



## African Tax Administration Paper 2

# **Practical Guidance Note:** Training Manual for Implementing Property Tax Reform with a Points-Based Valuation

Paul Fish

June 2018

ICTD African Tax Administration Paper 2

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Training Manual for Implementing Property  
Tax Reform with a Points-Based Valuation**

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*The ICTD's African Tax Administration Papers (ATAPs) are research papers that will be of specific interest to people working in tax administration in Africa. The purpose is to encourage and support useful, policy-oriented research by African professionals directly involved in tax administration.*

Practical Guidance Note: Training Manual for Implementing Property Tax Reform with a Points-Based Valuation  
Paul Fish/African Property Tax Initiative  
ICTD African Tax Administration Paper 2  
First published by the Institute of Development Studies in June 2018  
© Institute of Development Studies 2018  
ISBN: 978-1-78118-450-9



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Charitable Company Number 877338

# **Practical Guidance Note: Training Manual for Implementing Property Tax Reform with a Points-Based Valuation**

Paul Fish/African Property Tax Initiative

## **Summary**

The paper shares the author's on-going experience in supporting the implementation of property tax reform programmes in smaller urban centres and rural districts in Sub-Saharan Africa, covering more than 12 local governments over a period of more than 10 years. The paper presents a generic training manual, designed to offer practical guidance for property tax reformers on the process of mobilising revenue. The guidance details the process step-by-step together with supporting materials, schedules and examples of survey instruments. Some results, lessons learned, and next steps have previously been published.<sup>1</sup>

The paper outlines six integrated steps, with the implementation of each step essential to successful revenue mobilisation. For sustainability, each of the steps is required on an annual basis. The paper takes the reformer through the initial stages of discovering the properties, collecting sufficient details and building a database. It then introduces a hybrid valuation technique that takes the simplicity of an area-based approach and incorporates elements and some support from the market. The paper then describes the needs of a successful billing process, while highlighting the importance of successful communication techniques to bring the community into the process and build support for the programme through government development projects. Payment techniques are outlined to encourage voluntary payments and lastly, a compliance stage where defaulters are challenged in court is described.

**Keywords:** property rating; property taxation; local government; valuation; decentralisation; international development, Sub-Saharan Africa; revenue mobilisation.

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The **African Property Tax Initiative's** main objective is to stimulate and encourage wider use of more effective property tax systems in Africa. It is working to build the critical mass needed to successfully support African governments that are considering or currently undertaking property tax reforms. [www.ictd.ac/network/apiti/](http://www.ictd.ac/network/apiti/)

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<sup>1</sup> Fish, P. (2015) 'Practical Aspects of Mobilising Property Tax: Experience in Sierra Leone and Malawi', *Commonwealth Journal of Local Governance*, Issue 16/17: June 2015.

# Contents

|          |   |           |
|----------|---|-----------|
|          | Summary                                   | 3         |
|          | Acknowledgements                          | 6         |
|          | Acronyms                                  | 6         |
|          | <b>Introduction</b>                       | <b>7</b>  |
|          | Revenue Mobilisation Programme objectives | 7         |
|          | Timeline                                  | 9         |
|          | Software                                  | 9         |
|          | Hardware                                  | 9         |
| <b>1</b> | <b>Discovery</b>                          | <b>10</b> |
|          | 1.1 Timeline                              | 10        |
|          | 1.2 Background                            | 10        |
|          | 1.3 Procedure                             | 10        |
| <b>2</b> | <b>Assessment</b>                         | <b>14</b> |
|          | 2.1 Background                            | 14        |
|          | 2.2 Commercial property types             | 17        |
|          | 2.3 Harmonisation with market value       | 17        |
|          | 2.4 Assessment appeal                     | 18        |
| <b>3</b> | <b>Taxation</b>                           | <b>18</b> |
|          | 3.1 Setting the mill rate                 | 18        |
|          | 3.2 Rate demand notices                   | 19        |
|          | 3.3 Timeline                              | 19        |
|          | 3.4 Format                                | 19        |
|          | 3.5 Rate demand notice delivery           | 20        |
| <b>4</b> | <b>Sensitisation</b>                      | <b>20</b> |
|          | 4.1 Background                            | 20        |
|          | 4.2 Timeline                              | 21        |
|          | 4.3 Methods                               | 21        |
| <b>5</b> | <b>Collection</b>                         | <b>25</b> |
|          | 5.1 Timeline                              | 25        |
|          | 5.2 Methods                               | 25        |
|          | 5.3 Strategy                              | 25        |
| <b>6</b> | <b>Compliance</b>                         | <b>28</b> |
|          | 6.1 Background                            | 28        |
|          | 6.2 Procedures and action notes           | 29        |
|          | 6.3 Timeline                              | 30        |
|          | <b>Appendices</b>                         |           |
|          | Appendix 1 Delivery register              | 31        |
|          | Appendix 2 Tally sheet                    | 32        |
|          | Appendix 3 Survey instruments             | 33        |
|          | Appendix 4 Sample letter for enumerators  | 37        |
|          | Appendix 5 Sample ward meeting invitation | 38        |
|          | Appendix 6 Table of base values           | 39        |

## Tables

|         |                                |    |
|---------|--------------------------------|----|
| Table 1 | REMOP phases                   | 8  |
| Table 2 | REMOP responsibilities         | 8  |
| Table 3 | Valuation sample               | 16 |
| Table 4 | Harmonisation results – Malawi | 17 |
| Table 5 | Bank deposit book sample       | 27 |

# Acknowledgements

The author would like to thank Wilson Prichard, Nyah Zebong and Nara Monkham for their comments and valuable contributions to this paper. APTI is supported by the International Centre for Tax and Development (ICTD) through funding from the Bill and Melinda Gates Foundation, and the author would also like to thank both these organisations on behalf of APTI for their support.

# Acronyms

|       |  |
|-------|--|
| APTI  | African Property Tax Initiative              |
| GIS   | Geographic information systems               |
| ICTD  | International Centre for Tax and Development |
| PRO   | Public relations officer                     |
| RDN   | Rate demand notice                           |
| REMOP | Revenue Mobilisation Programme               |

# Introduction

This practical guidance note is a generic version of the training manual employed by the author for supporting the implementation of points-based property tax reform in a number of local governments, most notably in Sierra Leone and Malawi, under the name Revenue Mobilisation Programme (REMOP). It is detailed in six integrated phases and is described as applied to cases in which reform is led by sub-national local governments, though the broad approaches herein could be adapted to reform led by higher levels of government. APTI is publishing this guidance note as a reference for governments and other practitioners interested in implementing similar reform programmes, while recognising that the details of every reform programmes are likely to be unique – and that this model may not apply everywhere.

The REMOP has been implemented with the aid of sophisticated but easy-to-use software. The software may be used free of charge and free of royalty, or the guidance herein could be adapted for use with alternative software platforms. The appendices to this manual contain the forms and spreadsheets needed in the practical operation of the REMOP and referred to herein.

This manual is a living document and it will be updated as further recommendations are formed. For the latest issue please contact the APTI Lead Nyah Zebong at [zebongan@yahoo.com](mailto:zebongan@yahoo.com) or Paul Fish [fish.paul@icloud.com](mailto:fish.paul@icloud.com)

## **Revenue Mobilisation Programme objectives**

### **Primary**

- To increase and manage revenue collection from property tax that drives development within a jurisdiction.

### **Secondary**

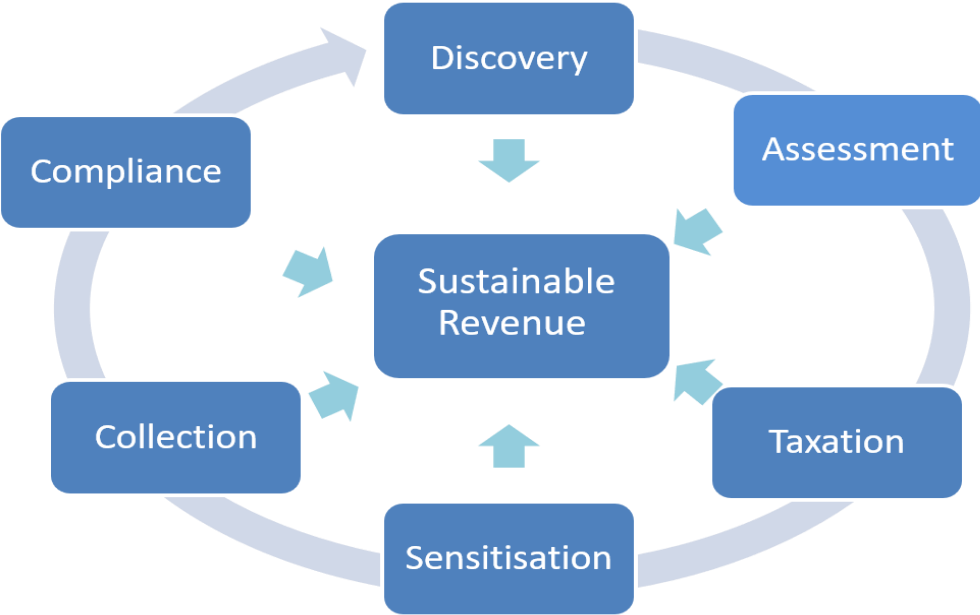
- Improved planning information on the make-up of a city/district in terms of buildings, businesses and people.
- Better participation and involvement of the population in local government activity.
- Enhanced transparency.
- Improved accountability.

## **The Revenue Mobilisation Programme**

The programme is a series of six annual steps all considered essential to the successful mobilisation of property tax revenue.



