

PROPERTY TAXATION AND URBAN DEVELOPMENT FINANCING IN NIGERIA

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Publisher's Name

&

LOGO

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Published by Urban Management Consultant

Plot 6, Commercial Layout,

Agala Estate Oke-Aremo, Ibadan

Oyo State, Nigeria.

ISBN Code:

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DEDICATION

This book is dedicated to the memory of my Mother, who died on 17th July, 1983.

Madam Mojinyinola Abeke Tomori

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ABOUT MACOS URBAN MANAGEMENT CONSULTANTS

Macos Urban Management Consultants was registered by the Corporate Affairs Commission (CAC), Abuja, under Business Company and Allied Matters Decree No 1, of 1990 to promote efficient Urban Development and Management System in Nigeria in collaboration with **GISKONSULT LIMITED; Nig.**

To accomplish its mission, the company seeks to develop and promote appropriate policies for sustainable local government financing and property taxation, land management, delineating geographic areas for data collection and development of base line information for social and economic planning.

Currently, the consultancy services is dedicated to Real Estate Agency, presentation of seminar papers on current and vital information related to the aspects of land management, property taxation and local government finance at different fora and publications in the local and national newspapers.

The company has also developed postcode system for Oyo State with the collaboration of the Ministry of Local Governments and Chieftaincy Matters, Ibadan to facilitate the development of “**Baseline Information and Property Identification**”. The project would assist the ministry in effectively gauging the implicit of government policies and investment decisions of government agencies at the local level through effective monitoring and evaluation.

The company’s initiative is focused on integrating the theory and practice of land management and property taxation by developing an efficient and effective urban management information system.

PREFACE

This publication is not intended to identify any single path to the development of a successful system of property taxation, but rather to broaden our understanding of the available alternatives and their relationship to specific political, legal and economic settings.

For a long time since 1916 Assessment Ordinance introduced by the British Administration, the area-based systems had persisted because they satisfy a widely held belief that taxation decisions were official act that must be ratified by the government, an approach not in line with a tax base drawn from market data. It also had no professional input, as well as the individual appeals common in value-based system.

This long practice of property rating treated land and building as an entity and not as distinct tax bases. Even in the 1980s when value-based tenement rating was introduced by the World Bank, land and building (i.e. land with building) were treated as a single tax base.

Under the nonvalue-based tenement rating system, taxis paid on a small property situated in a prime central location was significantly less than the taxes due on a property of greater size in location of less desirable area. However, as demand for prime space grows, the inequity of these differences in tax burdens became less acceptable. A higher tax on more desirable locations will also encourage better utilization of land resources and can be a useful tool to improve urban productivity.

The market-based property taxation introduced by the Federal Capital Authority, Abuja, and the Land Use Charge introduced by both the Lagos and Oyo states governments were meant to expand and broaden the property tax base for states and

local governments including the Federal Capital Territory, Abuja where the real estate market has been well developed.

Market value-based property tax will also provide a more equitable distribution of taxes and greater fiscal transparency and accountability. Non-fiscal benefits of a value-based property tax include its potential as a stimulus of real estate markets and mortgage credit institutions and as a tool for urban revitalization and more efficient land use.

This publication was an expanded version of the paper titled ***“Sustainable Local Government Financing and Urban Property Taxation A panacea to Transform the Economy and Urban Development in Nigeria”***. A paper delivered at the Mandatory Continuing Professional Development Seminar organized by The Nigerian Institution of Estate Surveyors and Valuers, Oyo State Branch in collaboration with the Estate Surveyors and Valuers Registration Board of Nigeria on Thursday, May 9th 2013.

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July, 2013.