

**Property Taxation in Anglophone West Africa:
Case Study of Liberia**

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Abstract

The Lincoln Institute and the African Tax Institute (ATI), located at the University of Pretoria, South Africa, have formed a joint venture to better understand property-related taxation in Africa. Its goal is to collect data and issue reports on the present status and future prospects of property-related taxes in all 54 African countries, with a primary focus on land and building taxes and real property transfer taxes. Each individual report aims to provide concise, uniform and comparable information on property taxes within a specific country or region, considering both the system as legislated and tax in practice. This paper provides a detailed review of property taxation in Liberia.

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SECTION A: RESEARCH SCOPE AND METHODOLOGY

1 Introduction

This report gives detailed and updated information on the administration of property-related taxes in Liberia.

2 Objectives

The prime objective of the research is to present a comprehensive review of the property-related taxes in Liberia. Specifically the research sought to –

- Develop a comprehensive template to collect data regarding all forms of property taxation in Liberia that could be updated and maintained with relative ease
- Report on property tax systems as legislated in the countries
- Establish the importance and extent of annual property taxes as sources of national and/or municipal revenue in the surveyed areas
- Establish the importance and extent of property transfer taxes as sources of national and/or municipal revenue in the country under review
- Comment on the future role of property taxation in the country; and
- Discern general trends in the application of property taxation in Ghana.

3 Methodology

Research methodology is usually shaped by a number of factors including; the nature of the problem to be investigated, finance, personnel, would-be respondents, and the type of information to be generated. The methodology used in this report recognized these factors. It comprised a number of steps and a combination of data collection techniques.

4 Data Collection

Data collection in many developing countries is problematic. The researcher recognizes the fact that, not only is there significant differences in how land and property are taxed across countries, there are often significant differences within countries. The greater is the degree of local discretion in establishing the tax base and setting the rates, the more diversity there will be in property taxes within a country. The Researcher made a two week visit to Liberia in May 2008 to specifically conduct interviews with officials in the Ministries of Finance and Economic Planning, Internal Affairs, and the Monrovia Metropolitan Council.

A desk survey was also undertaken during which relevant documents, reports and literature in relation to property related taxation were reviewed. This provided the secondary data, some of which formed the background material to the report. Sources of

information included: related web sites, World Bank Publications, Lincoln Institute of Land Policy and ATI publications, revenue agencies in the various country.

4.1 Scope of the Data

Attempt was made to obtain accurate and up-to-date data on at least the following key areas in Liberia:

- A brief country description providing appropriate background statistics (e.g. geographic size, population, constitutional make-up, urbanization etc.);
- Property –related taxes : National and Sub- National;
- Property –related tax base provided by legislation and used in practice;
- Valuation and Assessment procedures and practices, including valuation cycles, objections and appeals;
- Tax rates;
- Exemptions and tax relief mechanisms;
- Collection procedures and practices;
- Enforcement procedures and practices and;
- Other relevant features

4.2 Data Analysis

The basic properties of the property tax systems in Liberia were analyzed in the context of the following key areas/or ratios:

- Coverage i.e. the number of properties taxed as a percentage of the total number of properties
- Tax base i.e. event or condition that gives rise to taxation. It is defined in the law and in some cases is some economic event
- Assessment as stated in the various legislations. The number of registered valuers and responsibility for valuation Rolls were also ascertained. This gave an indication of the capacity to properly assess properties for property tax purposes.
- Collection and Enforcement: array of enforcement procedures against defaulters as provided for in the legislation

In addition to the above ratios, descriptive statistics such as means, median, modes, frequency counts, percentages, and cross tabulation was also used in processing data collected. Analytical approach and deductive reasoning will be applied because a detailed understanding of the complicated relations is required.

5 Structure of the Report

For the purpose of this specific report, detailed and up-dated information on property related taxation in Liberia are provided.

The report comprises background information on the country and further discussed implementation of property-related taxes in the country. In addition, detailed financial analysis was done on sub-national government in Liberia.

This report concludes with a number of problems affecting District Councils in Liberia and also identified what should be done.

SECTION B: PRESENTATION OF RESEARCH FINDINGS

This chapter covers presentation of findings of this research. It covers all the data needed to fulfill the objectives of this study.

1 Country Information on Liberia

Liberia, officially the Republic of Liberia, is a country on the west coast of Africa, bordered by Sierra Leone, Guinea, Côte d'Ivoire, and the Atlantic Ocean. Liberia gained its independence from United States on the 26th July 1847.

Liberia has a hot equatorial climate with most rainfall arriving in summer with harsh *harmattan* winds in the dry season. Liberia's populated Pepper Coast is composed of mostly mangrove forests while the sparse inland is forested, later opening to a plateau of drier grasslands. The country has a land area of 111,369 km² (43,000 mi²).

As at 2007, Liberia's population was estimated as 3.489 million comprising 16 indigenous ethnic groups and various foreign minorities. Indigenous peoples account for about 85% of the population, the largest of which are the Kpelle in central and western Liberia.

The capital city of Monrovia has an estimated population of 600,000. Other major or secondary cities include Buchana (est. 300,000), Ganta (est. 290,000), Gbanga (est.150,000), Kakata (est.100,000), and Harbel (est. 136,000)

At an estimated 4.5% (2006), Liberia has the highest population growth rate in the world. Similar to its neighbors, it has a large youth population, with half of the population being under the age of 18.

