

VALUATION AND TAXATION

The Land Governance Assessment Framework Technical Report

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1.0 INTRODUCTION

The fees and taxes relating to land services are charged with regard to various pieces of legislation as outlined in the text that follows.

Article 191 of the constitution empowers the local governments to levy, charge, collect and appropriate fees and taxes in accordance with any law enacted by Parliament. The Local Government Act (1997) Cap 243 in line with the Constitutional provision and mandate in its section 80 empowers local governments to levy, charge and collect fees and taxes including rates, rents, stamp duties, registration and licensing fees, and taxes included in the fifth schedule of the Act. Under regulation 11 in the fifth schedule, a district council and an urban council shall impose under the provisions of the Local Government (Rating) Act, rates on property that is within its area of jurisdiction. A district or urban authority may enact laws imposing rates on persons owning, occupying or in possession of land or buildings in any area to which the Local Government (Rating) Act (2005) does not apply. Under Regulation 13 (c) of the Fifth schedule, local government revenue shall consist of rents from lease of property owned by the Local Council.

The power to set land fees and other related charges under the Local Government Act is vested with the Minister responsible for lands under the section 93(2) (b) and (c) which provides that the Minister may, by statutory instruments, make regulations to fix fees to be charged for the preparation of any documents for or in connection with any disposition or dealing in land and to fix charges to be made by a board or commission in respect of agreements or other documents for the occupation of land. The fees and charges under the Land Regulations (2004) are in annex 2 attached.¹

The Local Government (Rating) Act (2005) Cap 242

Prior to the passing of the Local Government Act, only urban authorities were authorized to charge property rates under the Local Government Rating Decree. The Local Government Act (Fifth schedule) empowered District Councils to impose rates on properties under the Local Government Rating Decree (now replaced by the Local Governments (Rating) Act, 2005 and to enact laws to impose rates on properties not subject to the rating decree. The new rating law i.e. The Local Governments (Rating) Act, 2005 (LGRA) empowers local governments (i.e. District Councils, Municipal Councils and Town Councils) to levy rates as they may determine on the basis of the ratable value of any property within its area of jurisdiction. Under the Act, “property” means immovable property and includes a building (industrial or non-industrial) or structure of any kind, but does not include a vacant site.

¹ The suitability of the different fees and charges is addressed in Chapter 5 which deals with study findings.

Under section 2, the Minister may, by statutory order, apply this Act to such area or areas within the local limits of a local authority as may be specified in the order. Under Section 3 Every Local authority shall levy such rate as it may determine on the basis of the ratable value of the value of hereditaments within a rating area. “hereditament” includes any land, tenement, building (industrial or non-industrial) or structure of any kind, but does not include vacant sites; “Industrial building” means a factory, mill or other premises of similar character used wholly or mainly for industrial purposes.

The Income Tax Act (1997) Cap 340

The Act was enacted to Consolidate and amend the laws relating to income tax. Under section 5 (10) a rental tax shall be charged for each year of income and is imposed on every individual who has rental income. “Rental income” in relation to an individual for a year of income, means the total amount of rent derived by the individual for the year of income from the lease of immovable property in Uganda by the individual with the deduction of any expenditures and losses incurred by the individual in respect of the property.

“Rent” is defined as any payment, including a premium or like amount, made as Consideration for the use or occupation of, or the right to use or occupy, land or buildings. Under Section 20(1) (a) property income is defined to include natural resource payments and rents.

Under section 15 chargeable income is gross income of the person for the year of income less reductions allowed. Section 17(1) (c) of the Act, the gross income of a person for a year of income is the total amount of business income, property income, and employment income. The gross income for a resident person includes income derived from all geographical sources.

Section 18 (1) (g) of the Act provides that business income means any income derived by a person in carrying on a business and includes the following amounts, whether of a revenue or capital nature rent derived by a person whose business is wholly or mainly the holding or letting of property. The relevance of the Income Tax Act to land services is that the Act charges property income and capital gains. Property Income is defined to include natural resource payments and rents. Natural resource payment means a payment, including a premium or like payment made as Consideration for the right to take minerals or a living or non-living resource from land or a payment calculated in whole or in part by reference to the quantity or value of minerals or a living or non living resource taken from land.

