ANALYSIS OF THE PERFORMANCE OF REAL PROPERTY TAX IN REVENUE GENERATION IN KEBBI STATE, NIGERIA

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ABSTRACT

The contribution of property taxes to internally generated revenue at state and local government levels has been on the increased over the years which made the state and Local Government to focus squarely on the property taxes as their major sources of revenue than the other sources. However, the research work aim at analyzing the performance of property taxes on revenue generation in Kebbi State between the periods of 2010 to 2019. Among the objectives examine include identification of various types of a real property taxes administered in Kebbi State, assessment of the income generated by Kebbi State Government for the period of 2010 to 2019, examination of the impact of property taxation on revenue generation in the study area. Both primary and secondary data were adopted in the research work, purposive and snowball sampling techniques were adopted in selecting the sample. Staff of Kebbi State Board of internal Revenue, Ministry of lands, housing and urban development and Kebbi Urban Development Authority were considered as the target population. The study reveal that planning rate, tenement rate, title registration, consent fee, withholding tax, land used charges, value added tax are the only property taxes administered in Kebbi State while betterment tax and ground rate are still not administered. The regression analysis run shows that the property tax has impact on the internally generated revenue in the state, the study recommended that more awareness shall be created in order to educate the populace more on the importance of tax payment to development effort of the government, also the state government through Kebbi State board of internal revenue shall set a framework for ensuring adequate and timely collection and remittance of tax.
Keywords: Property, Taxation, Revenue Generation,

INTRODUCTION

Taxes on land and property have both fiscal and non-fiscal effects. The revenue such taxes produce is often an important source of finance for states and local governments. The extent to which those governments

have control over property taxes is thus often an important determinant of the extent to which they are able to make autonomous expenditure decisions. The level, design, and control of property taxation are thus, in many countries, critical elements in effective decentralization policy. Property taxes are not always local taxes, and whether they are or are not local, like all taxes they must also be considered from a more general policy perspective (Okoye, 2002) property taxes may be viewed, depending upon one's assumption, the environment in which they are applied, and their design and effectiveness, as an efficient way of raising revenue or they may be considered to be a regressive and undesirable form of public finance. In most countries, taxes on land and property are among the oldest forms of all taxes (Ajayi, 2011). Old taxes need not necessarily be "good taxes" as the saying has it, but they almost invariably have, over the years, become encrusted with various peculiar features that prove very difficult to alter. Since the discovery of crude oil in Nigeria in 1956, the Nigerian economy has relied heavily on proceeds of the commodity for its sustenance. Proceeds from crude oil account for over 70 percent of the Nigerian revenue since 1970 when its price was on the upward trend (Ogwu, 2009) Other sectors of the economy, including the real estate, have been neglected and the management of oil revenues has proven inefficient in driving the economy to bring about the much needed level of development. This scenario has serious negative implications on the nation's development. After more than many years of oil exploration activities, a greater percentage of Nigerians live in abject poverty, high rate of unemployment, value of Nigerian currency depreciating and productivity is at its lowest ebb. It is a known fact all over the world that for a country to attain meaningful growth and development, its economy has to be diversified. Mono-product economy has to pave way for the productive development of various sectors of the economy of which the real estate sector is one. In considering non-oil source of revenue generation in Nigeria, the place of taxes cannot be underestimated. In this regard, the need for state and local governments to generate adequate revenue from internal sources has become a matter of extreme importance. This need underscores the eagerness on the part of the state and local governments and even the

federal government to look for new sources of revenue or to become aggressive and innovative in the mode of collecting revenue from existing sources. Afuberoh and Okoye (2004), states that though taxation may not be the most important source of revenue to the government in terms of the magnitude of revenue derivable from taxation, however, taxation is the most important source of revenue to the government, from the point of view of certainty, and consistency of taxation. They further mentioned that taxation is the most important source of revenue to the government. It is on this basis that this research work tends to analyse the performance/contribution of real property tax in revenue generation in Kebbi State over the period of ten years (2010-2020).