**Table 1 REMOP phases**



- The chart above illustrates the annual cycle and the six distinct components required to ensure a transparent and accountable revenue mobilisation process.
- It is important at this stage to emphasise that REMOP is an annual recurring process, and not simply a single cycle activity.
- Prior to any implementation it is of course critical to have the total commitment of the local council members and its administrators. An overview of the programme and its stated goals is presented and an agreement to adopt it requires a council resolution. Of particular importance at this preliminary juncture is the acceptance by the council of the more difficult compliance stage, to be implemented later in the programme. It is important for the council to acknowledge that the programme may challenge high-profile community members who default on their obligation to pay their rates. A council information session is key, with open interaction between the implementation and training staff. Other stakeholders also need to be informed, such as relevant central government ministries and departments.

**Table 2 REMOP responsibilities**

| REMOP Responsibilities |                          |                      |                               |                     |
|------------------------|--------------------------|----------------------|-------------------------------|---------------------|
| Stage                  | Key Responsibility       | Council support      | External support/<br>Training | Oversight           |
| Discovery              | Valuation Officer        | Valuation Staff      | GIS                           | Chief Administrator |
| Assessment and Appeal  | Valuation Officer        | Valuation Staff      | Valuation expert              | Chief Administrator |
| Billing and Taxation   | Council Resolution       | Administration Staff |                               | Chief Administrator |
| Sensitisation          | Public Relations Officer | Valuation Officer    | NGO's; Heads                  | Mayor / Councilors  |
| Payment                | Chief Financial Officer  | Administration Staff | Financial Institution         | Mayor / Councilors  |
| Compliance             | Valuation Officer        | Valuation Officer    | Legal advisor                 | Chief Administrator |

## Timeline

Revenue mobilisation is conducted on an annual fiscal year basis so as to give the maximum amount of time to collect revenue by successfully completing all six REMOP phases.

It is therefore critical to start to issue the billing or rate demand notices for the new local council tax system **at the commencement of a fiscal year**. This means that the process of starting a fresh project at a council should be commenced well ahead of the new fiscal year.

An existing system rollover to a new fiscal year is best carried out commencing at least three months beforehand in preparation for the new year, where new rate demand notices should be issued and delivered in the month prior to the start of the year.

## Software

Computer software performs the following main functions for property tax and can be adapted in addition for business licences.

- Maintains all data on properties and businesses.
- Performs automatic valuation assessments based on the local council's set criteria.
- Calculates tax based on the council budget requirements.
- Manages and issues rate demand notices (RDNs).
- Manages the assessment appeal process.
- Manages and records payments.
- Issues reports on defaulters.
- Issues other required reports such as the valuation roll and rate book for public disclosure.
- Provides management statistics such as total tax paid and unpaid, and numbers of properties all potentially filtered for different locations.
- Archives the records for each fiscal year.
- Renews the assessment platform each fiscal year based on input from the local authority.

Detailed questions concerning the software should be addressed to APTI as above.

## Hardware

Recommended specifications are available from APTI. In general, the equipment needed to run the software is a standard modern networked computer system, including large screens to view data.

A fast speed and robust black and white printer is required along with an easy-to-use stand-alone scanner for paper records and receipts. External and internal backup systems are critical as are uninterruptible power supply units.

# 1 Discovery

## 1.1 Timeline

The discovery phase is a **continuous annual workflow** to establish a database capture of all buildings in the local authority's jurisdiction. This is a challenging task since an initial survey requires persistence to complete to a satisfactory standard. Moreover, there will generally be a small proportion of buildings and businesses missed during an initial survey. There will be a natural continuum each year whereby new buildings are erected, and modifications and extensions made to existing buildings. Additionally, new businesses will be established. The discovery phase is therefore conducted throughout the year and during each year.

The initial discovery for a new council mobilisation should be carried out so that the work, data entry and testing is completed three months ahead of the new fiscal year.

## 1.2 Background

The success of the entire REMOP programme rests on the collection – known as **a survey** – of a significant proportion of all buildings and businesses within the local council area. There will be much greater confidence among tax payers if the tax **database is complete**. Taxpayers will not be inclined to contribute their tax burden knowing that others are excluded. Moreover, the success of REMOP hinges on the **reasonable accuracy** of the data. If the buildings are not described accurately or are poorly measured, taxpayer confidence is significantly impaired and contributions will be low.

## 1.3 Procedure

The discovery phase involves four stages:

1. identification
2. data collection
3. supervision
4. data input.

The survey of all buildings is carried out by a team trained beforehand to undertake the task, and supervised by a manager responsible for its accuracy. Teams are guided by a series of maps that are produced by GIS (geographic information systems) work using satellite imagery.

Each team member needs to have an official identification badge from the council. The team is divided into two sections for the separate duties: 1. numbering and 2. data collection.

A special sensitisation needs to be carried out to inform the public that the discovery is being undertaken. A radio jingle and two radio 'Council Hour' slots should highlight the upcoming REMOP data collection phase. If possible the chief administrator and a politician should be on a panel discussion to explain the need for the data collection and numbering. A letter of introduction should be created for enumerators to introduce themselves to a building's owners. The letter should be laminated. A sample is attached in Appendix 4.

## **Section 1 – Identification**

### **Unique numbering**

Each building has to be uniquely identified through the use of a number and street name. This is a critical step so that there is no confusion about the building being taxed. This differs from a legal description or formal cadastre and does not confer any ownership rights. The process merely identifies the property for municipal purposes. The simplest way is to assign a logical numbering sequence to each house and to uniquely name each street. For recording purposes, use a *tally sheet* (sample provided in Appendix 2) so that each building and building lot can be noted and filed at the council. The numbering follows the procedure 'right even numbers, left odd numbers' starting from a main road and moving away from the centre of the town. Vacant land needs to have numbers reserved for future buildings.

There are international standards for the identifying and coding of properties. These standards are preferred but are not essential for the mobilisation of revenue. Administratively, the international standards should be followed. The international standards recommended by APTI are

[www.unece.org/fileadmin/DAM/hlm/documents/.../guidelines.real.property.e.pdf](http://www.unece.org/fileadmin/DAM/hlm/documents/.../guidelines.real.property.e.pdf)

A critical step is that each building must be visually numbered for delivery and identification purposes. A secondary advantage resulting from this is that essential services, such as firefighting, policing and ambulance, can be delivered. Building numbers are to be placed on the exterior wall of the house facing the street and in close proximity to the main door to the building. White or crème paint should be used for a background, painted in either a neat square or a circle. When dry, black numbers are painted freehand. The council could consider legislation requiring owners to maintain the identification since this is critical for proper delivery of rate demand notices.

### **Street naming**

Typically, developing countries have a lack of street names and sign posts but this is an important step. Street naming is primarily taken from the name most people in the street might recognise. However, there are likely to be many streets where there is no agreement on name. Local ward heads or even traditional heads could be consulted in this case.

If there is no street name, then a unique code needs to be assigned together with a detailed description of the street location noted on the tally sheet. GIS is used to locate the street and the code. The code is structured such that each numbering team member has a different letter and uses this letter to identify the street plus a number starting with 001. Thus, team member 'A' would have the first unnamed street called A001. A GPS reading at the commencement of the street is needed so that the street can be located for demand notice delivery. For notification of the street identifier to house owners it is important to mark the first and last building in the street with the street code. Use black lettering with white background.

There may be houses not located on any identifiable street or path but built in a rural setting as part of a cluster of houses. The cluster will also need to have a code assigned and GPS marked in a similar manner to unnamed streets. The clusters should not be too large for management purposes: a cluster limit of 40 buildings is recommended.

The tally sheets need to be filed carefully in alphabetical order and in a separately labelled file where all streets can be located.

## **Section 2 – Data collection**

The data collection is best undertaken by energetic local youth. Young people can be easily trained to take external measurements and to note visual clues about a building's features. The more ambitious and interested among the pool of enumerators might also serve as the best full time administration assistants. The data is to be set out on a one page 'survey instrument', a standard form (examples provided in Appendix 3) where specific information is to be collected and verified by the enumerator.

### **Exclusions**

There may be certain use properties that will be excluded from the taxable database of properties. This will vary according to legislation but typically the types of buildings excluded will be:

- places of religious worship
- public schools
- public hospitals.

The success of property tax reform will depend on the breadth of coverage. If there are a large number of exemptions, the costs per taxable building will increase or the revenue be diminished. More importantly, there is a risk that the taxable community will be aggrieved at the additional tax to pay as a result.

Informal settlements are often seen as exclusions to the database of taxable properties. The reason is that the owners may not have legal title. However, all residents use municipal services and thus the exclusion of informally-built housing unfairly burdens those taxpayers living in formal housing. Moreover, the identification and payment of tax does not automatically confer legal ownership but merely acknowledges the use of municipal services by all of the community. Thus, the inclusion of informal settlements is recommended.

### **Measurements**

As well as the essential measurements of area, other data about the building is collected and the survey instrument (data form) examples provided in Appendix 3 are merely samples. The survey instrument might be electronic if there is technical availability, or in paper form. Elements affecting the value of property in each local authority area may differ but within each local authority area, the elements need to be uniform. Examples might be the standard of foundations, or the type of sanitation available. Certainly, urban and rural areas will differ. So administrative staff, with initial advice from a valuation expert, need to agree on these uniform elements and the survey instrument can then be constructed.

