

# Property Tax Diagnostic Manual

Seminar on  
Property Taxation and Land Value Capture in Africa

May 5-7, 2021

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## Property Tax Diagnostic Manual

### Provides guidance on how to

- (1) Analyze and assess immovable property tax systems,
- (2) Diagnose the strengths and weaknesses of such systems
- (3) Develop a property tax intervention strategy where needed.

***Ultimate objective:*** Support increasingly **fair and stable tax systems** in low- and middle-income countries, with significant potential for sustainable improvements in **achieving key revenue, equity, and efficiency objectives.**

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## Flexible Tool Kit

- This Manual is designed as a **flexible toolkit** that can be applied to very diverse situations and requests.
- It is **not designed as a prescriptive document**, but outlines a common set of analytical approaches, commonly-used metrics to benchmark performance, and a variety of policy/administration options, with international experience.
- Includes a **Set of Action Points** and **Questions to Consider** for each policy, administrative and institutional component, along with exemplary **Terms of References (TORs)** to guide the diagnostic process.

Diagnostic framework leading to a Strategic Implementation Plan

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## Role of Property Taxation

	% of GDP	% of Total General Taxes	% of Total Local Taxes
High-Income Countries	1.1%	4.5%	37.7%
Middle-Income Countries	0.6%	2.1%	35.5%
Low-Income Countries**	0.3%	<1%	15–20%

Source: Adapted from Norregaard 2013, combined with data from OECD and GFS (2009–10).

\*\* Low-Income country data is not systematically available through the GFS statistics, thus estimated from various reports including Kelly 2013a, Bahl and Martinez 2008, Bird and Slack 2004, Franzsen and McCluskey 2017.

Mexico (0.31%), India (0.17%), Bangladesh (0.16%), Nicaragua (0.13%),  
Egypt (0.08%), Vietnam (0.04%), Zambia (0.02%)

Substantial Potential for Increase

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## Why Property Taxation?

1. Revenue Potential is Good
2. Captures Benefits of Capital Investments
3. Taxes on Ability To Pay
4. Administration is Relatively Simple
5. Least distortive tax instrument, followed by consumption, PIT and CIT

Highly visible, politically sensitive thus can encourage responsive, efficient and accountable local governance

**DESIGN AND IMPLEMENTATION STRATEGY IS CRITICAL**

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## Common Property Tax Challenges

**Core Challenge:** low revenue yield, inequalities and inefficiencies

*Caused by:*

**Tax Policy Issues**

- Narrow tax base, with multiple exemptions
- Low and inappropriate tax rates

**Tax Administration Issues**

- Incomplete / dated fiscal cadastre
- Low, out-of-date and inconsistent property values
- Inaccurate tax liability assessments
- Poor revenue collection and enforcement
- High administrative and compliance costs, with lack of taxpayer service

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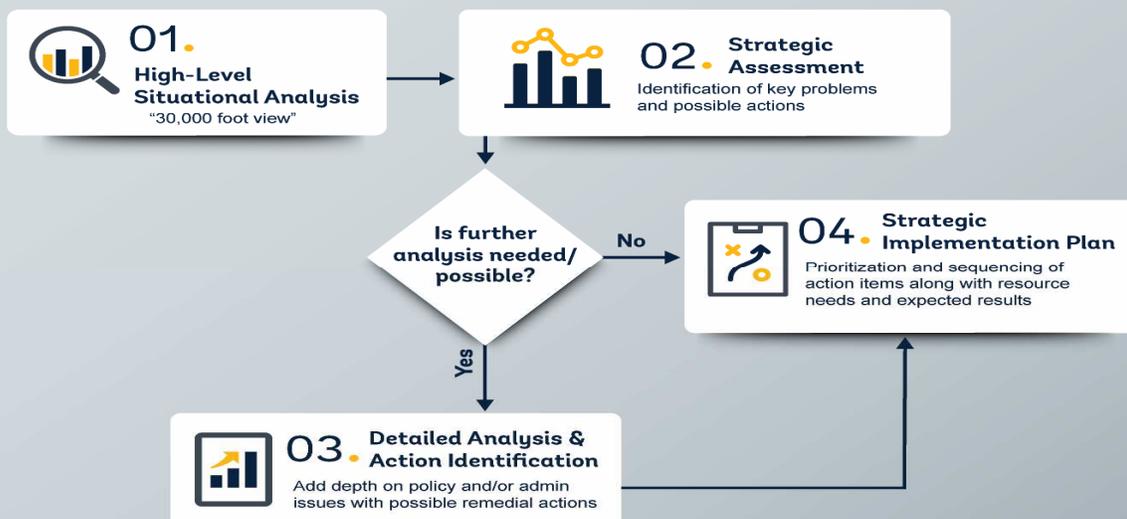
## Differing Reform Contexts

