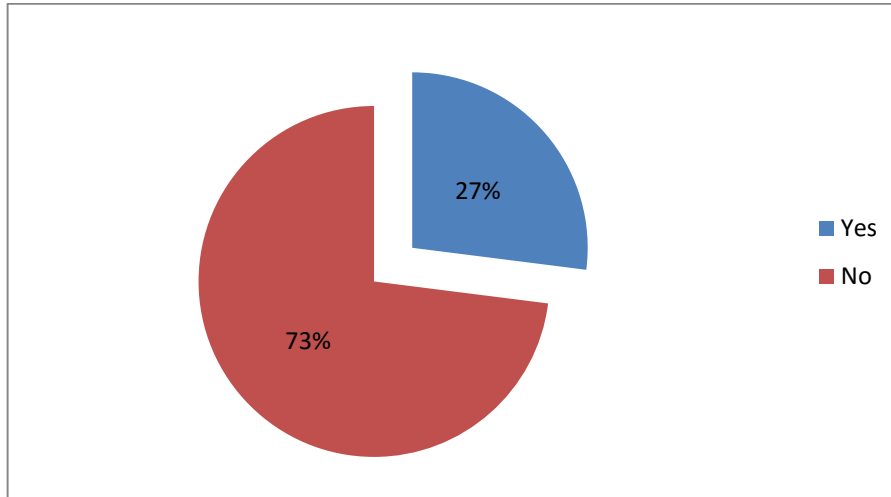
The Assembly gives these incentives since the ultimate advantage is the increase in the value of properties in the locality resulting in increased rateable rate as well as the rate impost.

4.1.11 Punishment for Tax Offenders

KMA follows strictly the provisions of the Act 462 in dealing with Tax Offenders. Before the 31st of March fiscal year no tax offender was punished. The KMA staff opined that the decision to punish a tax offender is political rather than administrative. Respondents to the questionnaire mainly tax payers offered their views how tax offenders should be punished.

Figure 4.9 gives the quantitative picture of response by tax payers on punishment for tax offenders.

Figure 4.9: Punishment for tax offenders



Source: Author's construct 2015

The figure above indicates, that majority of the respondents prefer that tax evaders and defaulters are punished to serve as a deterrent to other would-be offenders whereas few were of the opinion that the existing punitive measures were adequate. The major problem has been the willingness of the Assembly to punish those defaulters according to the law. Section 106 of Act 462 details out the proceedings for non-payment of rates "...Where the amount of the general or special rate due in respect of any premises is not paid within the period of forty-two days, the District Assembly may apply to a Court for an order for the sale of the premises." More often than not they are made to settle the tax liability and left off the hook which seems not deterrent enough for others as against the legal provision.

4.1.12 Challenges in the Administration of Property tax

Conflict of powers

The survey revealed that, the major challenge in the administration of property tax is powers of the Municipal Chief Executive (MCE) as both the Political and Administrative head under the current Act 462. The MCE has the ultimate power at the local level to manipulate the system which would not have been if the functions were separated. This

however makes it extremely difficult for full compliance of the provisions of the Local Government Act 1993 (Act 462). In this circumstance, political cronies are favored in the event of non-payment of the tax as well as paying reduced amount of tax.

Ineffective Education of the Public

KMA staff opined that tax payers do not have the willingness to pay the property tax because they assert that the taxes they pay are not put to any profitable use. The assembly however contends that most developments are undertaken by them. This gap in education and awareness of the Assembly's activities has led people to evade tax and continue to evade it.

High cost of Revaluation

The LVD explains that revaluation increases the rateable values of properties. Property tax thus increases when the rateable values increase. However, due to excessive cost of carrying out the revaluation, the Assembly rarely undertakes revaluation. This limits the amount of tax generated from tax payers.

Bureaucracy in the fixation of Rate Impost as well as increment

Delays in the fixation of the rate impost attributable to the procedure and time involved. It makes it difficult for the Assembly to have adequate time to effectively administer the time. Furthermore, when the economic conditions in the country are not conducive such as high cost of living, it becomes a challenge for the rate impost to be reviewed upwards.