Capital Gains tax arises when a person carrying on a business makes a gain on the disposal of a business asset whether or not the asset

was on revenue or Capital Account. A business asset is defined as an asset, which is used or held ready, for use in a business, and includes any asset held for sale in a business and any asset of a partnership or company. Capital gains tax commenced on 1st April 1998 but where the gain or loss subject to tax is immovable property that was acquired by the taxable person before 31/03/1989, then the cost base of the property is the one determined by the Chief Government Valuer to be the value of such property as at 31/03/1998. That value determined by the Chief Government Valuer is deducted from the amount realized on sale of the property to provide the taxable value.

The Stamps Act (Cap 342)

The Stamps Act provides “Instruments” that are chargeable with duty. The relevant instruments chargeable to stamp duty are;

- In case of a conveyance, including a re-conveyance of mortgaged property by the grantee.
- In case of a lease, or agreement to lease, by the lessee or intended lessee
- In the case of a counterpart of a lease, by the lessor;
- In case of an instrument of exchange, by the parties in equal shares.
- In case of a certificate of sale, by the purchaser of the property to which the certificate relates.

Valuation and taxation fall under the mandate of the Ministry of Lands, Housing and Urban Development. The Valuation Division in the Land Administration Department is to provide timely and reliable real property valuations to the government. Its functions cover;

- The assessment of compensation for land and properties acquired by government
- Valuation of probate
- Valuation of rental assessment for properties to be occupied by Government
- Determination of Premium and Ground Rent
- Valuation of Pool and Institutional Houses
- Valuation of Condominium Properties
- Valuation for Sale and Purchase
- Valuation of Leasehold for conversion to Freeholds

The Land Sector Strategic Plan (LSSP) 2001 - 2011 prescribed the role of the Valuation Division as that of advising Government regarding the valuation of lands purchased, sold or rented by Government, for rating valuations in urban towns, and for the valuation of property to be registered for payment of stamp duty. These functions will be critical to LSSP with respect to the purchase, redistribution and readjustment of land.

Whereas the above were the envisaged roles of valuation, Uganda is experiencing an unprecedented growth of the extractive industry that is

causing excitement bringing opportunity and growth to the mineral and oil and gas rich areas. This means that the valuation role must extend to the extractive industry sector. The development and exploitation of natural resources requires extensive land holdings. Associated infrastructure to service, supply and support the development of energy resources further increases the requirement for land. Mining and Energy project proponents require prudent commercially based arrangements with landholders that comply with and recognize the statutory provisions relating to land resumption within specific fields. Landholders in these regions are subjected to increasing interest and activity by mining and energy developers in their land impacting on rural enterprise.

Taxation

A land tax if imposed in Uganda will have a number of effects including creating an incentive for landowners to use land for more productive purposes in order to lower their tax burden as a proportion of their income. Land traders who may want to hold onto land for an unearned increment will also be discouraged by such a tax. Moreover, by keeping land off the market, they cause scarcity in the market, resulting in a hike in prices. A land tax would indirectly capture the unearned increment and thereby remove much of the incentive for engaging in land speculation (Rothbard, 1997). Such a tax is on the value of land (an *ad valorem* tax) and ignores all other developments on the land. Proponents of such taxes argue that they should be imposed on land to create disincentives on speculative land acquisitions both by lowering the price of land and by dampening the demand for land, while also generating revenues for local or central government treasuries.

While the central government has refrained from imposing a land tax, providing in the National Land Policy as an area under further study, local governments argue that such a tax will help them to generate revenues that will enable them to better provide services that they are responsible for offering local residents and also discourage concentration of land in a few hands of the wealthy and indirectly regulate speculative land acquisitions by profit-minded individuals, to facilitate equitable and to some extent efficient land use. Land concentration refers to a situation where minority wealthy groups in society accumulate and own land while the majority of the poor are left landless. Speculative land acquisitions refer to the practice where individuals buy land and wait for it to gain value before they can sale it off to make a profit. Taxing land is seen as one way of containing these social ills as well as helps widen the tax base from which to draw funding for local government programs and reduce dependence on financing from the central government.