The country is endowed with deposits of iron ore, rubber, timber, diamonds, gold, tin, and crude oil along Atlantic Coast. It produces coffee, cocoa, sugarcane, rice, cassava, palm oil, bananas, plantains, citrus, pineapple, sweet potatoes, corn, and vegetables. Iron ore, rubber, palm oil processing, timber, diamonds, gold, beverages, construction are the key industries.

The GDP at current price is estimated at US\$732 million and US\$818 million in 2007 and 2008 respectively, given per capita GDP at current prices of US\$ 234.45 in 2008 (IMF Data and Statistics 2008). An estimated 47 percent of the total population lived in urban areas (UNDP 2005). The high rate of urbanization is attributed to the run for personal safety. Currently there is the lack of capacity for extending the state's presence and legitimate government in distant locations. Some counties have pockets of insecurity. Although UN patrols in critical areas are well coordinated and sufficient, there are inadequate efforts to strengthen the policing and military elements, given shortfalls in budgetary support.

Liberia's economic recovery continues to strengthen, and medium term prospects have improved. Over the period 2008-2012, growth is now projected to average over 11 percent, buoyed by the expected revival of the mining, forestry and agricultural sectors. Inflation is expected to remain in the single digits anchored on a balanced cash-based budget and broad exchange rate stability (IMF 2007).

The ravages of civil war and rapacious governance are still evident, however. Liberia's infrastructure is in ruins, but the peace established in 2003 is taking root, institutions are being rebuilt with the substantial infusion of international development and humanitarian assistance, and the government inaugurated in January 2006 has completed the formulation of an Interim Poverty Reduction Strategy Program (IPRSP). While basic services such as electricity and piped water are available only in a few areas, progress has been made toward restoring these services.

2 The Government Structure in Liberia

2.1 National Government

Liberia is a unitary sovereign state divided into counties for administrative purposes. The form of government is Republican with three separate coordinate branches: the Legislative, the Executive and Judiciary. Consistent with the principles of separation of powers and checks and balances, no person holding office in one of these branches hold office in or exercise any of the powers assigned to either of the other two branches except as otherwise provided in this Constitution; and no person holding office in one of the said branches shall serve on any autonomous public agency (1986 Liberia Constitution).

The legislative power of the Republic is vested in the Legislature of Liberia which consists of two separate houses: A Senate and a House of Representatives, both of which must pass on all legislation. The enacting style shall be: "It is enacted by the Senate and House of Representatives of the Republic of Liberia in Legislature assembled."

The membership of senate is defined in Article 45 of the Constitution which states: "The Senate shall composed of Senators elected for a term of nine years by the registered voters in each of the counties, but a Senator elected in a by-election to fill a vacancy created by death, resignation, expulsion or otherwise, shall be so elected to serve only the remainder of the unexpired term of office. Each county shall elect two Senators and each Senator shall have one vote in the Senate. Senators shall be eligible for re-election."

Article 48 defines membership of the House of Representative as members elected for a term of six years by the registered voters in each of the legislative constituencies of the counties, but a member of the House of Representatives elected in a by-election to fill a vacancy created by death, resignation or otherwise, is elected to serve only the remainder of the unexpired term of the office. Members of the House of Representatives shall be eligible for re-election.

Article 50 of the Constitution states: “The Executive Power of the Republic shall be vested in the President who shall be Head of State, Head of Government and Commander-in-Chief of the Armed Forces of Liberia. The president shall be elected by universal adult suffrage of registered voters in the Republic and shall hold office for a term of six years commencing at noon on the third working Monday in January of the year immediately following the elections. No person shall serve as President for more than two terms’.

2.2 Local Government in Liberia

Liberia is administratively divided into 15 counties, which are subdivided into districts, and further subdivided into *clans*. The counties are listed in Table 1 below.

Table 1: Counties in Liberia

1. Bomi	6. Grand Gedeh	11. Montserrado
2. Bong	7. Grand Kru	12. Nimba
3. Gbarpolu	8. Lofa	13. River Cess
4. Grand Bassa	9. Margibi	14. River Gee
5. Grand Cape Mount	10. Maryland	15. Sinoe

Table 2 highlights the socio-economic profile and population distribution within counties.

Table 2: Socio-economic Profile of Liberia’s Counties

Counties	Population	Total Districts	City	Economic Prospects
Grand Bassa	244,905	14	3	Mining, Timber, Rubber
Grand Cape Mount	101,675	4	1	Rubber, Rice, Cassava
Grand Gede	150,000	11	3	Agriculture, Trade (Ivory Coast)
Grand Kru	70,994	22	34	Rice, Cassava, Fishing
Lofa	241	6	3	Farming, Trade is thriving
Margibi	224,418	6	2	Rubber Belt
Maryland	107,084	8	3	Farming, fishing, trading
Montserrado	1,646,421	2	6	Industrial, Services, Mining
River Gee	74,783	12	6	Farming, rice production
River Cess	63,710	7	1	Farming, rubber
Sinoe	111,000	22	34	Minerals, timber, palm oil
Nimba (Tappita District)	85,000	20	7	Farming
Total	2,880,231	134	103	-included are the statutory districts.

Source: Derived from UNMIL base, UN/S/2005/745.

The Local government is under the supervision of the Department of Internal Affairs headed by the Secretary of Internal Affairs, who is appointed by the President with the advice and consent of Senate. The Secretary of Internal Affairs is therefore the principal executive officer for local government. All communications by administrative officials of local government with the President is through the Secretary of Internal Affairs. Each county has a Superintendent appointed by the President, who is the principal executive officer in the county. He is responsible for the administration of local government in the county.