- **Varies by taxing jurisdiction**—thus need a diagnostic analysis to identify the key problem and the underlying policy, administrative and institutional factors.
- Is it mainly a **policy problem** linked to the tax base and/or tax rates?
- Is it mainly an **administrative problem** linked to the tax base coverage, valuation, tax liability assessment and collection/enforcement?

Requires **prioritization** and **sequencing** of tractable, remedial interventions to address the key challenges and binding constraints.

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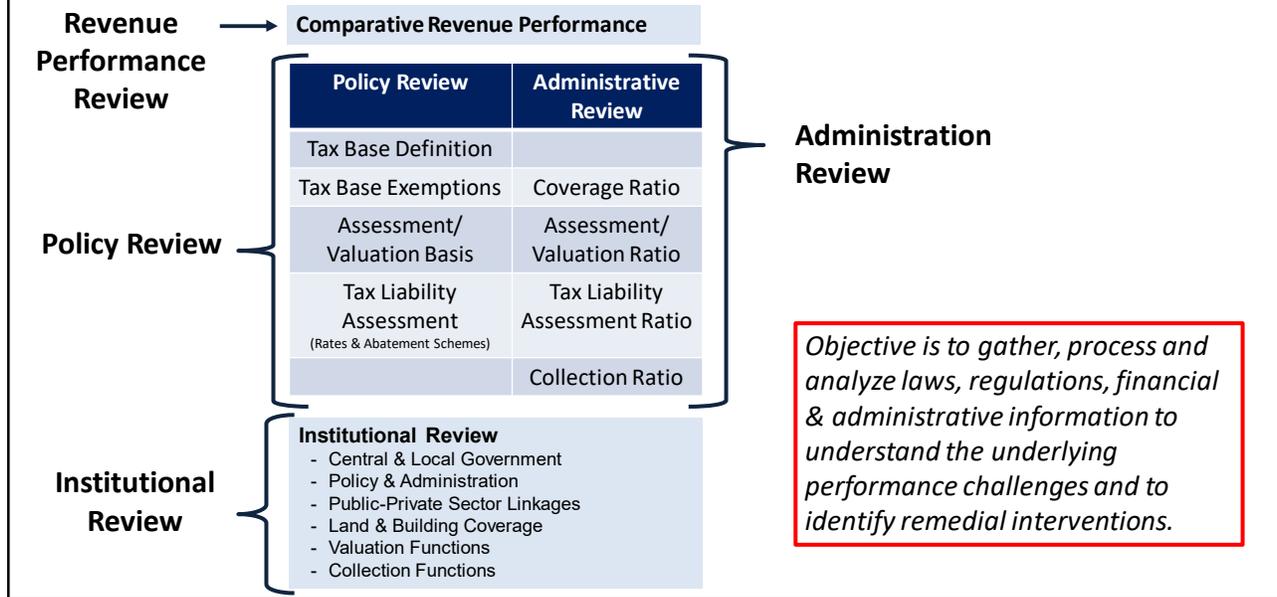
## Property Tax Diagnostic Framework