STATEMENT OF THE PROBLEM

The unprecedented fluctuation in price of oil in recent years has led to a decrease in the funds available for distribution to the Federal and State Governments. The statutory allocation from the federal government accounted for over 70percent of local government finances (Gboyega, 2003). Over the years, revenue derived from taxes, especially property tax has been very low and no physical development actually took place, hence the impact on the poor is not being felt. While revenue from the federation account is uncertain, internally generated revenue is always affected with serious challenges, resulting in poor and low collections by state and local council. Inadequate tax personnel, fraudulent activities of tax collectors and lack of awareness, poor understanding of the importance to pay property tax by land and landed properties owners are the most important factors militating against efficient property taxation in Nigeria.

More so, the above mentioned problems has posed a great threat to the revenue generation in most second rated states in which Kebbi state is one of them. The over dependence on the federal government allocation has made most state government reluctant to look for other sources of revenue and this has a catalytic (negative) effect on the economy of Kebbi state. However, these issues will therefore constitute the problem to be addressed in this study.

Objectives of the study

i. To identify the various types of a real property tax administered in Kebbi State
ii. To assess the income generated by Kebbi State Government from 2010 to 2020
iii. To examine the contribution of property taxation to revenue generation;
iv. To establish the impact of property taxation on revenue generation in the study area.

LITERATURE REVIEW

Concept of Property

The concept of property has been variously expressed by different authors. The concept of property goes far beyond the physical structure rather it is a combination of bundle of rights exercisable on land or any improvement on land (Babatunde, 2003; Kuye, 2008). Surveyors with this line of thinking avert that it is not the physical structure that is valued but the interest in the physical structure. The rights include possession, right to use, right to let, right to sell etc. in addition, in a legal sense, it is the highest right to use right a man can have no anything, being that right which one has to land, goods or chattels (Ifediora, 1993). Furthermore, property can be classified into real property and personal property. Real property signifies land and building, anything that is permanently attached to land and also referred to as immovable property (Richmond, 1994); Baum and Crosby, 1998; Kuye, 2008). Personal property is every kind of property that is not real property whether tangible or intangible, but capable of ownership, it generally consists of movable items not securely attached to the real property chattels.

Types of Properties Liable for Tax in Nigeria

Property taxes are generally levied on all types of properties- residential, commercial, and industrial, as well as on farm properties. Sometimes different categories of property are treated differently. Sometimes certain classes of property, or property owner, or uses of property, are exempt. Sometimes land only is been taxed.

Nature of Property Taxation

Property taxation is a practice whereby a payment is imposed on ownership and other legal interests in land and buildings. Property tax is synonymous to land tax. Property tax may be calculated annually in the form of a tax, rate, levy or charge. Property taxation, apart from providing a major source of government revenue, also serves various nonfiscal and regulatory functions. It helps to reallocate wealth and resources from land by taxing away the profit from wealthy land owners. The practice is, far from being punitive since high proportion of the revenue from this land taxes are also used for purposes that benefit the taxpayer and his or her family and also enhances the value of the taxpayer's property (Gboyega, 2003).

Types of Property Taxes Operating in Nigeria

In Nigeria, land resources are subject to severance tax from forest and mineral products, special assessments, capital gain tax, inheritance and gift tax, documentary tax/stamp duty, capital transfer tax, betterment tax, withholding tax, value added tax, estate and probate tax, site value rating, property rate and property tax (Ad valorem). Since property taxes compulsory contribution on the part of the property owners, it can never be comfortable to the payers. The extent of discomfort, according to Gboyega (2003), varies with the type of tax, the amount taxed, the uniformity with which it is applied to individuals, the possibility of shifting it to others, the penalty associated with its application and the extent to which it can influence the operator's decisions.

Incidence of Property Taxation

The fundamental question regarding property tax is who bears the tax burden, that is, the ratio of tax payment to personal income which varies with the income of the taxpayer, could be shared between the owner or any occupier of a building, since it is a tax levied essentially on site, structure and other physical characteristics of the property. Ideally, a local government authority should levy the property rate on buildings located within its area of jurisdiction. The proceeds from such tax form part of the much needed for providing basic services like

roads, markets, refuse disposals, health centers, primary schools, street lights and many other local facilities.