Each district within the county is governed by an official known as a Commissioner who is also appointed by the President. The administrative organization of the districts is composed of a county Commissioner, and his staff; Paramount Chiefs and Clan Chiefs and their staffs; and other agents of the Executive Branch operating within the district. Below the Districts are chiefdoms which are governed by Paramount Chiefs.

The Chiefdom is at the apex of Liberia's Tribal Authority, being accountable to the District Commissioner. At present, there are 215 Chiefdoms, with 476 Clans, across the 15 counties. According to the customary law (Article 21, pertaining to Liberia's Tribal Government), 29 each tribe is governed by the Paramount Chief, elected by the Council of Chiefs and Elders, subject to the approval or disapproval of the President.

The structure of management retains its central government driven basis, while current efforts are geared to shifting the trend towards community approaches.

At present, the country has 126 cities and 237 townships, located within the 119 districts, based across Liberia's 15 counties. None of these are functionally autonomous, and worse, none has access to the existing revenue base, which is under the control of central government, even for the Municipality of Monrovia. The potential for citizen participation in decision-making though existing in the representational units (urban areas), given their ability to elect their own mayors, there is no autonomy.

3 Land Use and Land Tenure System

In 1984 almost all land was the property of the state. The principal exception consisted of a relatively limited amount held in freehold, located almost entirely in urban areas; some plantation and other commercial farm operations were also privately owned. Under the Constitution approved in 1984, private property rights did not include the rights to any mineral resources on or beneath the land or on land beneath the sea and the waterways of the country. Moreover, where land was held in fee simple, it could be held only by Liberian citizens. An exception to the latter proscription allowed ownership by non-citizen educational, missionary, and benevolent institutions as long as the holding was used for the purposes for which it was acquired. Property no longer so used reverted to the state. Mortgage of real property exists and many foreign businesses have entered into long-term leases on concession. Foreigners may establish businesses unhindered in areas not preserved for Liberian businesses.

A considerable part of public land was statutorily held by subsistence agriculturists under a system of tenure based on traditional customary law. The traditional principles and practices of land tenure differed in detail among various ethnic groups, but all were based on the fundamental concept of communal rather than individual proprietorship. The land itself was under the control of the chief or headman, who held it in the form of an ancestral trust and administered it as the legal representative of the community. With the permission of the chief or headman, each household selected an area to be farmed for its own needs. The size of the area depended on the size of the household and the labor requirements that it could meet. In the early 1980s the average subsistence household, estimated to consist of five to seven people, cultivated about three acres of upland rice and one to two acres of other crops.

Subsistence farmers in general were secure in their tenure under customary law, but the lack of a registered title in some cases acted as a disincentive to land improvement because of the inability of the farmer to obtain credit for its development. The expansion of roads in rural areas has reportedly resulted in the speculative securing of titles to land by non-farmers. In the areas encompassed by the government's major agricultural development projects, project authorities were assisting farmers to obtain title before infrastructure improvements attracted outside land buyers.

Acquisition of public land by foreigners was possible through leasehold; some Liberians also acquired land on that basis. Leases were ordinarily for 20 years, but exceptions were permitted by law (the concession held by the Firestone Plantations Company, granted in 1926, was for 99 years). Other government land was acquired by Liberians under regular titles for plantations and commercial farms. These organizations used hired labor, and limited use of wage workers was made even by subsistence farms experiencing labor shortages because of the migration of family members to urban areas. Tenancy, sharecropping, and other systems of non-ownership cultivation, however, did not appear to be generally practiced in 1984.

4 Overview of the Property Market in Liberia

The operations of the land and property markets are largely informal. That is, most transactions take place outside a formal registration process and the operations of the land and property markets are not regulated or transparent. As a result there is considerable confusion and differences in transactions and the value and methods of payment used to buy and sell land and property. As stated earlier, free-hold properties can only be acquired by Liberian citizens. However, foreigners may obtain long-term leases subject to government approval. But the land tenure system in Liberia is a disaster. Landowners say that if nothing is done to change the situation, the next civil war in Liberia will be caused by land ownership disputes. Illegal sale and resale of land, multiple ownership claims to the same piece of land and the absence of many landowners in Liberia for more than one decade, characterize the unstable current land tenure system.

With the exodus of Liberians returning home, the need for shelter is paramount on everyone's list, thus increasing the demand for land acquisition. Using basic economics, with a limited supply and an increase in demand, prices will increase. However, the cost of a parcel of land also depends on its size and location; the closer the land is to the capital, Monrovia and its suburbs, the more expensive it is. Mamba point remains the priciest location in Liberia with a vacant lot (approximately 11,000 square feet) selling for \$20,000 to \$30,000; lots with buildings are substantially higher. Lots in central Monrovia (Broad, Randall, etc) are selling at prices in excess of \$15,000. Sinkor, a desirable residential area, has lots priced over \$10,000. Property values are projected to increase substantially with political climate now improving with the new government after the October 2005 elections.

The land buying process starts when you have found a plot of land that interests you. After this, the owner of the property is contacted to begin the sale. The sale is final after the following four steps are completed.