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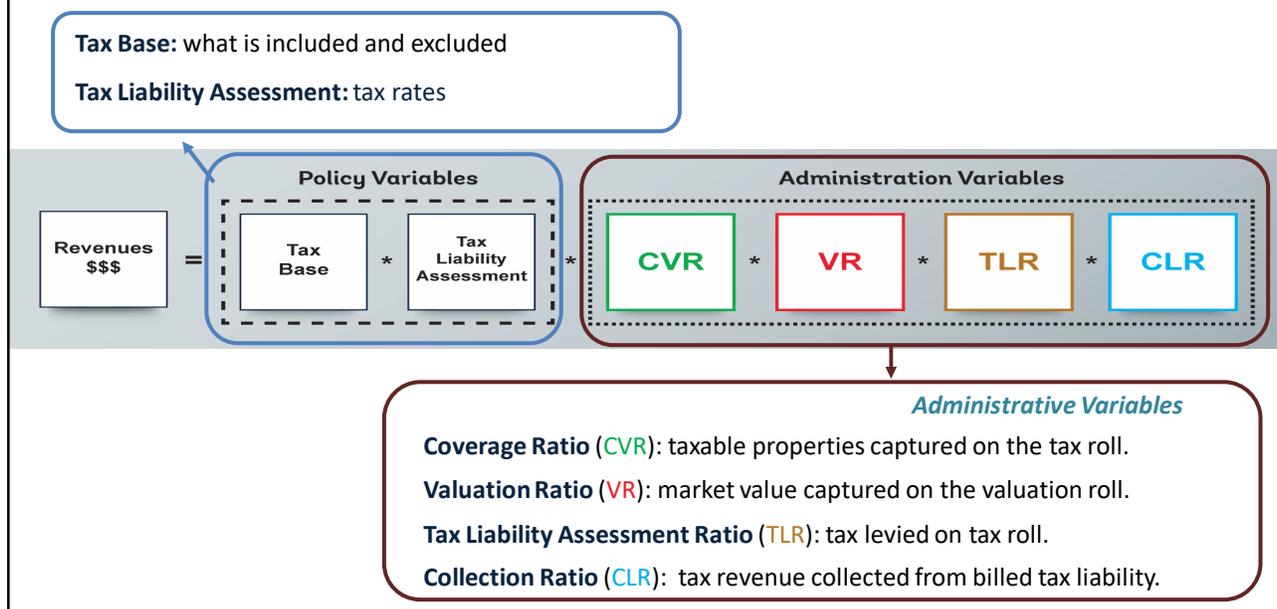