Measurements of the building's exterior are to be taken as accurately as possible. A GPS reading is to be taken and noted on the instrument. If the building is under construction, this should be noted on the tally sheet, and a completed instrument is not needed until the building is complete. In a similar way, those buildings that have been destroyed or are uninhabitable should simply be noted on the tally sheet for later assessment when there is a change in circumstance. This may differ if unbuilt land is to be taxed, in which case land measurements should be taken in any case.

Ideally, and for greater accuracy, the survey instrument can be set out electronically on mobile devices such as MobileMapper or Trimble. The advantage of this method over the traditional way of using hard copies of survey instruments is that data entry errors occur mainly in the field during the writing. An electronic form is more efficient if this can be managed. The need and costs for data entry described below are then completely eliminated.

Ideally, vacant land should be assessed and taxed, but the process may yield only small amounts of tax and in any case may not be possible due to a lack of owner information. Land has relatively much smaller values compared to buildings but still requires the same effort. Thus, there is a tendency to initially look to building owners in particular since building owners are the main beneficiaries of municipal services. The imposition of a property tax might however be driven by municipal policy. Charging a property tax on vacant landowners could encourage them to develop their land with urban uses rather than hold land vacant on the speculation that prices will rise. Vacant land left empty is not an efficient municipal use and might even serve as a blight. Thus, land should be taxed and in a similar way based on the measuring of square metres. One significant problem is identifying the owner and then properly serving the owner with a rate demand notice or compliance procedure. Title records are frequently not registered. Thus, while it may be desirable to focus on land as a taxable property it may not be entirely efficient or even possible.

### **Section 3 – Field supervision**

Without electronic entry, field supervision is a critical component to ensure the required accuracy. There is a strong temptation on the part of the enumerators to rush through their task. This is a common problem and results in poor data or wildly incorrect measurements. The impact this could have on the REMOP is significant and would compromise the entire programme. Incorrect data or measurements will reduce taxpayer confidence and discourage payment. While the taxpayer has the ability to appeal, there will only be a small tolerance for errors. A large amount of poor information will possibly bring taxpayers together in a movement against the REMOP. This must be avoided at all costs and requires supervision of the enumerators.<sup>2</sup>

The method of supervision is a sample test each day, and of each team's data. This test is performed by the supervisor and is a critical role. The test involves a completely independent visit to a building visited previously by the enumerator team. A fresh building form is completed by the supervisor together with measurements. The form is then compared with the actual form submitted by the enumerator. Any errors need to be corrected and a very stiff warning made. A notice that further errors will result in dismissal and a loss in pay should have the desired effect. The problem is that poor or incorrect data will risk impacting on the credibility of the taxation system. The presence of an effective supervisor should avoid most problems.

### **Section 4 – Data input**

Without electronic data collection, all of the data collected by the enumerators has to be entered into the REMOP program by staff members dedicated to this job. Again, accuracy is an important component. The task is tedious and long and thus subject to errors. It is helpful to have a second data entry person reading the data from survey instruments to be typed and then checking the entries, as well as calculating the areas from the measurements given on the form. Supervision of the entry, by checking at least ten instruments per street, should be carried out by the supervisor. Focus on data outliers such as very large areas, buildings under construction or not habitable, should be targeted for supervision review.

Each of the forms should be numbered with the number assigned by the REMOP software and then all of the paper instruments need to be filed in a proper cabinet or in hardcover files. These instruments will certainly be needed to support the assessment appeal process. Thus, a retrieval system for the records is required. There is a temptation to file instruments by

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<sup>2</sup> Enumerators could be local youth. The costs of the local youth would be modest and the best might also serve as very keen full time administrators. Funding for this exercise should not be extensive as a result of using local youth.

address, but filing by REMOP number is required since this will be easier to retrieve. The computer will sort the addresses and find the correct number much more efficiently.

## 2 Assessment

### 2.1 Background

The function of assessment is to apportion the municipal tax burden across the municipality in an equitable manner such that the resultant property tax is progressive; that is, higher for those properties with a higher value and vice versa. Valuation approaches surround two main methods: market value and area-based methods. Decisions require an understanding of the unique challenges of effective valuation in Africa: this has been discussed in the Summary Brief 'Valuation for Property Tax Purposes' published by the African Property Tax Initiative and ICTD.<sup>3</sup>

Market-based value systems of assessment are dominant in the former colonial capitals, a method inherited from colonial authorities using either capital value or monthly rental value. Market value seeks to estimate the price a willing and informed seller would pay to a willing and informed buyer for a given property, or alternatively the rental price of the property. Market value assessment has frequently been a difficult challenge in developing countries. The reasons are mainly threefold:

1. the lack of an active or a transparent property market where properties are sold, and thus where the assessed property values can be measured;
2. the limited availability of professional valuation capacity, leading to an inordinate amount of time required to complete the large number of valuations covering all properties;
3. the high cost of undertaking professional valuations of each individual property given the relatively low amount of tax to be raised.

Responding to the need for simplicity, and to avoid the main challenges of the market value method, an alternate area-based method has been developed where assessment is based solely on the area of the building or land. This method is highly transparent and easy for taxpayers to recognise. However, the method ignores qualitative aspects which significantly limits fairness. Qualitative aspects such as location, condition, construction materials, land size, sanitary and water services etc, are all important components of a fair assessment.

#### Points-based valuation

The need for fairness, simplicity, cost efficiency and ease of use has driven a hybrid of the area-based method incorporating aspects of the market value-based approach.

The method developed as part of the REMOP uses the surface area of the building as a base but then makes qualitative adjustments to arrive at a value conclusion. The method assigns points rather than price and the points are based on the surface area of the building, while additional points are awarded for positive features or deducted for negative features of the property (e.g. location, construction type and materials, access to services, and quality of finishing).

The points awarded or deducted adjust the points initially based on area and conclude in a total number of points. This conclusion is tested for reasonability by reference to a sample of market values (either capital value or rental value) to test whether the points are fair. The

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<sup>3</sup> Prichard W., Fish P. and Zebong N. (2017) *Valuation for Property Tax Purposes: ICTD Summary Brief 10*, Brighton: IDS.

testing is made in a relative manner where a sample pool of known transactions is correlated with those properties' points values. The formula contributing to the points value is then adjusted and harmonised with the sample of market transactions.

The main disadvantage of the points-based method is that the total amount of points value is not easily recognised by the taxpayer as reasonable or not. The important aspect however is recognised in that the taxpayer can transparently reference the assessment of other properties nearby on the principle that properties of equal value should be taxed the same. It is important that property valuation for taxation is primarily undertaken to promote equity in the tax system and not primarily to estimate the absolute value of each property.

Other contributory advantages of the points-based valuation are significant:

- a) The method is formulaic and as such the formula can be automated. A computer aided method of valuation results in a much more efficient system for administrative purposes leading importantly to a much lower cost. Updating the formula can be carried out automatically and with ease.
- b) Enlarging the coverage of properties can be done by simply adding to the database as opposed to having to wait for a professional valuer.
- c) The taxpayer can easily appeal the assessment based on the factual description made while an administrator can also test the appeal efficiently. The transparency and efficiency then encourage the taxpayer to pay the tax voluntarily.

### **Assessment procedure – initial rateable value**

An initial rateable value is given based on the floor area and the type of building. The measurement of each building is taken and calculated as square metres or square feet. This forms a major component of the initial value.

To the measurement is added a second component to reflect the different relative values for each type of use. A factor ('base factor') is applied to reflect the difference in building type based on the relative cost to construct. Dwellings, for example, cost far less than bank buildings and are therefore rated significantly less. Domestic buildings are the most common type and for ease all dwellings are given a uniform rate of 100 per cent; a bank for example, is rated as 278 per cent and an industrial warehouse by contrast is at 73 per cent. The types and base factor calculations are set out in a table provided in Appendix 6 and can be used in most settings. These factors are all based on relative construction costs sourced from Marshall and Swift's construction cost manual and indicate the relative cost for each type of use.

The result of multiplying the area in square metres by the base factor related to the specific use is expressed as points.

### **Adjustments**

The initial rateable value is used and then adjusted for certain features of the building. If for example a domestic building has concrete walls, this might be regarded as an advantage resulting in a greater value and thus additional points are awarded to the assessment. If on the other hand the building has walls of a simple wattle construction, certain points might be deducted. The system is totally flexible allowing the valuation officer to determine the features affecting value in their municipality and the extent to which that feature affects value. A check on the reasonability is available through a harmonisation study, discussed below.

The software will automatically calculate the point adjustments for each feature uniformly for each property based on the valuation officer's input. The software totals these adjustments.



The total adjustments are added to the initial rateable value to find the annual rateable value for each building.

The valuation officer has to make decisions about the following to be used in all of the valuations.

1. The features to be used in the valuation that affect value. For example, the construction material, the type of road access, the provision of sanitation etc.
2. The percentage by which that feature affects the value either positively or negatively.

The following sample of a valuation might help the reader appreciate the method used.