1. The deed is taken to the Ministry of Lands, Mines & Energy for review before a survey is conducted.
2. Three days prior to the survey, an ad is placed in the local newspaper and announced on the radio giving notice to interested parties and surrounding property owners to be available during the survey.
3. After the survey is conducted, a transfer deed is presented to the new owner by the previous owner including all necessary information about the property.
4. The deed is then probated in the court giving possession to the new owner.

5 Overview of the Tax System in Liberia

5.1 National Tax Structure

Tax administration in Liberia is highly centralised and is done by the Ministry of Finance. The Deputy Minister of Finance in charge of revenue is actually the executive personnel responsible for the administration of revenue codes and laws in the country. The tax year starts from July and ends in June of the following.

Taxes in Liberia are classified into the following: Tax on Income and Profit which include- Individual Tax on income and profits, Corporate taxes, others Taxes on Income; Property taxes which also include taxes on both immovable and movable properties; Domestic taxes on Goods and Services which comprise excise Taxes, Goods and Services tax, taxes on Specific Services Other, taxes on Domestic Goods and Services; Taxes on International trade; and Non-tax revenue which include Entrepreneur and Property Income of Government, Fees and Charges

5.1.1 Tax Reforms

As a Post war country, the Government of Liberia in recognition of the fact that sustainable domestic growth and prosperity require the removal or minimization of financially stringent trade barriers through a realistic tax code to enhance the competitive trade position in and among sovereign states of Africa and other countries for attraction of investment capital and promote international trade, and commerce, in 2000 enacted a Tax Code referred to as ‘Revenue Code of Liberia (2000) to replace an Act adopting a New Revenue and Finance Law of 1977, and related Laws amendatory thereto. The purpose of this Reform Tax Code are best solved by the fair distribution of the established uniform Tax Code that controls and governs all matters of taxation by repealing all relevant tax laws, regulations and statutes, and place moratorium on payment of HUT Tax for 5 years as of the effective date of the Act.

5.1.2 Property-related Taxes in Liberia

The following property-related taxes are administered in Liberia:

(a) Value Added Taxation (VAT)/ Goods and Services Tax (GST)

Section 1,000 of Revenue Code of Liberia Act of 2000 makes provision for the imposition of GST on following:

- Every taxable supply, as defined in Section 1001, by a registered manufacturer, and
- Every taxable import, as defined in Section 1002.

Section 1,001 of the Act further states that the amount of the goods tax payable on a taxable supply is 7 percent of the amount of taxable supply, unless the taxable supply is an export of goods, in which case the rate is zero (0) percent. In a similar vein, section 1,002 of the Act states that ‘ the amount of the goods tax payable on a taxable import is 7 percent of the taxable amount of the import.

Available statistics show that in the tax year starting July 2005 and ending June 2006, revenue forecasted to be generated from this revenue stream was US\$3.400 million but actual collection was US\$4.639 million or 36 percent above target which is 5.8 percent of domestic revenue for that period. Revenue target for the following tax year (July 2006 to June 2007) was US\$1.265 million above the previous years. In the current tax year (June 2007 –July 2008) statistics is only available for 10 months i.e. up to April 2008 since the Researcher visited this country in May. For the 10 month revenue collected from GST amount to US\$6.841 million, about 47.5 percent growth over 2005/06 collection.

(b) Capital Gain Tax

Section 207 of the Revenue Code of Liberia Act of 2000 makes provision for a tax on capital gains. It states that “Gain or loss on the disposition of property is includible in

taxable income”. It defined gain or loss as the difference between the transferor’s adjusted tax cost for the property and the amount derived on the disposition. Section 201(6), however, exempt gains from the sale of property held for personal use unless the amount derived from the sale is L\$1.6 million or more in the computation of gross income of an individual for income tax purposes.

(c) Gift Tax

There is no Gift tax in Liberia. Section 202 (b) states that “property received in donatives transfer or transfer by death is excluded from the income of the recipient for tax purposes”.

(d) Estate Duty or Death Tax

Section 901 (a) of the Revenue Code makes provision for income from trust or estate with a total value of 5 million Liberian dollar to be included in the computation of gross income of the individual for taxation purposes.

(e) Annual Property Tax (on Immovable Property)

In Liberia, administration of property tax falls within the domains of the central government. A department for real estate headed by a Director is created in the Ministry for Finance charged with the responsibility of administering property taxes. In 1980 it was decreased that 30 percent of revenue collected from property tax and other traditional sources of revenue for local council (fees, licenses etc) collected by the central should be allocated to the Local Government. Currently, revenues like fees, licenses and from property tax are still collected by the central government and paid into the consolidated funds though these revenues could be earmarked for the counties.

5.2 Property Tax

5.2.1 Tax Base

Section 2,000 of the Revenue Code of Liberia Act of 2000 phase one states that “the tax shall be imposed upon each parcel of land not exempt from taxation, as specified hereunder, and shall consist of 1) a tax on each parcel of unimproved land, which shall include under-improved land as hereafter defined, at rates prescribed herein depending upon its geographical classification and 2) a tax on each parcel of improved land at a stated percentage of its assessed value determined in accordance with the provisions in the Act, the rate to be imposed depending upon the use classification of the building and other improvements thereon.”

From this provision, it is clear that in Liberia land and improvement on land are taxed separately.