# High-Level Situational Analysis

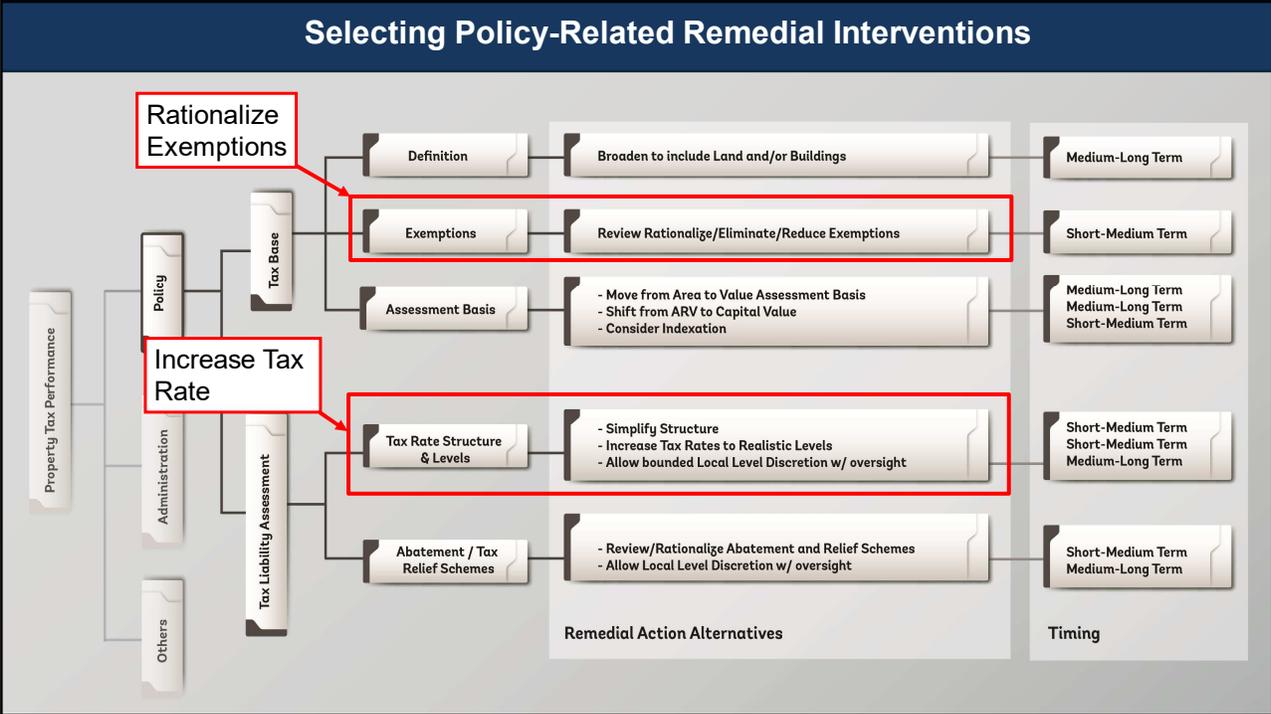


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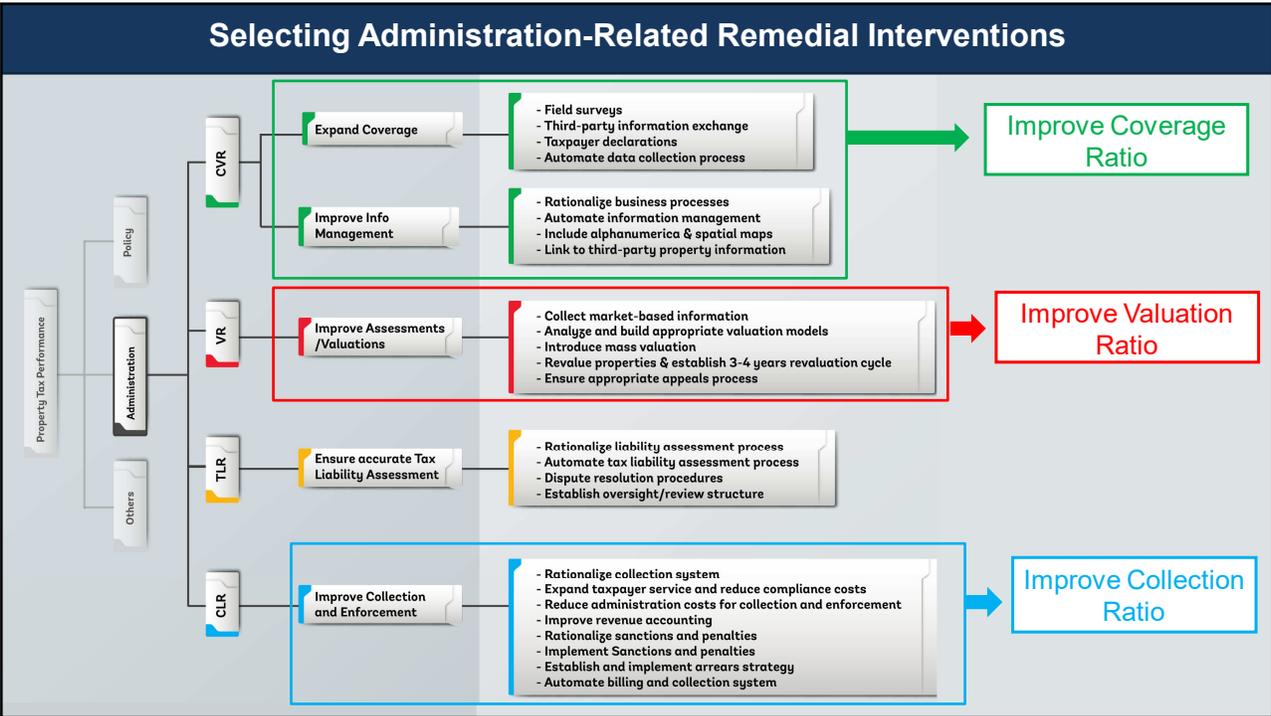
# Property Tax Revenue Equation