**Table 3 Valuation sample**

|   |                              |           |
|---|------------------------------|-----------|
| Base Measure:                                 | Dwelling for residential use |           |
| Base Value:                                   |                              | 44.88     |
| Base Factor:                                  | x                            | 100.00 %  |
| Initial Rateable Value:                       |                              | 44.88     |
| Sum of Value Adjustments:                     | 33.00 %                      | 14.81     |
| Initial Rateable Value:                       | +                            | 44.88     |
| Annual Rateable Value:                        |                              | 59.69     |
| Mill Rate:                                    | x                            | 600.00    |
| Property Tax Payable:                         |                              | 35,814.24 |
| Arrears:                                      | +                            | 0.00      |
| Penalty:                                      | 0.00 % +                     | 0.00      |
| Payment(s) Made:                              | -                            | 0.00      |
| Total Payable (rounded down to nearest 1,000) |                              | 35,000.00 |

| Feature                     | Result           | Adjustment |
|-----------------------------|------------------|------------|
| 01 Location Band            | B                | 5.00 %     |
| 02 Road Frontage            | Yes              | 10.00 %    |
| 03 Road Surface             | Earth            | 0.00 %     |
| 04 Accessibility            | Good             | 0.00 %     |
| 05 Expansion Potential      | Some Potential   | 8.00 %     |
| 06 Drainage                 | Dry Soil         | 0.00 %     |
| 07 Sanitary                 | Pit Latrine only | -10.00 %   |
| 08 Landscape                | Average          | 3.00 %     |
| 09 Special View             | None             | 10.00 %    |
| 10 Fence                    | None             | 0.00 %     |
| 11 Electricity Mains        | Yes              | 20.00 %    |
| 12 Water Supply             | Mains Water      | 0.00 %     |
| 13 Water Tank               | No               | 0.00 %     |
| 14 Type                     | House            | 0.00 %     |
| 15 External Wall            | Fired Brick      | 5.00 %     |
| 16 Wall Finish              | None             | 0.00 %     |
| 17 Wall Condition           | B                | 0.00 %     |
| 18 Servants / Boys Quarters | No               | 0.00 %     |
| 19 Roof Cover               | CIS              | 0.00 %     |
| 20 Roof Guttering           | No               | 0.00 %     |
| 21 Roof Condition           | C                | -20.00 %   |
| 22 Air Conditioning         | No               | 0.00 %     |
| 23 Garage                   | None             | 0.00 %     |
| 24 Verandah                 | Open             | 2.00 %     |
| 25 Windows                  | Wood / Glazed    | 0.00 %     |
| Sum of Value Adjustments:   |                  | 33.00 %    |

### Explanation

- In the example the subject of the valuation is a dwelling.
- The area of the dwelling is measured at 44.88 square metres.
- All dwellings are uniformly factored at 100 per cent. Other property types are measured against this benchmark.
- The initial rateable value is then calculated at 44.88 points.
- Adjustment features affecting value in the municipality are listed.
- The result of the valuation officer's inspection at the subject property is shown in the next column.
- The relevant uniform rate affected by the feature is shown in the last column.
- The arithmetical sum of all adjustments totals 33 per cent. That means the subject of the valuation has certain features that improve the value of the property by 33 per

cent; a better location, a road frontage etc, but offset to some degree by roof condition and other factors.

- The total of 33 per cent is an addition to the initial rateable value and the calculation is shown as 14.81 points.  $44.88 \times 33 \text{ per cent} = 14.81$ .
- The total annual rateable value is shown as 59.69 points: the initial rateable value of 44.88 + 14.81 of adjustments.

### Valuation assessment conclusion.

The result of the automated valuation for the sample is a value of 59.69 points. This is the completion of the assessment that is undertaken by the valuation officer.

All dwelling properties are assessed automatically according to the same uniform valuation criteria.

When all of the properties in the municipality have been valued, a public 'rate book' is printed showing a summary of all properties and their assessments. The rate book must be available for public inspection so that taxpayers can see how consistently their properties are valued compared to others.

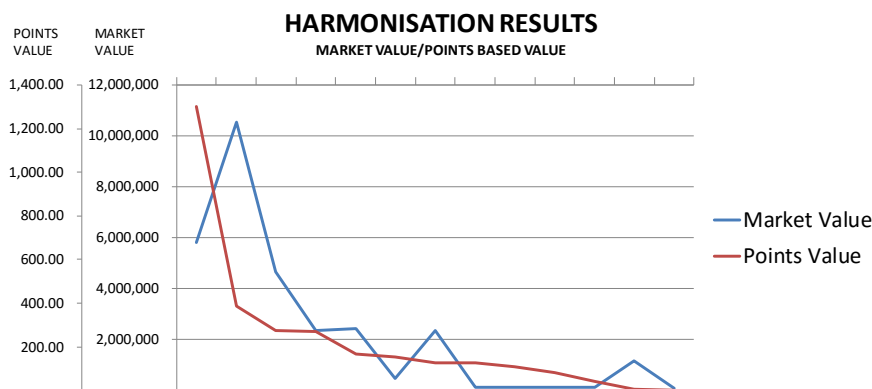
## 2.2 Commercial property types

Commercial property types differ from dwellings in that the features affecting the valuation are different. A different set of features and adjustments is therefore needed for commercial properties. However, the basic method of an initial value for the type of structure, for example, a bank or warehouse or retail building, is the same but with different base values. Adjustments are again made for better features and vice versa.

## 2.3 Harmonisation with market value

A reasonability check on the points-based assessment is available in the form of a harmonisation with a sample of market value examples. It may be possible to find a small market and to extract some benchmarks of transactions and prices. A small sample of properties assessed by points is compared with market values for the same properties. A harmonisation correlates the points values with the small sample of market values. The graph below shows the Malawi results of the REMOP points valuation. This is harmonised with a sample of market values so that the value progression mirrors the small but observable property market. The graph shown below shows the results of the harmonisation where the correlation coefficient is calculated at 0.83.

**Table 4 Harmonisation results – Malawi**



In this way the assessment can be aligned with a market value required by many jurisdiction's Local Government Acts. The harmonisation can be carried out by a valuation expert.

## 2.4 Assessment appeal

The appeal of the assessment is a key feature of successful revenue mobilisation. The taxpayer should have open access to the council administration, and specifically the valuation officer, in order to appeal the assessment. The source of the appeal is the detail disclosed on the rate demand notice that clearly sets out the owner's property features that have been assessed. If for example the features are incorrectly noted or the size is incorrect then the appeal must change the assessment. A valuation assistant is engaged to verify the issue to be appealed and any modification should be checked with the valuation officer. Oversight by the chief administrator is key.

The appeal process is crucial to the success of REMOP since taxpayer confidence in the assessment is paramount. This confidence is enhanced through a transparent system where assessments made on other buildings are published through a public 'rate book' report issued by the REMOP software.

The appeal for any assessments has to be made *in the current year only* and not for previous years. It is impossible to go back and amend old records. Logically, the taxpayer should be given every opportunity to appeal during the year. However, when the year's assessments have been completed, usually at around May in a calendar year, the period for appeal is completed. An appeal afterwards may only be made for future years' taxation.<sup>4</sup>

# 3 Taxation

The levy of tax on property owners is solely the responsibility of the political representatives, councillors and mayor. The administration through the valuation has provided the mechanism to apportion the property tax burden. Each property has been valued at a certain amount of points. It remains the responsibility of the council to resolve a tax amount per valuation point. Taking the example from p.16, the property has been assessed at a value of 59.69 points. Mzuzu Council in Malawi resolved to levy a tax of 600 Kwacha (MWK – around US\$0.84) per value point. The rate is known as a mill rate. Thus  $59.69 \times \text{MWK}600 = \text{MWK}35,814.24$  (around US\$50). The amount is rounded down in this example to MWK35,000.

## 3.1 Setting the mill rate

The chief administrator has a budget for the council that has to be raised each year above any national government funds transfer. The valuation officer advises the chief administrator regarding the total valuation points from all properties in the municipality and from this it is simple to calculate the mill rate required to achieve the expected revenue.  $\text{Budget amount/value points total} = \text{mill rate}$ .

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<sup>4</sup> This method is quite valuable in local government areas with various levels of development. While a fully-fledged market-based valuation is ideal, it is hard to find a jurisdiction reported in Africa where market value can be estimated with reasonably consistent reliability. Market value defined as the price at which the property would sell is not possible due to a lack of current information about recent transactions that are transparently revealed and registered. For taxation purposes, this task is difficult even in Western countries and is frequently done badly. Lack of valuation capacity is typically another heavy drawback. These are a few reasons why alternate methods of valuation have to be considered.

There are two elements to bear in mind.

1. There is unlikely to be a full payment of all property tax, in particular in a developing community context. Experience is that the first year can produce between 35 per cent and 50 per cent, depending on the sensitisation carried out, the perceived benefits by taxpayers and the real threat of the compliance stage. Thus, the recovery rate can vary widely. Ideally all property tax should be paid since it is the whole municipality which receives the benefits of municipal services.

2. The council has to bear in mind the affordability of the tax and will limit the total amount that might be raised. Thus, budgets may have to be tailored to the amount that can be raised by affordable tax rates.

The valuation officer makes recommendations of various mill rates with relevant average tax amounts for domestic and commercial buildings. Councillors need to have a visual image of typical properties and the tax at various mill rates in order to make a decision. Experience has taught that a series of photos and relevant tax amounts is very useful to illustrate for councillors. A table can then be given to show the effect of a higher or lower mill rate.

The chief administrator provides a recommended mill rate and the council makes a resolution. Once resolved in council, the chief administrator directs the valuation officer to apply the mill rate to all properties and distribute rate demand notices (RDNs).

### **3.2 Rate demand notices**

This step is relatively small but the process is distinct and has to be precise. All of the RDNs are processed through the same set-up. That means that the set-up and design of the rate demand notice needs to be very precise. Dates, timing, signatures, names, bank details and address etc are required. If the wording or the set-up is incorrect then EVERY demand notice will be incorrect. This may make it difficult or impossible to enforce the tax through the courts. Accuracy at this step is **CRITICAL**.

### **3.3 Timeline**

The preparation of the mill rate decision should be made several months prior to the start of the new tax year. For tax years that align to the calendar year, for example, October is generally good timing considering that rate demand notices must be delivered during the month before the year-end.