5.2.2 Basis of Assessment

Prior to the enactment of the revenue Code of Liberia Act of 2000, properties were valued on the basis of the cost of construction. Though the Act recognizes this method if property has not been reassessed, the current basis of the assessment is the Market Value after inspection. Section 2001 (b) states that: “Each parcel of land so subject to assessment and taxation shall be inspected and its assessed value determined on the basis of its market value as at the date of inspection. Such assessed value shall be carried on the real property assessment record books kept by the Minister for the period of 5 years from the date such valuation becomes operative...”

5.2.3 Exemptions

The following categories of real property shall be exempt from real property taxes:

- All public lands, buildings and other improvements, including subsequent additions thereto, owed by the Government of the Republic of Liberia
- All properties owned by churches, religious societies, and foreign and domestic missions, educational institution, charitable organizations, and fraternal organizations; not used for profit making purposes and not rented or leased. When such property is otherwise rented or leased, it shall be subject to tax.
- All properties held by the University of Liberia
- All properties of foreign governments on lands leased from or deeded by the Republic of Liberia
- Real property leased by Government at the time of the passage of the Act

5.2.4 Valuation

As stated earlier, in Liberia land and its improvement are valued separately using the market value- defined as the capital sum which land, buildings or improvements might be expected to realize as at the date of assessment if offered for sale on such reasonable terms and conditions as a bona fide seller would require. The law requires that all land and its improvement throughout the country are subject to taxation however, because of capacity constraints only immovable properties in the urban towns preferably Monrovia have been valued and taxed. Valuation is done by government valuers after every five years. Before the civil war in 1989 there were about 84 valuers but as at April 2008 available statistics show that there are only 34 Government Valuers and 17 registered private firms involved in valuation. This seriously inhibits the possibility of adhering to the valuation. Some properties have not been valued for the past 25 years.

Note that assessment and valuation are purely the legal mandate of the Minister of Finance. Section 2,006 of the Revenue Code states ‘... all land, whether improved or unimproved, subject to assessment and taxation on the basis of its assessed value, shall be

assesses or reassessed as the case may be by officials appointed and authorized by the Minister to act as real estate assessors’ .

Comparing the values of properties in 1998 before the enactment of the revenue code and the current values emanating from the current revaluation exercise, property values have increased by about 608 percent in the country. In the Monrovia for instance, available statistics from the Real Estate Department of the revenue division of the Ministry of Finance shows that 189 properties were revalued in 1998 with total receipt of US\$90 million given an average value of US\$476. As at April 2008, about 40,000 properties were revalued in Monrovia with a total receipt of US\$135 million given average tax revenue of US\$3,375.

5.2.5 Tax Rate

Unlike other countries in Anglophone West Africa where tax rates are determined at the local level, in Liberia property rates are determined by the central Government. The rate varies based on whether the land is improved or not and further according to its description and geographical location.

The following rates are imposed on **unimproved land**:

- The rate of tax payable on a city or town lot as defined herein- shall be seven percent of the assessed value thereof.
- The rate of tax payable on a parcel of land as defined herein which has not been divided into city or town lots and is used as farmland shall be ten percent of the assessed value thereof provided that the minimum tax levied under this provision shall be five Liberian dollars on each parcel
- Rate of tax payable on a parcel of land as defined herein which has not been divided into city or town lots and is being used for any purpose other than farmland shall be five percent on each acre or fraction thereof.
- Parcels of land outside the city, town, and municipal or common wealth districts and used as farmland bears a tax of five Liberian dollars on each acre or fraction thereof provided that the minimum tax levied under this provision is L\$200 on each parcel.
- Parcels of land outside the city and is used for any other purpose other than farmland bears a tax of 5 Liberian dollars on each acre or fraction provided that the minimum tax levied under this provision is L\$200 on each parcel.

For **improved land**, the following percentage rates, varying according to the use classification, of its buildings and other improvements are imposed on the assessed value of each parcel of improved land, no matter where situated:

- When buildings and other improvements are being used for business or commercial purposes, in whole or in part, a tax of one percent of assessed value of

- less than ten million United States dollars or its equivalent in Liberian dollars or half percent if the assessed value is over ten million United States dollars.
- When the building and other improvements are being used for industrial purposes, in whole or part, a tax of one half of one percent of assessed value, of less than ten million United States dollars or its equivalent in Liberian dollar or one third of the assessed value of more than five million United States dollars, or 100 Liberian dollar (L\$100) if it is a hut.
 - When such buildings and other improvements are being used exclusively for residential purposes, a tax of one fourth of one percent of assessed value, L\$100 if it is a hut
 - Buildings and other improvements constructed on parcels of land used as farmland located within the corporate limits of any city, town, municipal or commonwealth district and are being used exclusively for farm purposes, a tax of one third of one percent of assessed value, or LS100 if it is a hut.
 - If buildings and other improvements are exclusively used for farm purposes outside the corporate limits of any city, town or municipal, a tax of one third of one percent of assessed value, or LS\$100 if it is a hut.
 - If Building or other improvements are located on public land and are under lease to private persons, the charge will be against the improvements since the said private persons is deemed by law to be the owner of the real property involved, the rate of tax will be one seventh of one percent if building is used for residence, and one percent if used for commercial purpose, or L\$100 if it is a hut.

5.2.6 Collecting the Tax

In Liberian, real property tax covers the period from January 1 to and including December 31 of each year and is due on July 1 of the year in which it is levied. Every person who has acquired title to real property subject to assessment and taxation under the law within thirty days after the effective date or within thirty days after acquisition, as the case may be, is required to file in the office of the Minister nearest to where such real property is located a correct and specified schedule of all such real property acquired by him. Such schedule should contain a complete description of the real property, including its location, area lot number, designation, if any use classification and the actual consideration paid on its acquisition.

