Leveraging Property Tax Reform to Strengthen Land Registration and Urban Planning

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Summary

- Property tax reform dominated by “cadaster first” approaches

- However, “cadaster first” (a) increase capacity challenges and timelines, (b) disempowers local governments and (c) creates perverse incentives. This severely undermines effective property taxation.

- A compelling alternative is “property-tax first” approaches that register properties for taxation directly, to expedite complete tax registers and equitable revenue raising

- Ideally “property-tax first” approaches should support national land registration efforts, using revenue raising incentives to drive improved land management

‘Cadaster-First’ Approaches to Land and Property Tax

Traditional reliance on **‘cadaster-first’** approaches to property tax reform. Reflects:

- Principle that property tax should be levied on owners
- Centrality of improved land management to development
- Efficiency benefits of taxing land, not only built property

The Limits of Cadaster First Approaches

"Cadaster-first" approaches have posed a major barriers to property taxation, and to effective decentralization

- Administratively complex, costly and slow
- Politically contentious, esp. in areas of customary authority
- Disempowers local governments + relies on central-local collaboration
- Creates disincentives to registration among owners if registration -> taxation

Constrained revenue potential, major inequities, undermines trust, weakens decentralization

Property Tax First Approaches

Empower local governments to register local properties for tax purposes, irrespective of formal registration status

Leverage property tax data to strengthen land registration and urban planning

“Property Tax First” Approaches

A Pragmatic Approach To Property Tax Registration

- Map, address and measure properties using GIS and satellite imagery
- Ground truthing to identify key building types and characteristics
- Address bills to “the owner”, with penalties levied on the property

Potential to Dramatically Improve Outcomes

- Rapid and complete property registers
- Expands revenue raising, and decision making, autonomy of LGs
- Strengthens incentives for land registration
- Potential to leverage property tax registers to improve cadasters/land management

Leveraging Data for Cadasters and Urban Planning

Property tax registers can provide rich information for strengthening cadasters and urban planning. For example:

- Use maps developed for property taxation as a foundation for richer GIS urban planning maps
- Develop protocols for sharing data with land and other authorities
  - As foundational data for expanding cadaster coverage
  - With national tax authorities for rental income taxation
  - With agencies responsible for business registration, construction oversight etc…

However, practical data sharing and coordination challenges to be successful

- Ensuring information sharing between property tax, urban planning and cadaster without creating bloated and unimplementable integrated systems
- Building processes within government for data sharing and updating

Challenges and Key Questions

Challenges

- **Taxing Land:** “Property Tax First” is highly effective for built property, but land itself can require formal cadasters – new strategies and balancing tradeoffs
- **Burden Shifting to Tenants**: How best to pursue enforcement where owners are not known? Do penalties on properties hurt tenants rather than owners? If tenants pay on behalf of owners does the burden also shift?

Questions

- **Land claims?** What claims, if any, are conferred by property tax payment
- **Resolving disputes:** Who should pay taxes where ownership is contested? How to ensure ability to pay does not ‘establish’ ownership?
- **Differential rates based on registration status?** Should rates be lower where property title is less secure? How to deal with incentive effects?

Thank you
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