The design, format and wording of RDNs should commence early since many of the preparations involve getting signatures and approvals from the administration. Since delivery of the RDNs will commence in November (in this scenario), the preparation is required at the latest in October in particular with respect to the procurement of sufficient A4 paper and toner. Delivery of RDNs should be completed before December 31<sup>st</sup> so that a full payment period of four months is allowed, ending in April.

### **3.4 Format**

The logo is an important signal to the reader, even a non-reader, that the rate demand notice is an official document and from the local council. If there is no electronic logo to insert then the logo will have to be scanned from a document, using a jpg format.

Two signatures are recommended, being representation from both the politicians and the administration. Thus people will see that both the political and the administrative wings of the local authority support the requirement to pay property tax. The two signatures could be:

1. The mayor or head of the finance committee
2. The chief administrator or CEO.

The signatures are recorded either by scanning or photographing into a jpeg file.

The text should be adapted to fit the specific council. Special emphasis needs to be made with respect to the bank name and the bank address, as well as the appropriate year. Review the template given and adapt very carefully.

Sufficient toner and A4 paper needs to be procured several weeks ahead since supplies can be short and it is vital to PLAN for problems to occur. They always do. The project is time bound.

### 3.5 Rate demand notice delivery

The RDNs need to be sorted into logical delivery routes. Teams of delivery people need to be organised and given the RDNs in a plastic folder. It is critical to provide each delivery person with a hardback file folder and delivery form to record the receipt. The delivery person also needs a marker pen to record a thumb print. The delivery form is a critical required step to show in evidence that a rate demand notice was delivered, when and to whom. If there is no person to receive the RDN, it may be necessary to tape it to the door or to another obvious place as fulfilment of 'delivery'. In this case the deliverer signs and notes that he or she has pasted the RDN.<sup>5</sup>

The delivering of rate demand notices might be efficiently undertaken by the same youth enumerators who collected the data. To reduce the cost of delivery, other solutions might be considered such as collection by taxpayers at the municipal office or at the local councillor's ward office.

All delivery records (waybills) should be returned to the valuation officer and then filed in alphabetic order.

## 4 Sensitisation

### 4.1 Background

Sensitisation is a **key feature** of a successful REMOP programme. Ideally, a public relations officer (PRO) will be tasked with this, or it may be a person or councillor whose responsibility is public relations. The mayor and political leadership need to be highly visible and supportive of the property tax. They should be able to draw support from the wider community. Those that would be important are:

- mayor/chairman
- councillors
- ward committee members
- administrative heads, especially the chief administrator
- traditional chiefs
- business leaders, e.g. coffee, farming, traders, tobacco, bank manager, lawyer

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<sup>5</sup> In some cases, it is possible to experience personnel and other logistics constraints. It is always easier in practice for administrators to use youth who have acted as enumerators and know the street layout, names and locations. They have often proven efficient in delivering rate notices. Sometimes, the initial year or two are difficult for local governments to rationalise the cash flow problem. In Mzuzu, rate notices for the lowest amount of rates were initially left for homeowners to collect from the local ward office/councillor, rather than carry out a more costly personal house-to-house delivery.

- religious leaders
- civil society leaders
- NGO/CBO leaders
- drivers' union chairman
- special interest groups such as women's groups, youth groups.

While it is critical to involve council politicians and administrators, it is more powerful to have the sensitisation message promoted by 'outsiders' as well to buttress the council's intentions. At many functions, it is necessary for the valuation officer to attend and support the valuations.

## **4.2 Timeline**

This process is continued throughout virtually the entire period of the annual cycle but is much more intense during the collection period from January through to the end of April in a calendar year. The first year is particularly important, but subsequent years should also contain a budget for considerable sensitisation, critically through radio if nothing else.

## **4.3 Methods**

### **Radio**

The most effective medium of communication is generally radio. Each locality will be covered by at least one radio station and this programming can be linked or copied to other stations in the district. Successful programmes should be repeated, in particular during the critical payment period.

#### **Weekly 'Council Hour' Programme**

- A regular one-hour programme to link the council with residents is essential. This regular communication will impress on listeners that the council is demonstrating a will to understand and respond to local issues. The underlying message is that the council will respond (if tax is paid).
- Early programme preparation is important as opposed to a rushed last-minute arrangement. Plan invitations for future programmes at least one week ahead; a monthly plan outline is highly recommended.
- The programming should not be focused entirely on the payment of taxes, but each programme should mention that taxes are due along with the basic reasons why this is important for the benefit of all in the local area.
- The programmes should be focused on a central issue of interest such as special building projects, new road construction, or council programmes such as scholarships, upcoming religious ceremonies, or festivals. The traditional values, sensitivities and intentions of paramount chiefs and chiefs should be considered. There are usually a host of local issues that all in a local area would benefit from hearing discussed and commented on by councillors and the community leaders listed above. The greater the flexibility of the council in listening to and being sensitive to community concerns, the greater will be the success of the collection of tax revenue.
- These programmes can contain panel discussion or a 'phone in' show hosted by a PRO or radio interviewer. The interviewer needs to be briefed beforehand on the subject.
- Some programmes about tax and assessment are required: subjects such as 'what the rate demand notice contains', 'how to appeal', 'how the assessment was made', 'where to pay', etc.

- A critical panel should be timed in late September for the council's lawyer and the chief administrator to outline what happens to defaulters, along with key legal information.
- Programming on the council budget and development plan is required so that taxpayers are aware that it is their tax money that fuels it **and is critical for** these developments.
- A lottery or raffle can be run weekly for early taxpayers during July-October, using prizes allocated in the budget (for example a rice bag) and also prizes donated from local businesses, service providers and NGOs. Be creative, and allow the mayor and councillors to approach, even pressure, key people for prizes.

### **Jingles**

A twice daily jingle is relatively inexpensive and proven to be effective. Other jingles can be created for other functions such as the discovery and numbering of houses.

### **Traditional authorities' meeting**

In many contexts traditional authorities have a close connection with and influence in their community and thus it is important to carefully inform and consult them.

### **Banners**

A local artist can produce attractive banners to be displayed at strategic locations; at least one in each small community is suggested, to be hung in July *and removed* in October. These banners can be effective, but caution must be taken: the banners have to be hung well, high enough between trees or poles, and with the aid of ladders and using strong rope. A low hanging banner may be torn down by disruptive youth. Further, the banner needs to be highly visible. Preferred is at roundabouts, or angled along the main streets hung at 45-90 degrees to the street. Stones need to be used to weight the lower part of the banner. The banner needs to be punctured to prevent it from 'sailing' away. A poorly hung banner is not helpful. **It is worth spending some time to hang the banner effectively.**

### **Permanent signs**

A more permanent metal sign set in a concrete foundation is occasionally preferred, in particular for locations of high *pedestrian* traffic such as local markets. Locations along busy major roads need larger signs. Use of fewer words and more pictures is more powerful. Simple messages are more effective. The name of the council, some wording encouraging the payment of taxes, and an image of services such as schools, clean streets etc is suggested.

### **Mobile personal address system**

A mobile PA system on a vehicle is an effective way to communicate by driving through a town, in particular the more crowded market areas. It is relatively simple to also play jingles or a song track to attract attention and then give the message. The message can also be given at events such as football matches or festivals.

### **Ward meetings**

Ward meetings are an important forum for taxpayers to voice their ideas, questions and concerns. Although radio offers the widest and broadest form of communication, it is a simple one-way communication. Radio phone in shows offer very limited feedback, so a meeting for taxpayers to voice their feedback is critical. The attendance of a valuation officer, the mayor and chief administrator raise the importance of the meeting and the significance of the

payment of taxes. They should explain in SHORT speeches the critical issues. However, the main thrust of the ward meetings is for the community to give feedback questions and concerns.

Local councillors are the key and they are needed in the organisation of dates, times, venues plus the invitation to key stakeholders as follows:

- religious leaders
- youth leaders
- women's groups
- civil society leaders.

The importance of a meeting is raised if there is a written invitation and a sample invitation is provided in Appendix 5. The radio programme during the week prior to can be used to publicise the upcoming ward meeting. The relevant councillor should be invited to the radio programme so that he or she can make a personal appeal for people to attend the ward meeting and can highlight some local issues to be discussed.

### **Church and mosque**

Most people attend religious institutions on a weekly basis and so a message from council through respected religious leaders is effective. A meeting between the religious leaders and the mayor would be an effective way to introduce the idea of co-operation between the council and the mosque/church. A message on a Friday at mosque and on a Sunday at church can be read to the congregation, along with a personal appeal from the imam or pastor and the invitation to the next ward meeting. Some reference to scripture or Quran for community responsibility can be used. The valuation officer can attend mosque/church to answer questions.

### **Street theatre**

Local youth groups will have an interest in creating a small skit about the importance of community, the need for better services and the obligation/responsibility for the payment of taxes. Each role of the participants needs to be defined such as taxpayer, house owner, school child, teacher, councillor, or mayor etc. The messages are to be simple – the community needs services – water, health care, schools and clean streets etc. The council, headed by the mayor, represents the community and has a development plan. Taxes empower the council to make the development plan effective. Tax payers need to participate in council through their councillor. Taxpayers need to complain about their needs so that the council is aware. The council's transparency is encouraged through community members' participation in council business.

The youth leader will need a cash incentive plus a smaller incentive for participants. Use of a council vehicle with a PA system is needed to transport the theatre group to a busy location close to markets or the centre of town. The trainer, valuation officer or assistant is required for monitoring this activity.