4.1.13 Approaches for effective Administration

Separation of the MCE's powers from administrative duties to only the political role would be a step in the right direction. This will empower the Rating section to enforce all laws on property taxation to effectively administer the tax.

The KMA staff proposed that education of the public on the uses of property taxes will not only restore confidence of the tax payers to pay the tax, but will also attract most tax evaders to pay the tax since the tax paid goes back to them. They adduce to several projects which were undertaken by the KMA of which the residents were not aware of.

Revaluation will be carried out by public-private partnership; KMA and Lands Valuation Division on one side and a private company on the other side. The private company with the use of modern technology will carry out the revaluation exercise.

The work of the private company will be vetted by LVD before approval. The rating section at KMA believes will make revaluation more effective in terms of time and cost.

4.2 Summary of Analysis

4.2.1 Institutional background

From the analysis, it came to light that KMA like every other Assembly in Ghana depends more on taxes especially immovable property tax is important in the metropolis in fulfilling its responsibility. The provision of amenities to local areas is financed by the KMA. Revenue generated from taxes is their primary source of IGF in addition to the District Assembly's Common Fund.

The administration of immovable property taxation is fully controlled and undertaken by KMA. This is in conformity with the section 94 of the Local Government Act 1993. The Assembly by standard practice collaborates with the Lands Commission through the Rating Division of LVD, the Assembly, and stakeholder's representation. This teamwork by the various bodies goes a long to bring broader administration of the tax for effectiveness. Every party is represented. Literature sides with the fact that having all sides represented brings about oneness in direction. Misunderstanding, conflicts and non-abiding of the act is increasingly reduced.

4.2.2 Administration of Immovable Property tax

The KMA uses two main components in arriving at the property tax due a resident in a tax locality. The elements are Rateable values and Rate Impost. The former is defined by the Rating Division of the LVD. The rateable value as explained by the head of Rating Division of Lands Valuation Division is an estimated value of a subject property as assessed by LVD on which rate impost are applied to arrive at the rate within a certain jurisdiction. A valuation List as explained by him is a list of properties with their respective rateable values within an assembly area. The LVD adopts the Replacement cost method in valuing the properties. This method is the popular method in terms of rating valuation according to

literature. The LVD however disregard the land value but all improvements on the land. The valuation list needs to be regularly updated to conform to the current market value of properties as well as the values of properties which hitherto did not form part of the previous valuation list. The cost and time of undertaking the revaluation is unaffordable by the KMA. Consequentially, KMA has relinquished the benefits that come with revaluation.

Rate Impost; is the rate per cedi on rateable values of properties. The rate is fixed by KMA with the involvement of the Executive committee, sub-committee and the general assembly. Stakeholders are also included in the exercise of fixing an appropriate rate for the year. The rate is fixed dependent on the type of uses of the various properties. KMA fixes different rates for various properties within the same locality.

Mathematically the KMA works out the tax payable by a taxpayer;

Tax payable: Rateable value * Rate impost

4.2.3 Notification of Property Tax

When the rate impost is fixed the KMA publish the rates in local circulating newspaper within the KMA. The KMA additionally paste the rates on the notice board for public viewing. KMA through their tax collectors send demand notice to the tax payers to notify them of their tax amount in all areas and Ahodwo is no exception. The demand notice consists of the tax payer's rateable value of his property, the rate impost, the amount of tax due him/her as of the year and time and place for the payment of the tax. KMA has fully complied with the provisions of section 97 of Act 462 dealing with publication.

4.2.4 Mode of Collection of Property Tax

KMA sets target in the amount of revenue from immovable property taxation they can generate. Property tax collectors are given target in terms of monetary equivalent, which they are to collect. The time frame could be Monthly, Semi-annually, or annually. Tax collectors on their everyday activity take the property tax from the tax payers in the form of cash or money. The tax collectors issue receipt to effect of the amount paid.