When the tax is due, a bill stating the assessed value and the tax due is sent to taxpayers for payment. Taxpayers are then expected to pay cash to the bank if the amount due is less than US\$100 or prepare bank draft if the amount is more than US\$100. Evidence of payment is then brought to the tax offices to update the taxpayer's file.

One major constrain with billing which is making government lose substantial amount of money from property taxes is the poor numbering of property in the country. Some houses have no numbers and cannot be identified to be served with demand notices.

5.2.7 Enforcement Procedure and Practices

According to section 2007 of the Revenue Code, taxes on real property on the dates when they become due, and interest, penalties and other such charges thereon when assessed, which may be laid or may have been laid on any real property in the Republic shall be and continue to be, until paid, liens thereon and shall be preferred in payment to all other charges on the real property involved. Delinquencies shall be reported to the Minister of Justice for collection through the Tax Court.

Upon receipt of a report of delinquency in the payment of real property taxes, the Minister of Justice may bring suit in the Tax Court in the County in which the property is situated to recover the delinquent real property tax and all penalties and interest and to foreclose the lien thereon. The case shall be tried in a summary manner. If the Minister of Justice establishes that the alleged delinquency exists, judgement of foreclosure of the tax lien shall be rendered and execution ordered against the real property involved returnable before the judge of the said court. Thereupon, the ministerial officer of the court shall be directed first, to give due notice to all persons concerned and then, to sell the real property involved at public auction to the highest bidder and convey title to the purchaser. The proceeds arising from the sale shall be applied in the following manner: first, to the payment of taxes, penalties and interest due; second, to the costs of the court; and last, the balance if any, to the owner of the real property. Nothing in the Act however prevents the owner of the real property from bidding in at the public auction.

As a post war country enforcement remains to be a serious problem since application of the above provisions of the law is feared to spark another trouble. In reality therefore this law is yet to be implemented though recognized by the tax officials and the taxpayers. The main argument put forward by one of senior government officials is that most property owners currently lack finance to pay these taxes since life is yet to return to normal in the country. We shall continue to encourage them and sensitize them on the need to pay taxes and the consequences of been delinquent, he noted

The act however made provision for persons aggrieved by Minister with respect to any tax under the Revenue Code to appeal to the Board of Tax Appeals, a 7- member deliberative body independent of the Ministry, for a review of the Minister's determination in a regular. Interviews with senior officials of the Real Estate Department indicate that currently there are no cases of tax appeals or objections to assessment/valuation. He noted that one of the limiting factors for taxpayers to object is that they are required to pay 50 percent of the objected assessed figures and that currently the Board of Appeal is not functional so all objections are directed to the department for review. In short, the department is currently acting as a player at the same time a referee.

6 Capacity to Administer Property Tax in Liberia

As stated earlier, before the civil war in 1989, there were about 84 valuers but as at April 2008 available statistics show that there are only 34 Government Valuers and 17

registered private firms involved in valuation. This seriously inhibits the possibility of adhering to the valuation cycle and makes it difficult to cover the entire country as stipulated by law. Some properties have not been valued for the past 25 years. As at the time of this research, there are no formal institutions in Liberia training Valuers, coupled with the informal nature of property market in the country the use of market value in assessing property in the country is ineffective. Another constraint identified with valuation process in the country is the limited resource envelop available for valuers to carry out their function effectively.

7 An Overview of Local Council Revenue Sources

The local governments in Liberia are mainly responsible for implementation of projects identified by their communities. Revenue generation activities lie with the Central Government through the Department of Revenue in the Ministry of Finance. The central government at the beginning of the fiscal year allocates budget to the respective Counties based on their identified projects as approved by their communities. With this, allocations differ from county to county. For example in 2006/2007 and 2007/2008 the following allocations were made as shown in the table below:

Allocations to Counties in US\$			
	County	2006/2007	2007/2008
1	Bomi	798,101	250,541
2	Bong	177,838	289,965
3	Gbarpolu	146,655	270,664
4	Grand Bassa	151,062	283,255
5	Grand Cape Mount	142,395	226,065
6	Grand Gedeh	141,100	303,643
7	Grand Kru	143,310	595,654
8	Lofa	155,970	225,876
9	Margibi	153,609	230,293
10	Maryland	172,289	424,621
11	Montserrado	171,927	280,123
12	Nimba	216,775	441,940
13	River Cess	146,785	278,562
14	River Gee	155,965	299,102
15	Sinoe	142,965	598,386
	Total	3,016,746	4,998,690
	Total allocations all sectors	134,981,287	199,383,953
	% of budget allocation	2.23%	2.51%