1.1 Objectives

1. Gather evidence to make an expert assessment on a prescribed set of indicators from the LGAF Module that describes the level of governance in Land Valuation and Taxation
2. Deduce Policy Recommendations that would be in line with the best practice given the contextual setting of Uganda.

2.0. Objective 1: Gather evidence to make an expert assessment on a prescribes set of indicators from the LGAF Module that describes the level of governance in land valuation and taxation

2.1 Valuations are based on clear principles, applied uniformly, updated regularly, and publicly accessible

Currently, Valuation plays a much wider role than the traditional role of valuing real property. It is intended to value land for the extractive industry, a growing economic investment area in Uganda. Whereas these developments are happening, the valuation methods have not changed with the times. Valuation principles applied currently are those intended to serve the real estate market where the traditional methods of valuation apply.

The valuation approaches currently applied to compensation in the face of investment on land does not reflect the true value of the land and neither does it give a land owner continued and real benefit from the business enterprise. The principle around investments is that they should leave the people better off than worse off, of which the reverse is true in Uganda. Compensating surface owners commensurately does not have a significant impact on the companies, but rather, creates a harmonious investment environment with averted conflicts.

The principles applied in valuation in the case of extractives are not clear and uniform. This has created several problems in the Albertine region of Uganda, where there is oil and gas exploration, with majority of those valued for compensation receiving amounts that cannot enable them to resettle. The methods applied have left people worse off than better off.

The law governing compulsory acquisition does not consider land for investment as one of those grounds that would warrant the taking of land. The constitution further provides that where minerals are found under somebody's land, there shall be benefit sharing between the land owner, the local government and the Central government. This would therefore mean that there is no taking of land (Expropriation by government) but rather compensation for surface rights and the deprivation of the use of the said land. The surface rights to land are privately owned in Uganda save where they fall under the ambit of trust property vested in the state. This is significant, considering the fact that the Constitution vests land in the citizens of Uganda. These surface rights include farming rights, right to build, right to possess and enjoyment of economic trees, both natural and artificial, right to alienate, etc. Compulsory acquisition for exploration and extraction of mineral wealth and oil and gas is not constitutionally provided for. It means that whereas the minerals, oil and gas would vest in the state or government respectively, the ownership of land is not tampered with.

It is unconstitutional to apply the principles of compulsory acquisition of land in this case. Rather, the land owners should be compensated for the duration of the

extraction and the cost of restitution and land environmental restoration must be calculated. The deprivation of use and surface damages must be taken into account.

The State therefore, can compensate the land owner for surface rights which would comprise the development on the land but not for the land value and for deprivation of use for the duration of the taking. Deprivation of the use of land or a particular use of the natural surface of the land for the purposes of this discussion refers to the prevention or denial of economic and beneficial use of land or restriction of use rights. The deprivation can be either total or partial, depending on the scale of the curtailment. There is total deprivation when all the use rights of land of an owner or lawful occupier are affected, and partial deprivation is the curtailment of a particular use right or part of the land.

Failure of valuation to make this distinction has led to multiple grievances that may escalate into conflict, a situation that can be averted by embracing valuation approaches accommodative of the interest of the land owners. While communities affected by mining and oil exploration activities hold companies responsible for a series of social, economic and environmental changes, the lack of action by government agencies result in a surrogate government capacity. Community consultation and appropriate compensation packages, among others, can help prevent or effectively resolve land use conflicts in mining areas. Though there are various forms of compensation for land taken, the determination of the amount of compensation in monetary terms is by the process of valuation in which values are not created, but arrived at through the application of relevant economic and legal principles.

The National Land Policy provides for land for investment. It is therefore important for the land administration function to reconsider the valuation practice to achieve the intentions of the Constitution and the National Land Policy. An investment should not leave the people worse off but make them better off. The Decentralized structures are responsible for setting compensation rates. It is important for the Land Administrators to make these distinctions clearly well so as to avert brewing conflict over land.