Since the target of immovable property collection is to accumulate cash, some tax collectors after they have achieved their target, decides not to go to the other properties that are yet to

pay. The Assembly by this act is loses sums of tax which should have been avoided if the collection was done holistically. There is thus some level of deficiency in the collection of the immovable property tax. Tax collectors also do not have adequate logistics to properly undertake their work.

Outsourcing; the strategy of outsourcing most aspect of tax collection to a third party company is laudable. This enables KMA to reduce cost in the collection process since the staffs are not managed by KMA. The collection process is expedited because that is the third party's main line of duty. The third party company effectively carries out its work since their costs of operation are financed by the amount of tax generated.

4.2.5 Punishment for Tax Offenders.

Act 462 stipulates blatantly what should happen when a tax payer defaults in the payment of his/her tax. KMA nonetheless is unable to take taxpayers on for defaulting. There is lack of political will to fully comply with the above. The MCE who is both the administrative and the political head attributes economics challenges to reason of non-payment of the tax. Many people thus evade the tax making it difficult for the Assembly's to achieve its target.

Tax exemptions and holidays

Section 99 of Act 462 exempts some properties from been taxed. KMA fully complies with this provision. Some properties in the first class residential areas falling between the tax exemptions brackets are exempted from the payment of the immovable property tax. Additionally, KMA may reduce or remit payment of a rate on account of the poverty of a person liable to pay the rate.

KMA do sometimes grants tax holiday to tax payers. This usually happens when KMA undertakes a project in which the residents will be needed to provide financial and manpower support. The residents have their tax reduced or sometimes waived.

In sum, findings from the analysis of the data gathered were presented and discussed in this chapter. This was done with the relevant literature as a guide. This process revealed a number of important issues such as; the basis of property rate, how property rates are arrived at, what goes into the adoption of the rate impost, the tax structure, the collection process,

offenders and above all the bodies involved in the entire property rate administration at KMA.

4.3 Chapter Summary and Conclusion

Finding from the analysis of the data gathered were presented and discussed in this chapter. This was done with the relevant literature as a guide. This process revealed a number of important issues such as Outsourcing in tax collection as well as innovative means of bringing a third company on board to cater for the financial aspect of revaluation.

The next chapter will give a general overview of the research work as whole, draw conclusions and make recommendations.



CHAPTER FIVE

SUMMARY OF KEY FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.0 Introduction

This section aims to give a summary of key findings and analyses that have taken place in the previous chapter. An overview of Administration of property tax is presented. Conclusions are drawn from the discussions and recommendations are made. Areas covered include a review of the research process, summary of findings and contributions to knowledge, limitations and recommendations

5.1 Key Findings

KMA performs its role as property tax administrator. In so doing certain institutions and bodies such as the Lands Valuation Division (LVD), the General Assembly and various stakeholders including traditional councils, Association of Land Owners are involved.

The LVD assesses the rateable values of taxable properties within the metropolis. The LVD also prepares the valuation list and undertakes revaluation.

KMA fixes the rate impost in collaboration with the General assembly consisting of various stakeholders

Property tax collection is through out-sourcing and in-housing. Most of the collectors are from outsourced companies as against in-house staff. The KMA is responsible for the in-house collectors; however, the out-sourced company is responsible for the out-sourced collectors. KMA enters into a contract with the said company. The Company alongside KMA collects tax from tax payers and in turn pays to KMA.

KMA sets its target in terms of the amount of money each tax collector is supposed to collect for set period. The target for the collectors is not based on the number of properties, but total expected revenue is shared among the staff for collection. In my opinion targets should be based on the number of properties

The research revealed that some top management of the assembly favours tax evaders.

Tax payers become aware of the amount of tax payable through the issuance of demand notice, detailing the rateable value of their properties and the rate impost. The rate impost for the budget year is pasted on the notice board at KMA and respective sub-metros. Most

taxpayers do not challenge the amount of tax assessed for them due to the bureaucracy involved in getting their concerns addressed.