### **Town crier**

The use of a town crier walking or riding a bicycle and issuing a short statement is effective. The town crier, if available, is someone familiar in the town and can be employed at a small cost by the council. A small megaphone can be acquired for this purpose and can run on batteries.



## **Vehicle signs**

As a reminder to all taxpayers, people who work in the council and administration that tax is important for the council, signs on vehicles are effective. All vehicles, including bikes, motor cars, rubbish lorries and handheld carts can be painted with signs such as: 'Pay your tax for development'.

## **Football match**

Football is very popular and a council can sensitise a wide range of people by sponsoring a football match. This event can involve women's and disabled teams. The matches can also be co-sponsored by local commercial companies including mining and other such concerns. At the match, announcements regarding the council's support for the match can be broadcast using the PA system, plus jingles to remind people to pay their taxes as well.

## **Posters**

Posters hung from strategic locations can be an inexpensive way to publicise.

## **Newspaper**

Although newspapers are not widely read there is a certain audience that will take note of articles, in particular the more wealthy, who pay the highest proportion of tax. The use of reporters is not expensive and can be effective. In particular, those who can afford high value houses and commercial buildings and run larger businesses are likely to have a better education, able to read and to be concerned with government activity. Thus, newspapers will reach this important tax paying sector.

## **Business leaders**

In all larger towns there will likely be a business association or even a market traders union and these leaders can be encouraged by council politicians and administration to come to a meeting organised by the council. At this meeting, information about taxes can be provided, and these leaders can respond to questions and provide support. Some potentially negative questions on topics such as cleaning streets and council services will have to be responded to, but there should be an overall positive effect. At this meeting, business leaders can be approached for incentives or prizes to be offered to taxpayers in the weekly raffle.

## **Business promotion**

During the Council Hour radio programming there will be opportunities to offer local businesses an advertising promotion. The council can offer incentives through a raffle or lottery as described above under 'radio'. Local business people should be encouraged with considerable effort to offer prizes for taxpayers.

## **Visible local projects**

The most effective sensitisation is through making actual work projects undertaken by the council more visible. This can include work projects such as the construction of bridges, culverts and road maintenance. Signs or banners should state that:

|  |
|--|
| THIS WORK HAS BEEN COMPLETED WITH YOUR TAX MONEY |
|--|

This type of council work needs to be mentioned on radio and through all the other methods that have been referred to above.

# 5 Collection

## 5.1 Timeline

The timeline for this phase is four months: from January in a calendar fiscal period, when the rate demand notices are issued, until the end of April when the compliance stage begins.

## 5.2 Methods

The payment of taxes through a local bank or financial institution is strongly recommended.

Many administrations have used door-to-door revenue collectors, but this has three problems.

- Firstly, there is a significant opportunity and taxpayer concern for corruption with cash in the hands of a revenue collector.
- Secondly, there is a concern that the tax payments are not recorded properly at the council and thus a concern that the cash is easily open for corruption.
- Thirdly, taxpayers are required to hold cash until the collector arrives at their house. This is not always possible and gives rise to intimidation tactics.

For the council to avoid the appearance of corrupt practice, and to make a positive step to counter any appearance of corruption, the exclusive and sole method of payments through a bank is strongly recommended. This method will impress taxpayers as a positive step initiated by the council, resulting in a positive attitude toward their council. Importantly, the method will also encourage taxpayers to comply, resulting in much greater revenue. An ancillary but important advantage for the council is that the bank teller recording functions are formalised and typically better those of council staff.

The collection of tax revenues is an arduous task, in particular during the first and second years, when people are becoming familiar with the idea of property taxes. Payment is made at the bank and thus there can be a tendency for the valuation officer and administrators to sit back and feel under less pressure after the distribution of rate demand notices. However, during this period there is an important task list. Essentially, the valuation officer and others in the administration have to set up the payment method, convey this to building owners and business owners, organise a parallel system for the towns in the district, monitor the activity in the bank (including recordkeeping), and at the same time undertake the most persistent, energetic and powerful sensitisation possible throughout this period.

## 5.3 Strategy

Communication is critical at this stage and the following needs to be made very clear to the taxpayer:

- a. the method of payment
- b. the underlying reasons for payment of tax
- c. what happens on default
- d. if the taxpayer needs assistance by paying in instalments, they need to communicate a request to the council administration.

Meeting the highest taxpayers personally is an excellent strategy. These taxpayers will likely be community leaders or business leaders and they will in turn be persuasive to others if they have contributed their property tax. The software will be able to print a list of those defaulting the highest amount. A personal visit is needed to emphasise the importance of their

contribution and to ask them if they have any questions. Following up with questions and with a reminder letter is a useful strategy.

### **Procedures and action notes**

1. At an early stage, the chief financial officer makes an arrangement for **bank payments** with a local financial institution. During the second and other subsequent years the arrangement simply needs to be confirmed, but during the first year of the programme there is a significant effort required.
2. A bank is to be selected by the chief financial officer/administrator and need not be the council's existing bank. The bank with the most branches should be selected. Larger cities should select perhaps two banks so that if taxpayers have difficulty with one bank due to a closing or a busy period, they have an alternate in the city.
3. The ideal arrangement is to have a bank branch teller at a special post at the civic offices. This arrangement functions better for local payments.
4. A special deposit book or paying in book is needed. This will require printing, and the training of tellers. Explain to the bank manager that the council will require a notice at the teller window with instructions to taxpayers.
5. Instructions to the bank printer are required for the design and **printing of the bank paying in or deposit record books** (deposit books). This differs from the normal individual deposit slip used by customers of the bank since a special identification is required, and three copies are needed. A sample is set out below which can be adapted for any bank. Note that the paying slip is to have pre-printed sequential numbers to uniquely identify all slips. The instructions to the printer have to be very specific and detailed.

**Table 5 Bank deposit book sample**

| <b>Rokel Commercial Bank (Sierra Leone) Limited</b>   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|
| <b>CREDIT Bo District Council Account</b>   |   |   |   |   |   |   |   |   |   |   |
| Date.....   | <b>Replace with the Council Bank Account</b>  |   |   |   |   |   |   |   |   |   |
| a/c No  | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 12.5%; text-align: center;">1</td> <td style="width: 12.5%; text-align: center;">2</td> <td style="width: 12.5%; text-align: center;">3</td> <td style="width: 12.5%; text-align: center;">4</td> <td style="width: 12.5%; text-align: center;">5</td> <td style="width: 12.5%; text-align: center;">6</td> <td style="width: 12.5%; text-align: center;">7</td> <td style="width: 12.5%; text-align: center;">8</td> <td style="width: 12.5%; text-align: center;">9</td> </tr> </table> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1   | 2   | 3 | 4 | 5 | 6 | 7 | 8 | 9 |   |   |
| Cash Deposit Slip   | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> </tr> </table> |   |   |   |   |   |   |   |   |   |
|   |   |   |   |   |   |   |   |   |   |   |
| Property ID   | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> </tr> </table> |   |   |   |   |   |   |   |   |   |
|   |   |   |   |   |   |   |   |   |   |   |
| Property Address  | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> </tr> </table> |   |   |   |   |   |   |   |   |   |
|   |   |   |   |   |   |   |   |   |   |   |
| Property Owner Name   | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> <td style="width: 12.5%; text-align: center;"> </td> </tr> </table> |   |   |   |   |   |   |   |   |   |
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| <div style="border: 1px solid black; padding: 5px; display: inline-block; margin: 5px;"> <b>Taken from the Rate Demand Notice</b> </div>                        |   |   |   |   |   |   |   |   |   |   |
| <div style="border: 1px solid black; padding: 5px; display: inline-block; margin: 5px;"> <b>Pre-printed 6 digit sequential number</b> </div>                    |   |   |   |   |   |   |   |   |   |   |
| <div style="border: 1px solid black; padding: 5px; display: inline-block; margin: 5px;"> <b>From Rate Demand Notice</b> </div>                                  |   |   |   |   |   |   |   |   |   |   |
| <div style="border: 1px solid black; padding: 5px; display: inline-block; margin: 5px;"> <b>Taken from Rate Demand Notice</b> </div>                            |   |   |   |   |   |   |   |   |   |   |
| <div style="border: 1px solid black; padding: 5px; display: inline-block; margin: 5px;"> <b>Taken from the Rate Demand Notice</b> </div>                        |   |   |   |   |   |   |   |   |   |   |
| <p style="font-size: 1.2em; font-weight: bold; transform: rotate(-15deg);">Normal Rokel information required and stated on the typical form of Deposit Slip</p> |   |   |   |   |   |   |   |   |   |   |

| Three Copies | Colour | Purpose               | Paper Function |
|--------------|--------|-----------------------|----------------|
| Copy one     | White  | Bank Copy             | Detachable     |
| Copy two     | Pink   | Customer Copy         | Detachable     |
| Copy Three   | Green  | District Council Copy | Not detachable |

**Note for printer - not to be printed**

6. The deposit books should have a pre-printed sequential number on the front to identify the book. The books are arranged in the form of a bound book containing 50 records, where each record is made in different coloured triplicate. The first copy (white) is to be detachable and is for the taxpayer; a second copy (pink) is detachable and is for bank records; the third (green) is not detachable and is for the use of council records.
7. It is important to request a draft from the printer to review and amend before placing an order. This is a critical step as the requirements are very detailed and it is important to ensure they are correct before printing an order. Note that the 'note boxes' in the sample above are not to be printed and are simply for instruction.
8. Estimate the total number of deposit books required and request a quotation of costs from the printer. Get a requisition approved by the chief administrator or chief financial officer, or other officer such as procurement as appropriate for the council. Ask the chief administrator to place the order. This will take perhaps two or three months to prepare and transport to the council. Therefore, an early timing for this step is critical. The books need to be printed and delivered from the printer to the bank by November at the latest.
9. The bank tellers require training to recognise the rate demand notices for property taxes, and to complete the deposit books in a precise and correct manner. This training can be done by the accounting manager with the valuation officer. It is important to point out the three copies: one for the customer (white), one for the bank

- (pink) and one (green) to remain in the book. Bad errors have been made where both the pink and white copies have been given to customers, and this should be avoided.
10. Banks should have completed deposit books available for collection by the valuation officer on a weekly basis and with an appropriate sign out process.
  11. The valuation officer or other responsible person needs to enter each amount paid from the deposit book into the REMOP software, ensuring that the exact record is credited with the payment and the appropriate deposit book reference is entered.