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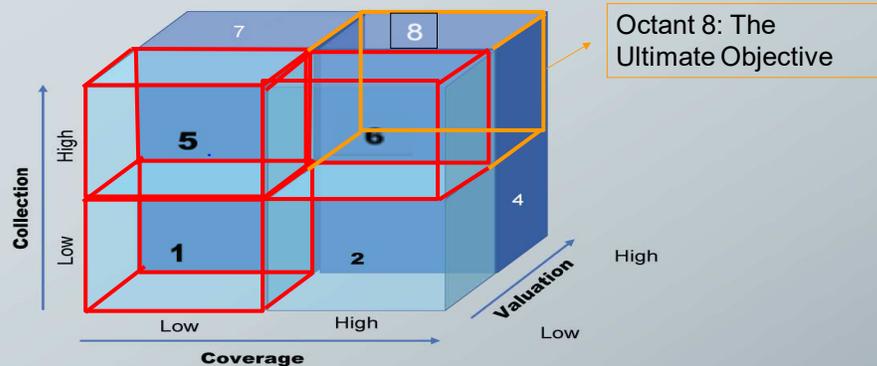


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## Property Tax Reform Implementation Strategies



**Reform Objective:** How to strategically move towards Octant 8?

Based on (1) Situational Analysis, (2) Strategic Assessment and/or (3) Detailed Analysis and Action Identification, what are the tractable options for (4) Strategic Implementation Plan?

Choosing your Sequencing

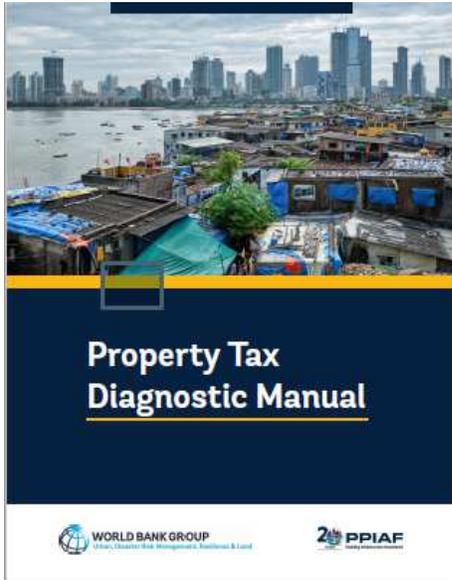
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## International Reform Experience

- The impetus for property tax reform can vary.
- Appropriate policy should be adopted, but is this the “binding constraint”?
- Prioritize tax administration, which alone can dramatically improve revenues, equity and efficiency.
- Tailor reform choices to local context, linked to political will, institutional capacity and reform environment
- Mobilize strong political will, support and encouragement
- Enhance capacity and institutional support (technical and administration)
- Implement reforms in a comprehensive yet strategic manner.

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## Property Tax Diagnostic Manual



**Downloadable from:**

<https://openknowledge.worldbank.org/bitstream/handle/10986/34793/150373.pdf?sequence=1&isAllowed=y>

**Source:** Kelly, Roy; White, Roland; Anand, Aanchal. 2020. *Property Tax Diagnostic Manual*. Washington, D.C.: World Bank Group