The tax collectors explained that the system is effective having regard for the availability of logistics to undertake their work, besides their remuneration is inadequate. In contrast, tax payers revealed that, since the tax paid is not channeled to their immediate benefit; tax administration is not effective. Additionally, tax payers lamented that; property tax collectors are not punctual and that education on the said tax leaves much to be desired.

The findings revealed that most of the tax defaulters are left off the hook as against the dictates of the legal framework. This is particularly due to the unwillingness on the part of the metropolitan managers who give the clearance for tax offenders to be punished.

Most of the tax payers contended that they are unaware of projects that have been undertaken by KMA with their tax revenue. This assertion has been argued by the Assembly; as KMA enumerated a number of projects that has been done within Ahodwo and its environs.

The Assembly is unable to frequently undertake revaluation of the properties in the metropolis as a result of the cost and time constraint in carrying out the exercise. The last revaluation was done in 2005.

The fixation of rate impost is delayed due to the legal framework upon which it is done and the wide stakeholder consultation.

5.2 Recommendation

KMA should partner with NGOs like World Vision and Amplify Governance for the provision of funding to undertake revaluation. With the provision of the financial support, the LVD will have the adequate logistics to undertake the revaluation exercise.

Public education and awareness should be done quarterly to enlighten them of the uses and importance of property tax. This will restore confidence in taxpayers and to encourage willingness in the payment of the tax.

The study revealed that the target staff collects is pegged with the potential amount of money to be generated; some properties may be left out. As such KMA should target properties for distribution among tax collectors. Tax collectors should be assigned to a

specific number of establishments or properties, rather than setting an amount for them to achieve.

Outsourcing is a widely acceptable means of minimizing cost and maximizing profit. However, if there is no effective supervision, it can be abused. KMA should monitor and constantly evaluate the performance of the companies.

The MCE should have the commitment and the political will to mobilize resources for frequent revaluation of properties. This will enhance revenue generation for the assembly with regards to property rate since it is the highest contributor to Internally Generated Funds (IGF).

It is recommended that proper education is given by the assembly through the media to property owners about the benefits from property tax to boost tax payers confidence and commitment to the payment of the property tax. Projects that are undertaken by the assembly should be visible and labeled so as to encourage property owners to pay the property tax.

5.3 Conclusion

It has been evident in the research work from the findings that property tax accounts for the highest amount of Kumasi Metropolitan Assembly's Internally Generated Funds (IGF). These funds are used for the construction of infrastructure developments in the 1st class residential areas.

KMA has thus deployed strategic and innovative means of administering the property tax. Outsourcing the collection component of the administration process has increased KMA's revenue mobilization which hitherto was under-performed.

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APPENDICES

INTERVIEW GUIDE (RATING DEPARTMENT, KMA)

Date

Time.....

Venue.....

Respondent

KNUST

- 1. Name.....
- 2. Department.....
- 3. Position (s)
- 4. Job Description

Personal Date

5. How does your office administer property rate in the Kumasi Metropolis?

.....
.....
.....
.....
.....
.....

6. Do you have a list or records on all properties that are rateable in the metropolis?

Yes No

7. On what medium are these records kept?

.....
.....

8. When was the last time you valued the properties in Ahodwo

.....
.....

9. Are these records updated from time to time?

Yes No

If Yes, how often are these records updated to reflect new rateable properties as well as changes in the use of existing rateable properties.....

.....
.....
.....

KNUST

10. How does the office arrive at the property rate payable?

.....
.....
.....
.....

11. What is the basis for assessing this rate?

.....
.....
.....
.....
.....

12. How does the property owner know the rate payable?

.....
.....
.....
.....
.....

13. What channels are available to a rate payer to address his/her concerns?

.....
.....
.....

14. How do you collect the rate? Is it by property rate collectors or otherwise

.....
.....
.....

15. If by property rate collectors, then what kind or level of training does your office give them?

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.....
.....
.....