It is the duty of land administration to reform the setting of compensation rates and valuation methodologies in order to turn the natural resource extraction from a curse to a blessing for those who live and derive benefit from the land. The Ministry of Lands, Housing and Urban Development identified an existing gap as inadequate capacity at MLHUD, Local Government level and the Private Sector (property valuation & registration) in registration of property rights.

The Ministry has prioritized;

“Promoting Modern Valuation Practice in Government and the Private Sector in order to reduce the Cost of Doing Business”.

This will entail the following interventions:

- i) Building capacity of valuation section at the MLHUD and at the Private Sector level through training in specialized and modern valuation practices; staff recruitment, renovation, provision of operational budget;
- ii) Providing modern valuation equipment for Mass Valuation Appraisal and sorting and computerization of valuation data;
- iii) Procuring adequate transport facilities (vehicles) for the division to undertake for countrywide assessments and valuations.
- iv) Supporting the training institutions (mainly Makerere and Kyambogo Universities and the School of Survey and Land Management at Entebbe) to train more land professionals especially Valuers. (MLHUD 2007)

2.1.1 There is a clear process of property valuation.

The process of property valuation in Ugandan law is clear. When appraising real estate, the valuer considers two separate entities: land, which is the non-wasting portion of the real estate; and improvements, which are the wasting portion subject to various forms of depreciation. Land and improvements are frequently valued separately so that the trends and factors affecting each can be studied. However, the final analysis for an improved property must be as a unit.

The first step in this kind of land valuation is identifying the property. The valuer must know the size and location of the subject parcel. Once the land has been properly identified and described, an analysis of the subject can be made. The analysis should include the collection of site-specific data, a study of trends and factors influencing the value, and the physical measurement of the site. The term site means more than just “land”. A site is a parcel of land that has been made ready to use for some intended purpose.

Once the subject is analyzed, the assessor must classify the land. Land may be classified as residential, commercial, industrial or agricultural depending on its primary use. Zoning can be important in determining land classification because zoning ordinances often prescribe exactly what uses are permitted for the property.

Land, in a general sense, can be unimproved (raw) or improved (ready for development). Land that is undeveloped, or in agricultural use, is considered unimproved. Land that has been developed to the extent that it is ready to be built upon is considered a site. A site analysis requires the collection and analysis of information about trends and factors affecting value.

The appropriate unit of comparison is typically determined by the marketplace as sites are bought and sold. There are six acceptable methods of establishing unit land values;

- i) Sales Comparison Method
- ii) Allocation Method
- iii) Abstraction Method (Also known as extraction or land residual technique.)
- iv) Capitalization of Ground Rent
- v) Land Residual Capitalization
- vi) Land Build-up Method