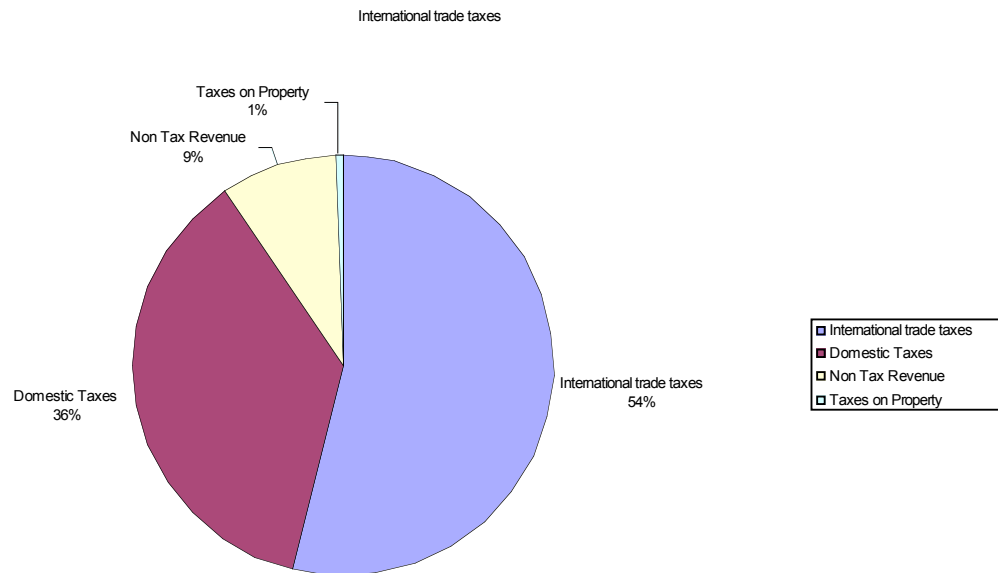
Source: National Budget, July 1 2007 to June 30, 2008.

8 Analyses of Property Tax Revenue in Liberia

The revenue performance of Liberia for the two most recent fiscal periods (i.e. July 2006 to June 2007 and July 2007 to June 2008) shows that the country, like many other countries in the sub region, relies more on international trade taxation to support their national budget. This category of revenue accounted for 54 percent of internally generated revenue in 2006/2007 fiscal year. The second highest revenue was generated from domestic taxation (36.4%), followed by non-tax revenues (8.9%). Revenue from property taxation i.e. both movable and immovable properties account for only 0.7 percent in 2006/2007 fiscal year and 0.6 percent for July 2007 to April 2008 to the total internally generated revenue in the country. Of the total revenue generated from property taxes, immovable property accounted for about 99.9 percent and the remaining 0.1 percent was from movable property. Similarly, out of the total revenue collected from immovable property, revenue from building contributed 90.5 and 93.8 percents in 2006/2007 and 2007/2008 respectively.

Although revenue contribution of property taxation to the entire national resource envelop appeared to have declined, but in nominal terms this source of revenue actually increased significantly. The average monthly revenue from this source increased from US\$ 75,736 in 2006/2007 fiscal year to US\$ 89,784 or by 18.6 percent. When compared with 2005/2006 annual revenue from this source has grown by about 34 percent.

Figure 1: Revenue Performance in Liberia



Revenue Type	July 2006 to June 2007		July 2007 to April 2008			
	Actual	% Total Revenue	Actual	Projected	Variation	% Total Revenue
International Trade Taxes						
Import Duties	62,405,155		60,134,211	50,551,832	9,582,379	
Surtax on Import	5,527,992		4,964,429	5,031,959	- 67,530	
Export Duties	1,297,890		1,170,259	2,504,053	- 1,333,794	
Excise	2,816,859		3,377,538	1,925,157	1,452,381	
Subtotal	72,047,896	54.0	69,646,437	60,013,001	9,633,436	46.5
Domestic Taxes						
Taxes on Income Profits	19,200,949		19,297,216	15,759,643	3,537,573	
Corporate Taxes on Income	11,486,740		25,525,050	24,874,057	650,993	
Income & Profit not Allocated	11,547,952		2,505,281	3,267,161	- 761,880	
Other Taxes on Income & Profit	306,717				-	
Taxes on Specific Services	75		707	383,200	- 382,493	
Goods and Services Taxes	6,059,252		6,841,168	5,181,056	1,660,112	
Subtotal	48,601,685	36.4	54,169,422	49,465,117	4,704,305	36.2
Non-tax Revenue						
Stumpage & related charges	85,429		534,042	1,950,552	- 1,416,510	
Income from Govt. Property	1,250,451		635,759	1,094,379	- 458,620	
Sales of Fixed Capital	105					
Dividends	539,436		346,147	2,950,000	- 2,603,853	
Motor Vehicle Licenses	1,856,042		1,830,591	2,455,753	- 625,162	
Business & Professional Licenses	3,523,382		4,266,022	2,984,277	1,281,745	
Administrative Service Charges	4,022,658		2,922,518	2,940,610	- 18,092	
Others	541,736		10,533,466		10,533,466	
Special County Dev Fund			3,994,521	3,000,000	994,521	
Subtotal	11,819,239	8.9	25,063,066	17,375,571	7,687,495	16.7
Taxes on Property						
Buildings	821,855		841,767	1,001,440	- 159,673	
Land	85,852		56,078		56,078	
Total of Immovable Property	907,707	0.7	897,845		897,845	0.6
Taxes on Movable Property	1,130					
Subtotal	908,837		897,845	1,001,440	- 103,595	
Grand Total	133,377,657	100	149,776,770	127,855,129	21,921,641	100

Source: Republic of Liberia National Budget July 2007 to July 2008.

The key strategies underpinning the improved performance included focusing reassessments on private properties leased to foreign governments, private properties leased to NGOs, properties leased to Government of Liberia (GOL), and all other properties valued above US\$20,000.