16. How is property rates varied?

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.....

17. What challenges are faced in the mobilization of property rates in the metropolis?

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.....

18. What other agencies are involved in the administration of property rates in the metropolis?

.....
.....
.....

19. How effective has their collaboration impacted on property rate administration in the metropolis?

.....
.....
.....
.....

20. How does public perception and attitudes towards property rates impacted on the administration of the rate?

.....
.....
.....

21. How effective is your system for property rate administration

.....
.....
.....

22. On an average what proportion of property rate is expected in a fiscal year

.....
.....
.....

23. What proportion is collected by the end of the fiscal?

.....
.....
.....

24. What in your opinion is effective approach for administration?

.....
.....

INTERVIEW GUIDE (VALUATION DIVISION, LANDS COMMISSION, KUMASI)

Date

Time.....

Venue.....

- 1. What role does the Lands Commission (Valuation Division) play in the administration of property taxation in Kumasi?

.....
.....
.....
.....

- 2. Is this role effectively carried out? Yes OR No

.....
.....

Please explain.

.....
.....
.....
.....

- 3 Is there any collaborating with KMA on property rate administration?

.....
.....
.....

- 4 What is the basis of your assessment of rateable values?

.....
.....
.....

5 How often does your office review rateable values?

.....
.....
.....

6 How much does it cost to value an average one storey property?

.....
.....
.....

7 How long does it take to release the valuation list after valuation?

.....
.....
.....

8 What are the challenges?

.....
.....
.....

9 What are the prospects of property tax administration?

.....
.....
.....

10 What contribution(s) can your outfit make to improve tax administration in the metropolis?

.....
.....
.....

**QUESTIONNAIRE FOR RESIDENTS OF FIRST CLASS RESIDENTIAL AREAS
KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

This is a research questionnaire aimed at soliciting information on the topic 'Administration of Immovable property tax in Kumasi metropolis. Prospects and challenges'. The information provided herein is strictly for academic purpose and will be treated with the utmost confidentiality. You are therefore entreated to answer the questions as fully and accurately as possible. Thank you.

1. What is your level of education?
 JHS/Middle school SHS/Sixth-form College
 University/Polytechnic Post-Graduate

2. Gender Male Female

3. Marital status Married Single

4. If No, how are you related to the property owner?
 Tenant Relative Others

5. Do you pay tax on this property? Yes No

6. What type of taxes do you pay on this property?
.....
.....
.....

7. Do you know how the tax amount is arrived at? Yes No

8. Which institutions do you pay the tax to?
 KMA Ghana Revenue Authority Lands Commission
 Others, please specify

9. How are you informed about the tax you pay?

.....
.....

10. Are you supposed to pay full or in bits?

.....
.....

11. How do you pay the tax?

- Tax collectors come around to take tax
- You visit their office(s) to pay the tax
- You pay through the bank
- You pay with mobile money

12. How often do you pay the tax?

- Yearly
- Six monthly
- Monthly
- Weekly

13. Are you given receipt for payment? Yes No

14. If yes were you made to pay the arrears?

15. Do you have any concerns about the tax you pay? Yes No

16. What are some of the concerns?

17. Who do you complain to?

- The tax collector
- the management
- Helpline
- Other means, please specify

18. Have you ever defaulted in the payment of the tax? Yes No

19. Were you punished for defaulting? []Yes []No

20. Which kind of punishment was given to you?

.....

21. Do you think the tax administration is effective? []Yes []No

Explain.....

22. What do think can be done to improve the effectiveness of the tax administration?

.....

23. With a likert-scale, for each statement; indicate the extent of your agreement or disagreement by ticking the appropriate check box. **Please tick (√) where appropriate**

Statement	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
The use to which property tax is put to is not known to you.					
Property tax collectors are not punctual					
Property taxes can be paid like any other utility bill.					
Property taxation is not a common tax in the ordinary Ghanaian society					
Education of the citizenry on property taxation is adequate					

Thank you very much for your time.