2.1.2 Valuation rolls are publicly accessible.

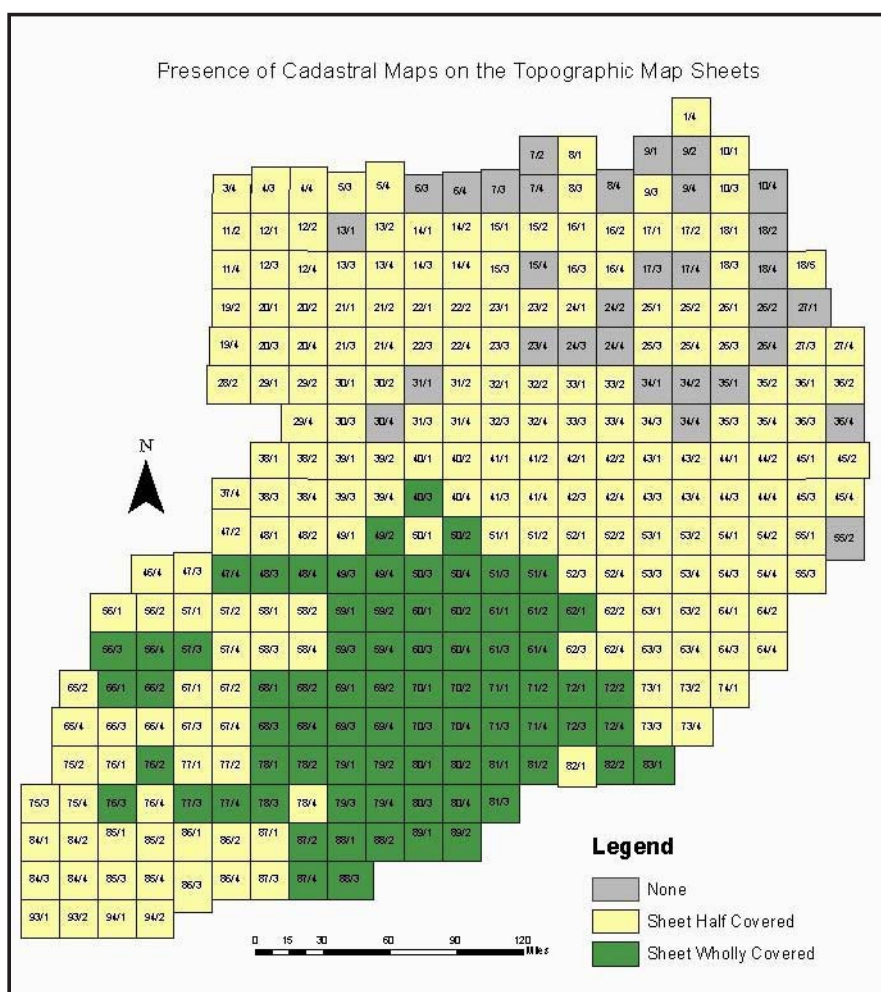
Valuation rolls in Uganda are outdated throughout the country and are not publicly accessible. Property rating dates back to 1948 when the first valuation roll was produced for Kampala. In the early 1990s, Uganda adopted a “valuation-pushed” strategy updating and expanding the valuation roll in Kampala. Due to the lack of in-house valuation expertise, local private sector valuers were hired through the World Bank First Urban Project 1993 (Roy Kelly 2000: 8).

Beginning in 1994, the new valuation rolls were brought into use, creating a more complete, up-to-date property tax base. Most of the new valuation rolls were compiled for the unplanned peri-urban areas of Kampala. The reform also trained valuers within Kampala to maintain the valuation rolls. The total technical assistance package was several million US dollars over the 3-5 year period.

The new valuation rolls increased the revenue potential but property rates collections actually declined from Ush2.9 billion in 1994/95 to Ush 1.9 billion in 1997/98, a decline of over 30 percent. Thus, despite an investment of millions of dollars for new property valuations, property revenues actually fell substantially, forcing a reevaluation of the reform strategy (Roy Kelly et. al 2000: 8).

In 1999, Kampala adopted a “collection-led” implementation strategy, expanding its focus to overall administrative improvements on revenue collection, enforcement, taxpayer service, and fiscal cadastre construction. Since August 1999 a pilot project has been testing simplified field data collection procedures for updating the existing property tax information and possibly introducing a simple mass valuation system. These innovations will provide the basis for generating increased property tax revenue (Kelly and Montes 1999) and (Okellokello and Nsama-Gayiiya 1996).

There is urgent need to develop a comprehensive and complete cadastre-comprising a physical cadastre (cadastral surveying information and mapping), a legal cadastre (ownership information) and a fiscal cadastre (for taxation purposes). The Cadastral map below reveals that more than three quarters of the country has either no cadastral information or incomplete sheets. This is exacerbated further by the fact that there are no updates to these cadastral sheets. The existing data is more than 30 years old.



Data Source: Ministry of Lands, Housing and Urban Development PSCPII Baseline Evaluation Report 2007

Valuation rolls exist in almost all municipalities and towns in Uganda but the inclusiveness of these cannot be determined as there is no complete cadastre on which these should be based. There is also a very unclear framework upon which the valuation rolls are based.

The window of opportunity is the Land Information System (LIS) which is being developed. The Computerization process whose phase one concluded in 2012 has to date captured mostly Mailo data although the verification exercise is still ongoing. The table below compares the titles entered in the data base and those sorted through the computerization exercise. By 2010, the Mailo register was largely cleaned out although the constitutionally recognized rights of tenants and spouses are still not covered, creating many gaps in the system.