During FY 2006-2007 the GOL granted an amnesty on overdue property taxes, and called for voluntary registration. Since the amnesty took effect in March 2007 over 3,000 properties have been registered, of which 1,570 constitute voluntarily re-registration and reassessment (Annual Fiscal outturn report 2006/2007). Of the 3,000 properties 1,413 have made payments to date. Central Monrovia accounts for 600 reassessed properties, and the assessed value of properties in Monrovia increased on average by 100%. On Payne Avenue a total of 254 properties were mapped. To date 20% have been reassessed. Because it was only introduced in the third quarter of the fiscal year 2006/2007, the full impact of the property tax amnesty is expected in the current fiscal year. The target for 2007/2008 is to reassess 10,000 properties in Montserrado County and 1,500 in the rural areas. Monitoring and enforcement strategies included re-introduction of deed registration at the real Estate Division, and tax clearance before probate of deeds and granting of duty exemptions. Verification of property assessment was facilitated by the “tax police system,” software currently being used to counter-check fake bills and flag receipts. During the period January to July 2007 updated land registration increased to 175, from 60 at the end of FY2005-2006. To further bolster land registration, more awareness rising is ongoing, involving the use of print and electronic media, the MOF website, other websites, billboards and flyers, tax jingles, as well as drama and songs in the various vernacular. Plans are on the way to prepare a cadastre questionnaire to track property data by clear map references and location. This will include the establishment of a proper land ownership database in collaboration with the Ministry of Lands, Mines and Energy and various land Commissioners.

9 Problems Identified

Years of conflicts left the social fabric in Liberia devastated. The necessary economic and social infrastructure was destroyed in the intermittent civil wars, which culminated in the unrest of 2003; that saw the nation fall into a state of progressive anarchy. Massive destruction of government facilities and widespread mayhem within the city of Monrovia made the situation grave. In 2003 a peace agreement was signed and one of the major aspects of the agreement was to request the National transition Government to adopt urgent solutions to critical issues that had perpetuated internal conflicts. The critical solution being, the call for urgent management reforms, which include: safeguarding the tendency to misappropriate state revenues across the board; improving budgetary management and procedures; improving procurement; anti-corruption measures; supporting key financial and management institutions, and governance aspects of wide capacity building. While the political will to decentralize has been acknowledged and the government’s willingness to work towards decentralization is evident publicly, it is

anticipated that for the next two years, local government's administration may not be effective. Since the legal framework is obsolete and will require amendments. Fiscal decentralization on the other hand may not accomplish in the next five years considering the low capacity in the local councils and the length of over centralization of revenue administration in the country.

The Monrovia municipality which is the main local government is legally defined to undertake its semi-autonomous functions, as provided and guided by directives of the Executive branch in government. Under its statutes, the city is mandated to provide waste management services, with minimal control of the mobilization of property taxes and an array of other business taxes, in partnership with the central government. Its environmental management capacity being grossly inadequate, the government's Environmental Protection Agency (EPA) is in control of the city's responsibilities of the environment. Despite its capacity to generate additional revenues, particularly from its property base and the shipping industry, the city has no capacity to access its share of revenues mobilized by the central government. This has resulted in inadequate sanitary facilities, low health institutional capacity, inadequate market and poor road infrastructure.

In addition, the open market value on which the property value is assessed in Liberia is limited by lack of adequate data, dearth of knowledge of the property market, and a property market which is not well developed.

Moreover property taxation is also affected by low compliance due to the low level of income of property owners in the country as most of these owners are only returning to Liberia from their respective refugee camps. Enforcement continues to be a problem because Liberia lacks the legal environment required to assure dispute settlement based on evidence. The judiciary is weak. Judges and other judicial officers are poorly paid, courthouses are in disrepair, and administrative support is problematic. Judgments are often purchased and foreign firms are perceived to have deep pockets. Years of disregard for the rule of law have affected the economic vibrancy.

10 Recommendations

The following are recommendations that would help improve the revenue generation from property taxes:

- Considering the long term over centralization of revenue administration in Liberia and given the fact that capacity among the local administration is weak, the process of fiscal decentralization should be gradual and phased. The first and most important phase has to do with legislative amendment and capacity building among staff of the local authorities. Second phase should be piloting the programme in few cities under the direct supervision of the ministry of Finance.
- The Ministry of Finance should help minimize valuation complexity by improving data quality and accessibility and should create a sound property data system to provide uniformity and clarity in the open market value for the property

- market. Efforts should be made to standardize and improve on the data quality through the establishment of data bank for a good interpretation and analysis of market data to draw meaning valuation conclusions.
- Train more technical officers and valuers who would be able to cover all localities in detail and complete valuation programs on schedule. The more valuers, the better, since that will facilitate regular reviews of valuations and thereby enable rates to relate realistically to current market values.
 - The Ministry should strength the Real Estate Department by making significant additional resources available to it to carry out full range of statutory standards.
 - Local authorities should educate ratepayers on completed and planned developments. In many cases, ratepayers do not appreciate either the need for their contributions to the economy or the economic benefits that accrue to them as a result of these projects.
 - Motivate and pay staff well. High performance must be rewarded. Revenue Administration generally in Liberia needs total reform consistent with internationally trend. It is very necessary for the central government to create a Revenue Authority, which is autonomy and paid fees as agents of government. The ministry of Finance functions should be restricted to policy issues and not tax administration.
 - The rate amnesty granted in 2007 was the right step in the right direction. It must, however, be made clear to beneficiaries that this was a stop gap measure to cushion their revenue position after the long civil war to avoid moral hazards.

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