## Collection strategies

To encourage payments:

1. **Focus on the most important taxpayers.** Typically, this group is the most influential and wealthy within the municipality. If these taxpayers are identified and are the subject of special focus of collection this will positively affect others. Personal visits from municipal officers will help to persuade these important owners to make their payments and to encourage others to support the council's objectives. This has proven to be a successful strategy.
2. Sensitisation needs to be heightened during the collection period and specifically about **developments that will be completed** when revenue targets are achieved.
3. **Regular ward meetings.** Political and administrative council members can be powerful influencers to persuade owners of the benefits of tax payments. Politicians and senior administrators can be armed with reports of payments and targets in the ward and can also announce needed projects to be carried out with the expected tax revenues.

## Alternate banking strategies

Making it easy for tax payments to be made:

1. Payments are now being made using phone companies' systems. A thorough review is needed with all local sources for this service.
2. In more remote rural areas, banks may offer a mobile bank vehicle to visit communities.
3. There may be rural institutions who may be able to act as a servicer for the council bank.

# 6 Compliance

## 6.1 Background

Compliance with payments of tax is a critical stage of the process. As a former Mayor of Makeni stated: '**No one** likes or is willing to pay taxes to government **unless they have to**'.

**Enforcing compliance** is crucial to establishing the legitimacy of the system. Knowing that *other* taxpayers are paying or are required to contribute to a tax system that benefits the whole community is a necessary condition for ensuring compliance. Enforcement does ultimately involve taking court action against defaulters, summoning defaulters to the local magistrates' court, but an effective intermediate stage involves the notification of defaulters through a lawyer's letter about pending legal proceedings.

In practice, enforcing compliance has proved to be one of the most difficult aspects. Councils have faced entrenched interests, as the wealthiest property owners – from whom the majority of revenue would be received – are often highly influential, with close connections to local

political leaders. The political will of local councils to enforce compliance is perhaps the single most important factor determining the success or failure of revenue mobilisation efforts. Although the task of compliance should be left to administrators, an important factor is the strength of the political leadership to guide and support the process.

## 6.2 Procedures and action notes<sup>6</sup>

All action notes below are carried out by the valuation officer with the council legal advisor. The key to the success of this critical stage is a proper following of the detailed procedures. Also important is for the valuation officer to be organised, timely and careful in his or her approach. Record keeping and accurate maintenance of records is **critical**.

This stage involves the magistrates' court and will normally see the vast majority of summoned defaulters pay prior to the court hearing. Only a few cases will reach court. Since the amounts claimed are small, it is not efficient to use a lawyer unless there is a matter of principle. However, a lawyer should be retained and consulted in the event of unusual events or the need for direction. Legal fees can typically be arranged for 10 per cent of the amount claimed and the amount simply added to the claim. This seems to be a good arrangement.

1. Preliminary early stage discussion with **chief administrator** to achieve an understanding of the importance of this final REMOP stage. This should be conducted during or just after the discovery stage. The purpose is to have the chief administrator understand and accept the following important action points and advisory notes.
  - The most effective compliance method is to summon defaulters through the magistrates' court acting under the provisions of relevant legislation.
  - A preliminary letter from the lawyer to the largest defaulters is an effective initial step.
  - In the first year this stage is arduous and long but in future years it becomes easier as tax payers become more familiar with the system and its requirements.
  - The effect will be a large increase in payment and a rush of verbally transmitted messages networked throughout the community. The message will be that the council is serious and is taking action.
2. The lawyer should also be asked to participate in one radio show close to the end of the payment period. The radio programme should outline the relevant legislation and the powers of the council to take action against defaulters. The lawyer will participate with the chief administrator in this radio show.
3. **Valuation officer** to prepare a budget for the court costs/service fees and submit to the chief administrator for approval two weeks prior to the end of the payment period.
4. Last check of the bank receipts by the **valuation officer** on November 1<sup>st</sup> in a calendar year if the last payment date is October 30<sup>th</sup>, to ensure that defaulters have not paid before action is taken against them.
5. **Chief administrator** to give the approval for legal action. The political wing of the council should not take part in the approval process since they are more exposed to potential pressure.
6. **Valuation officer** to attend the servicing of the summonses.
7. **Valuation officer** to attend the magistrate clerks' office at least once per week to establish progress.
8. **Valuation officer** to check the bank payments once per week as usual and to check for the payments due for those prosecuted.

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<sup>6</sup> This procedure may need to be adapted to different jurisdictions but generally the steps may well apply.

9. **Valuation officer** to advise the **chief administrator** about upcoming court dates. Confirm whether the chief administrator wishes the valuation officer to represent him or her.
10. **Valuation officer** to attend the court on behalf of and representing the chief administrator at the relevant times and dates. BE EARLY. Be prepared with the following documents for the relevant record:
  - a. the original inspection sheet – survey instrument
  - b. the delivery register
  - c. a copy of the rate demand notice
  - d. a copy of the claim.
11. Court demeanour: **Valuation Officer** to remain polite and firm but always truthful. Do not be combative at all.
12. If questioned and errors are pointed out specifically, the **valuation officer** should admit without argument or raising of the voice. Explain the course of action during the REMOP process and the appeal process allowed for taxpayers. Explain the intention of the council to have fair assessments and for taxpayers have a fair right to appeal as set out in the rate demand notice. If no response is received by the payment date then the payer is considered to have defaulted. The magistrate will normally uphold the prosecution.
13. When a judgment is given, the council has the right through their bailiff to collect the amount or seek the advice of their solicitor. The valuation officer is to undertake this, consulting with the chief administrator.

### 6.3 Timeline

The timing of this last stage commences with rigidity and is suggested on May 1<sup>st</sup> of a calendar year process and after the last payment due date. The emphasis is on the strong notice given to defaulters that the council **WILL take action** to recover payments, including a penalty. The timeline continues until the time that commencement of the following tax year is to start. This leaves a total of eight months to process defaulters and ensure compliance.

# Appendices

## Appendix 1 Delivery register

| Delivery of 2012 Demand Notices |    |              |                     |           |
|---------------------------------|----|--------------|---------------------|-----------|
| Date                            |    | Street Name  |                     |           |
| Deliverer Name                  |    |              |                     |           |
| NEW House No                    | ID | Old House No | Delivered to (Name) | Signature |
| 1                               |    |              |                     |           |
| 2                               |    |              |                     |           |
| 3                               |    |              |                     |           |
| 4                               |    |              |                     |           |
| 5                               |    |              |                     |           |
| 6                               |    |              |                     |           |
| 7                               |    |              |                     |           |
| 8                               |    |              |                     |           |
| 9                               |    |              |                     |           |
| 10                              |    |              |                     |           |
| 11                              |    |              |                     |           |
| 12                              |    |              |                     |           |
| 13                              |    |              |                     |           |
| 14                              |    |              |                     |           |
| 15                              |    |              |                     |           |
| 16                              |    |              |                     |           |
| 17                              |    |              |                     |           |
| 18                              |    |              |                     |           |
| 19                              |    |              |                     |           |
| 20                              |    |              |                     |           |
| 21                              |    |              |                     |           |
| 22                              |    |              |                     |           |
| 23                              |    |              |                     |           |
| 24                              |    |              |                     |           |
| 25                              |    |              |                     |           |
| 26                              |    |              |                     |           |
| 27                              |    |              |                     |           |
| 28                              |    |              |                     |           |
| 29                              |    |              |                     |           |
| 30                              |    |              |                     |           |



**Appendix 2 Tally sheet**

| Remarks |  | Tally Old |  | New Street | New Old | Tally |  | Remarks |
|---------|--|-----------|--|------------|---------|-------|--|---------|
|         |  |           |  | 49 Street  | 50      |       |  |         |
|         |  |           |  | 47 Street  | 48      |       |  |         |
|         |  |           |  | 45 Street  | 46      |       |  |         |
|         |  |           |  | 43 Street  | 44      |       |  |         |
|         |  |           |  | 41 Street  | 42      |       |  |         |
|         |  |           |  | 39 Street  | 40      |       |  |         |
|         |  |           |  | 37 Street  | 38      |       |  |         |
|         |  |           |  | 35 Street  | 36      |       |  |         |
|         |  |           |  | 33 Street  | 34      |       |  |         |
|         |  |           |  | 31 Street  | 32      |       |  |         |
|         |  |           |  | 29 Street  | 30      |       |  |         |
|         |  |           |  | 27 Street  | 28      |       |  |         |
|         |  |           |  | 25 Street  | 26      |       |  |         |
|         |  |           |  | 23 Street  | 24      |       |  |         |
|         |  |           |  | 21 Street  | 22      |       |  |         |
|         |  |           |  | 19 Street  | 20      |       |  |         |
|         |  |           |  | 17 Street  | 18      |       |  |         |
|         |  |           |  | 15 Street  | 16      |       |  |         |
|         |  |           |  | 13 Street  | 14      |       |  |         |
|         |  |           |  | 11 Street  | 12      |       |  |         |
|         |  |           |  | 9 Street   | 10      |       |  |         |
|         |  |           |  | 7 Street   | 8       |       |  |         |
|         |  |           |  | 5 Street   | 6       |       |  |         |
|         |  |           |  | 3 Street   | 4       |       |  |         |
|         |  |           |  | 1 Street   | 2       |       |  |         |
| Remarks |  | Tally Old |  | New Street | New Old | Tally |  | Remarks |