2.2 Land & property taxes are collected and the yield from doing so exceeds collection cost

Uganda levies the property tax based on the annual rental value of property—similar to the old rating system in the UK. Ugandan law does not permit simple flat rating or area rating. Property valuation responsibility is vested in the central government's Chief Government Valuer. Uganda has no central government approval process except that rates cannot legally exceed 20 percent of annual rental value. Uganda, tax rates may vary by property type and location.

Revenue collection in the districts is done by cash payments to the revenue officers at the land office and then the revenue is deposited to the District central pool. The land revenues in the urban areas are collected through the urban revenue office/cashier. There is hardly any data on land revenue sources and revenue collection performance in the local governments and this one of the biggest problems as it makes revenue monitoring and planning difficult if not impossible. The local government budgets normally tend to group the revenues from the land under the code for miscellaneous sources of local revenue. This makes assessment of revenue performance and projection difficult (MWLE 2006).

From the scanty information available, there is a large under realization of the revenue sources potential. It was observed that through all the years and for most forms of revenue the realized/actual revenues are at big variance with the projected/budgeted revenues. The performance is estimated to be at less than 50 percent.

At the central government level, all revenue is paid directly to the bank after assessment has been made by the relevant department/agency. The revenue performance as judged against budget provision is generally poor; for example in the Department of Land Registration, the performance was at 56 percent in the FY 2003/04. For most departments/agencies it was difficult to assess the performance due to absence of detailed data (MWLE 2006).

From available data, the most valuable sources of revenue from the land sector are rental income tax at Shs.6.09 billion; stamp duty at Shs.5.18 billion; land premium and ground rent at Shs.2.064 billion (exceptionally high in the FY 2004/05); and land registration activities at Shs.315 million. Of all existing local revenue sources, property rates have the highest potential in terms of yield and buoyancy. Kampala City Council realized Shs.2.979 billion out of the budgeted Shs.3.772 billion in the FY 2004/05. According to the current budget 2005/06, property rates have been projected to bring in about Shs.10.67 billion in addition to the rates arrears of about Shs.4.7 billion. Property rates revenue projected at Shs.14.7 billion is the single biggest revenue source of Kampala City Council

accounting for 44.5 percent of the total projected revenue of Shs.33.3 billion for the FY 2005/06. The recent revaluation of all properties in the city is expected to raise the annual revenue from property rates from a projected Shs.6 billion to Shs.16 billion (MWLE 2006).

2.2.1 Exemptions from property taxes payment are justified and transparent.

The Exemptions provided for in the law narrow the tax base and increase the tax burden on the poor and small businesses. This is therefore not justified.

According to the Government of Uganda Study on the Legal Framework for Land Administration – focusing on the Local governments Rating Act, “Property” means immovable property and includes a building (industrial or non-industrial) or structure of any kind, but does not include a vacant site. So, vacant sites are exempt.²

Section 3(5) the Local governments Rating Act provides that “for avoidance of doubts, no rate shall be levied in respect of a residential building in a place not being in an urban area. This implies that all residential buildings outside the city council, municipal council or town council are exempt even when they are rented. This makes neither political sense nor economic sense. The implications are that in Seeta (which is not an urban area by the definition of the law) owners of rented residential properties do not pay property rates while those who own commercial properties pay! Where is the equity principle?

Section 3(4) the Local governments Rating Act limits the ratable properties outside an urban area to commercial buildings only as it reads “notwithstanding subsection (3) the rate may be levied in any area outside the urban area in respect of a commercial building. While this section extends property taxation powers to district local governments, it at the same time limits them to taxing only commercial buildings. What about industrial properties in the districts?

Owner-occupied residential properties are now exempted from property rates following an amendment which was directed by the President just a few months after the new rating law came into force. All along owner-occupied residential properties were liable to property rates. It ought to be appreciated that the main aim of any property rating system is to raise revenue for provision of services by the local authority. Rating is defined as a method by which residents of a particular area contribute money to share the burden of the cost of providing services to themselves within their area. Equity demands that the cost of local services should

² *In many jurisdictions, vacant sites in urban areas are taxed for revenue purposes, as well as to prevent land speculation. Vacant and underutilized land in urban areas should be taxed so that keeping land for speculative profits should be avoided.*

be equitably shared between all classes of rate payers and fair as between rate payers within those classes³. An equitable tax should take cognisance of the benefits received by the rate payers as well as his ability to pay tax. People who decide to reside in their own houses consume the same services as those who decide to rent out their houses. This type of exemption is likely to induce evasion on the part of the discriminated property owners (GOU 2010).

