

Strengthening Subnational Revenue Generation through Property Tax Reform in Freetown, Sierra Leone

Introduction

Property taxes are a core component of local government revenues in most countries. However, in Sierra Leone, as in most low-income countries, these taxes are highly under-performing, largely due to issues such as incomplete and out-of-date valuation rolls, under-assessment of the most valuable properties, inefficient billing systems and weak enforcement. In order to address these challenges and to expand revenues to fund a programme of public investments, in 2019 Freetown City Council (FCC) began a process of comprehensively reforming its property tax system.

Background to the reforms

On assuming the office of Mayor of Freetown in March 2018, Yvonne Aki-Saw-yerr initiated a strategic planning process that led to the “Transform Freetown” agenda, a set of priority reforms and investments for improving socio-economic conditions in the city. To support this agenda an ambitious target was set for expanding own-source revenues five-fold from 7 billion Leones (USD 565,000) to 35 billion Leones (USD 2.8 million) by 2020.

Property taxes were identified as a vital source of revenue for meeting this target and funding the Transform Freetown investments. In order to explore options for reforming the property tax system to address its significant weaknesses, the Mayor convened a technical working group that included representatives from central government agencies, (including the Ministry of Finance and the National Revenue Authority), the International Centre for Tax and Development (ICTD) and the International Growth Centre (ICG).

Technical overview of the reform programme

The technical working group developed a pilot on 11,000 properties in two wards of the city, to test a new system for the identification and valuation of properties, and for managing of property tax billing and collection. The introduction of the new system attracted support from the UK Government. The system that was developed and rolled out across the city included the following elements:

- ① Valuation – Information on property characteristics were collected through a hybrid system using satellite imagery and in-person visits from enumerators using handheld devices; a simplified points-based system was then applied to identify tax levels, with larger and higher quality buildings assigned higher tax levels.

- ◉ IT system for management – The creation of a custom IT system to manage property valuation, billing, and payment tracking; it was designed with a focus on simplicity, interoperability, transparency, and flexibility, while keeping costs down so as to support sustainability of the system.
- ◉ Bill delivery – A new mobile app to record and track bill delivery was developed, bill delivery then carried out by a subcontracted private logistics firm, in cooperation with the reform team and the FCC.
- ◉ Process of appeals – A help desk was established at the FCC council offices to answer questions, add in basic information about properties and initiate reviews of valuation and tax decisions
- ◉ Sensitisation work – This engaged taxpayers on the approach to equity and planned use of revenues.

Summary of outcomes

The expansion in the number of properties valued and the more efficient management system facilitated a significant increase in potential and actual revenues. The total potential level of revenue that could be collected increased from about 8 billion Leones (USD 650,000) prior in 2017 to almost 45 billion Leones (USD 3.65 million) in 2020. Actual revenue levels increased from 4.25 billion Leones (USD 340,000) in 2017 – over half of total FCC revenue – to 15 billion Leones (USD 1.2 million) in 2020 out of a total of 25 billion Leones (USD 2.12 million) – over 60% of total FCC revenue - despite the impacts of the COVID-19 pandemic (FCC 2021).

A key element of the reforms was the decrease in the tax liability of the two lowest quintiles of properties in terms of value, and a significant increase in the tax liability applied to the two highest quintiles.

Key challenges and lessons learnt

The successful introduction and implementation of the reforms was helped by securing buy-in and support from the central government and local administrators; strong political leadership and a clear strategy to confront resistance from taxpayers; and addressing a wide range of administrative challenges that were acting as a constraint to the collection of property taxes.



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