### Appendix 3 Survey instruments

#### Field form: commercial buildings and licences

**COMMERCIAL BUILDINGS AND LICENCES**



Ranger: \_\_\_\_\_ Date (dd/mm/yy): \_\_\_\_\_ Index: \_\_\_\_\_ Entered by: \_\_\_\_\_

Ward Name: \_\_\_\_\_ Neighbourhood No: \_\_\_\_\_ Cluster No.: \_\_\_\_\_

Street Name/Code: \_\_\_\_\_ No: \_\_\_\_\_ Letter: \_\_\_\_\_

Plot Number: \_\_\_\_\_ Location Band: A:  B:  C:  OWNER NOTE left behind:

Owner Name: \_\_\_\_\_ Owner Address: \_\_\_\_\_ Phone #: \_\_\_\_\_

Tenant Name \_\_\_\_\_ Phone # \_\_\_\_\_

GPS: X: 0 \_ \_ \_ \_ \_ m Y: 8 \_ \_ \_ \_ \_ m GPS Code: W \_ \_ N \_ \_ C \_ \_ S \_ \_ H \_ \_

**Land Features**

**Road Surface:** Tar  Gravel  Earth  **Road Type:** Primary  Secondary  Minor

**Expansion potential :** Large potential for expansion  Some Potential  No expansion – very tight

**Landscape / Site Finishing:** Well Groomed  Average  None  Parking on site: Yes  No

**Fence:** None  Iron Bars  Wire Mesh  Brick  Rendered  Water Tank Yes  No

**Building Features**

**Type of Structure:** Industrial  Office  Shop  Full Service Hotel  Lodging  Supermarket   
 Filling Station  Bank  Hospital  Clinic  Private School  Car Dealership  Government Office

**Grade of Structure (Function).**  Highest grade usually modern and to latest specification and design  
 Average  
 Poor design and function for the intended use of the building

**Building Condition:** Class A  Class B  Class C  **Air conditioning:** Yes  No

**Transformer** Yes  No  **Generator** Yes  No  **Ancillary Buildings** Yes  No

| # | Business name | Business Owner Name | Business Type |
|---|---------------|---------------------|---------------|
|   |               |                     |               |
|   |               |                     |               |
|   |               |                     |               |
|   |               |                     |               |
|   |               |                     |               |

Building Measures ----- (Sketch all buildings on reverse of this form).

Stories (Number) \_\_\_\_\_ PLUS Mezzanine 75%\_\_\_\_ 50%\_\_\_\_ 25%\_\_\_\_\_

**Filling stations – measure the canopy**

Person on Site \_\_\_\_\_ Job Title \_\_\_\_\_

## Field form: dwellings/flats and all house form buildings

### DWELLINGS / FLATS and all HOUSE FORM BUILDINGS



Ranger: \_\_\_\_\_ Date (dd/mm/yy): \_\_\_\_\_ Index: \_\_\_\_\_ Entered  
by: \_\_\_\_\_

Ward Name: \_\_\_\_\_ Neighbourhood No: \_\_\_\_\_ Cluster No.: \_\_\_\_\_ Use: Residence  Commercial

Street Name/No: \_\_\_\_\_ House No: \_\_\_\_\_ Letter: \_\_\_\_\_

Plot Number: \_\_\_\_\_ Location Band: A:  B:  C:  OWNER NOTE left behind:

Owner Name: \_\_\_\_\_ Owner Address: \_\_\_\_\_ Phone #: \_\_\_\_\_

Tenant name: \_\_\_\_\_ Phone #: \_\_\_\_\_

GPS: X: 0 \_ \_ \_ \_ m Y: 8 \_ \_ \_ \_ m GPS Code: W \_ \_ N \_ \_ C \_ \_ S \_ \_ H \_ \_  
\_ \_

#### Land Features

**Road Frontage:** Yes  No  **Road Surface:** Tar  Gravel  Earth  No Road

**Accessibility:** Good  Moderate  Poor  **Expansion potential:** Large  Some  None

**Drainage:** Dry  Wet  Very Wet  **Sanitary:** Septic Tank  Pit Latrine  Both   
Offsite

**Landscape:** Well Groomed  Average  None  **Special View:** Scenic  Some Appeal  None

**Fence:** None  Timber  Wire Mesh  Brick  Rendered  **Electricity Mains:** Yes  No

**Water Supply:** Mains  Well  Both  None  **Water Tank:** Yes  No

#### Building Features

**Type:** House  Flat  **External Wall:** Fired Brick  Concrete  Mud Brick  Timber  Iron Sheets

**Wall Finish:** None  Plaster  Tile  Paint  T & G  Rough Throw

**Wall Condition:** A:  B:  C:  **Servants Quarters / Boys Quarters:** Yes   
No

**Roof:** Tile  IBR  CIS  Versatile  Thatch  Tarpaulin  **Roof Guttering:** Yes   
No

**Roof Condition :** A:  B:  C:   
 No

**Air conditioning:** Yes

**Garage:** None  Integral  Separate  Carport   
 Enclosed

**Veranda:** None  Open

**Windows:** Wood only  Wood / Glazed  Metal /Glazed  Sliding  Unfinished

| Building Sketch (indicate street location) |  |  |  |  |  | Calculations |        |        |      |
|--|--|--|--|--|--|--------------|--------|--------|------|
|  |  |  |  |  |  | Measure      | meters | meters | area |
|  |  |  |  |  |  | 1            |        |        |      |
|  |  |  |  |  |  | 2            |        |        |      |
|  |  |  |  |  |  | 3            |        |        |      |
|  |  |  |  |  |  | 4            |        |        |      |
|  |  |  |  |  |  | 5            |        |        |      |
|  |  |  |  |  |  | 6            |        |        |      |
|  |  |  |  |  |  | 7            |        |        |      |
|  |  |  |  |  |  | 8            |        |        |      |
|  |  |  |  |  |  | Total        |        |        |      |

## Appendix 4 Sample letter for enumerators

# BO DISTRICT COUNCIL



### Kortugbuma Section – Bo

Sierra Leone, West Africa

+232 76 000000

Email: [bodc@bodc.org](mailto:bodc@bodc.org)

[www.bodc.org](http://www.bodc.org)

May 25<sup>th</sup> 2011

All Residents of Bo District

### IMPORTANT NOTICE

The Bo City Council is undertaking a complete revision to the system of assessment for property tax and licences. The first step is the discovery of all buildings in the Bo District and the re-allocation of their proper street numbering.. This letter is to introduce the enumerator to you and to explain the process. Each enumerator is employed by Bo District Council and will be carrying identification. Please allow the enumerator to have access to your building and to take measurements.

The enumerator will note accurate details of your house such as the type of wall and roof construction, the condition, facilities and other elements such as the water supply, the power supply and the nature of the compound. Over 30 items will need to be noted. We will also need to know the name of the owner and the tenant so please can you supply the information to the best of your ability.

If you have any questions please contact The Bo District Council, Deputy Chariman Mr. Joseph Bindi at the District Offices in Bo or on mobile at 076 275-897. The re-assessment process is an important step for the future of the District. We hope you will be able to co-operate fully.

Yours sincerely

Deputy Chairman

Mr. Joseph Bindi



# Ward Meeting

*The Councillor for Baoma, Munda Sumaila and Bo District Council invite*

## All Residents

Friday 20 April 2012

9:00 am

Baoma Town Barrie

## Bo District Council – Property (House Rate) tax

- Why do we pay House Rate – what are the benefits.
- How the assessment is made
- Where to pay
- What will the Council do with the money collected
- What happens if you fail to pay
- When to pay

### Important

Please come to the meeting with your questions for the valuation officer and other Council staff.

Chairman Mathew Margau

## Appendix 6

| Table of base values |                   |                   |                               |
|----------------------|-------------------|-------------------|-------------------------------|
| Type                 | Use               | Marshall/<br>unit | Relative value<br>unit per M2 |
| Domestic             | Dwelling          | 55.95             | <b>1.00</b>                   |
| Commercial           | Bank              | 155.75            | <b>2.78</b>                   |
|                      | Industrial        | 41.12             | <b>0.73</b>                   |
|                      | Car dealership    | 80.79             | <b>1.44</b>                   |
|                      | Hotel             | 113.22            | <b>2.02</b>                   |
|                      | Lodge             | 55.40             | <b>0.99</b>                   |
|                      | Supermarket       | 76.94             | <b>1.38</b>                   |
|                      | Office            | 105.46            | <b>1.88</b>                   |
|                      | Shop              | 74.18             | <b>1.33</b>                   |
|                      | Filling station   | -                 | -                             |
| Institutional        | Hospital          | 129.25            | <b>2.31</b>                   |
|                      | Clinic            | 131.25            | <b>2.35</b>                   |
|                      | School            | 95.59             | <b>1.71</b>                   |
|                      | Government office | 83.42             | <b>1.49</b>                   |



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