It ought to be appreciated that exemptions and favorable treatment for particular types of property can remove significant contributors from the property tax base. If owner occupied property merits favorable tax treatment, then the tax rate could be made lower than the rate on equivalent renter-occupied property.

2.2.2 Property holders liable to pay property tax are listed on the tax roll.

Section 20 of the Local Government (Rating) Act provides that “ A valuation list shall come into force with effect from the commencement of the financial year next after the one in which the chairperson of the valuation court certifies it.”

The amendment to the new law, i.e. The Local Governments (Rating) (Amendment) Act, 2006 requires that the Chairperson of the valuation court shall certify and sign the draft valuation list with the approval of the Minister.

2.2.3 Assessed property taxes are collected.

The Ministry of Lands Study on Revenue generation in 2006 revealed from the scanty information available, there is a large under realization of the revenue sources potential. It was observed that through all the years and for most forms of revenue the realized/actual revenues are at big variance with the projected/budgeted revenues. The performance is estimated to be at less than 50 percent. The collection rates are extremely low and enforcement against non-compliance is virtually nonexistent. Fiscal cadastre information is incomplete and out of date. There is an over-reliance on individual parcel valuation-with no use of simpler mass valuation techniques. Each country struggles with low property tax administrative capacity and a lack of political will for property tax enforcement. The result is low revenue yields, vertical and horizontal inequities and economic inefficiencies (GOU 2010).

Across the Districts various reasons were advanced with the most common being that naturally people hate taxes, biting poverty exists among the population, difficulties encountered in tax collection and political interference in revenue administration. Stamp duty is collected and paid only in Kampala with no other outlet. Furthermore, the lessees are reluctant to pay ground rent. On the contrary, there were other taxes that seemed easy to collect with the common ones being premium fees, application fees, building plan fees, Construction fees

³ *Property value is an indicator of a taxpayer's net wealth or income. And most importantly the intangible housing benefits which owner occupants enjoy have to be weighed against the visible flow of rents from rented properties*

and application fees. The most and usual reasons cited were that its mandatory for fees to be paid before one can build (MWLE 2006).

For Jinja and Kampala due to lack of capacity to collect rates from the existing large numbers of property rate-payers, particularly in the case of Kampala where the number is estimated to be around 40,000 Led to the contracting out the tax collection service. Jinja, Kampala, Mbarara and a few major towns in Uganda have more and more properties springing up in the peri-urban areas, often in unplanned neighborhoods, making it more difficult to collect property rates. The new approach of contracting out collection of this tax might reduce the burden on the administration of these urban authorities. In addition, the complexity of property ownership, including the legal existence of customary tenure within urban centres (as noted earlier) is one of the factors that make it difficult to collect property tax (MWLE 2006).

BOX 1: DEFICIENT PROPERTY TAX ADMINISTRATION IN KAMPALA

The seriously deficient administration of the property tax in Uganda exemplifies the difficulties this tax has in providing substantial revenues to local governments in Africa. Although any local authority has the legal right to levy property taxes, in practice they are levied only by municipalities and town councils.

Undeveloped land is not taxed, which inhibits the efficient use thereof. The property tax is based on seriously outdated valuations, which are very low, although the law requires that valuations be carried out every five years. Many valuable properties are not taxed at all, and many newly refurbished buildings have not been re-valued. Systems of recording and valuing properties are seriously deficient. This is partly because the skilled technical staff needed to organize and supervise valuation work is in short supply.

The city of Kampala also shows a phenomenon that is taking place in many other metropolitan areas in Africa. Its urbanized area has expanded beyond its municipal boundaries, but neighboring districts are either not allowed to levy property tax on residential properties, or abstain from doing so because they still have to provide the basic urban services to these areas. Low revenue is also attributable to poor collections, huge delays in payments, or simply to non-payments. Non-payments also derive from the high mobility of persons, frequent property sales/exchanges, and the inadequate registration of titles.

(Odd-Helge Fjeldstad and Kari Heggstad 2012:15)

2.2.4 Receipts from property taxes exceed the cost of collection

There is hardly any data on land revenue sources and revenue collection performance in the local governments and this is one of the biggest problems as it makes revenue monitoring and planning difficult. The local government budgets normally tend to group the revenues from land under the code for miscellaneous sources of local revenue. This makes it difficult to isolate land revenues from other revenues hence hampering the assessment of revenue performance and projection (MLHUD 2006).

3.0. OBJECTIVE 2: DEDUCE POLICY RECOMMENDATIONS THAT WOULD BE IN LINE WITH THE BEST PRACTICE GIVEN THE CONTEXTUAL SETTING OF UGANDA

Valuation methodologies should take into consideration land users and uses. It is only then that the correct values will be captured.

The tax base should be reviewed to achieve the principles of equity and efficiency. It is recommended that the exemption given to owner-occupied residences be removed (be replaced with a lower tax rate for example) and vacant sites in urban areas be taxed to raise revenue as well achieve other objectives e.g. to curb land speculation and to achieve a regulatory effect which would have been difficult under the normal land-use instruments. A tax on vacant site can be used to achieve non-fiscal goals such as more productive use by bringing unused and underutilized land into production, making more land available to potential buyers.

Serious administrative problems in property tax management such as low property tax administrative capacity; lack of political will for property tax enforcement; over-reliance on individual property valuation, with no use of simpler mass valuation techniques; and fiscal cadastre information is incomplete and out of date. The result is that local authorities experience low revenue yields and the country as a whole suffers from vertical and horizontal inequalities and economic inefficiencies. The low yield of property tax in Uganda is the combined result of inappropriate policy and poor administration. The tax policy concerning tax base definition and exemptions for example requires urgent reforms.

For the reforms in property taxation to succeed, property tax reform must be comprehensive, linking property information, valuation, assessment collection and enforcement.

The state of the fiscal cadastre in Uganda is very poor. Cadastral maps are virtually absent and the few which are available are seriously out-of date. Most of the land in Uganda is not surveyed and is not titled. The registries are out of date even for the titled properties.

There is urgent need to develop a comprehensive and complete cadastre-comprising a physical cadastre (cadastral surveying information and mapping), a legal cadastre (ownership information) and a fiscal cadastre (for taxation purposes). The window of opportunity is the Land Information System (LIS) which is planned to be developed.

Property tax reform should effectively utilize computer technology. Property taxation is an ideal tax for utilizing computer technology

to support administration. The property tax base usually covers a large number of tax objects, and requires extensive, ever-changing information on each property. Computers can be used to facilitate all aspects of administration-managing individual property information, property valuation, tax assessment, billing, collection and enforcement. Successfully utilizing computerization depends on the ability to link the data-processing activities with the administrative components of property taxation. These 2 components must be effectively integrated to form a comprehensive tax administration management system. The operational procedures such as the assignment and maintenance of unique property identification numbers, mapping, field data collection, valuation, bill delivery and monitoring, collection monitoring, enforcement and tax payer service must be integrated with the data components such as data entry, verification and validation, valuation and assessment, tax billing, collection monitoring, system control and information retrieval.

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LANDnet is an institution registered under the laws of Uganda with a mission to create an enabling environment for effective participation of all stakeholders in the efficient use and management of Uganda's land resources for sustainable development.

The foundations of LANDnet lie in the principles of equity and equality, in the desire to ensure inclusion and equal opportunities in access to and control over productive resources including land. Through this, LANDnet aligns itself to existing global frameworks such as Agenda 2030, the Voluntary Guidelines on the Responsible governance of Tenure of Land, Forests and Fisheries (VGGT) and Africa Framework & Guidelines on Land Policies in Africa.

The success of LANDnet lies in strong partnerships and a shared vision with its partners.

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