In traditional societies, public services were simple and limited in scope, consisting mostly of rulers' palace, markets, roads and village square. To maintain these basic services required contribution from the harvest of the members of the community as well as their direct labour. However, the introduction of monetary economy and rapid urbanization has resulted in the complexity of public services needed to be provided and , consequently, the old methods or raising revenue are no longer viable alternative. This is because of the peculiar ease of taxation and the quite distinct identity of such taxable items.

Challenges of Property Taxation in Nigeria

Gboyega, (2003) examined the leading issues associated with the operation of property taxation in Nigeria, the focus should be on the importance of the property tax, its administrative procedure and its breakdown and some possible reformation. Property taxation has been treated almost exclusively as a source of revenue to state and local governments in Nigeria. As a result, the federal government has moved on to other sources of tax revenue and left the property tax domain exclusively to the state and local governments.

Challenges of face by Local Government in Revenue Generation in Nigeria

Source of finance has been one of the major problems of Local Government in Nigeria. In the past, Local Government relied on internally generated revenues which were hardly sufficient to meet their needs. This led to the slow pace of development in Local Government Areas, especially in the rural areas (Uhunmwuangho and Aibieyi, 2013). The fact that Local Government requires finance to perform its statutory assigned responsibilities needs no emphasis. Some of such problems are as follows:

i. The constitution provides that funds from the federation account for State and Local government account should be maintained by the State Government. In most cases, the State

Governments make several deductions, such a counterpart funding of projects, income tax (upfront) by Local Government employees (payee) and so on before remitting to councils whatever it deems fit. This situation is worsened under transition committee chairmanship of Local Government Councils. As usual, no transition committee chairman has the guts to question the governor of a state that magnanimously appointed him. This is another sorely situation that have had negative effect on the revenue profile of Local Government Council in the country.

ii. Failure to remit 10% to Local Government by State Governments is yet another problem associated with revenue generation of Local Governments. Ola and Tonwe (2005) noted that although the constitution provided that 10% of the total revenue of state should be disbursed to their local councils, the state governments had in most cases paid only a small fraction of the 10% to their local government councils, and in some cases, nothing at all was paid to the local government councils by the State Governments. This still remains the position today. Most councils cry to get their statutory allocation paid into the State Joint Local Government Account (SJLGA) from State Government talk less of getting 10% as state revenue to the councils.

iii. Internal revenue generation is impaired as a result of the macro-level of governments (Federal and State) holding on to those functions the performance of which yields high revenue returns. For instance, the State Government cannot devolve to local councils such areas as water supply, motor vehicle licensing, and approval of building plans, and so on that are very lucrative.

iv. Tax Payers refusal to pay rates, charges etc. due to poor record of performance of Local Government in Nigeria (Ojofaitimi, 1998). This view point was supported by Ola and Tonwe (2005) when they said that there have been incidents by violent attacks by angry villagers on tax collectors of Local Government because of their opinion, Local Government's officials are only see when they want to collect taxes and not return to render any

services. There have been organized agitations to boycott the payment of taxes, with the slogan 'no service no pay', such as an anti-tax campaign by agitators in Epe Local Government Area of Lagos State.

v. Diversion of revenue collected by Local Government revenue collectors have also resulted in widespread unwillingness by communities to pay taxes. There have been reported cases of revenue collectors helping themselves with funds collected for the councils, thus discouraging would-be tax payers' from taking this civic responsibility seriously. Thus, tax evasion becomes common place.

METHODOLOGY

The population of the study includes some selected number of staff of Kebbi State Board of Internal Revenue, Kebbi Urban Development Authority and property developers operating in Kebbi State. Based on the register the individual organization KSBIR has total number of 25, KUDA 34 while estate developers has 5, leading to a total number of 64 as sample frame which was entirely adopted for the study because of the its size. Two different methods of sampling techniques were employed in obtaining the required data which include purposive and snowball techniques. The former was adopted in selecting the relevant respondent to questionnaire and interview in the organization mention above while the later was used in selecting the property developers operating in the study area. Two set of questionnaires were administered. One set to the Board of internal revenue and Kebbi Urban Development Authority while the other set was administered to the real property developers. Simple descriptive statistics and Pearson moment correlation model were used in the analysis of data collected.

DATA PRESENTATION AND ANALYSIS

Table 4.5: The various types of property taxes administered in the study area

Types of property Taxes	Administered	
Planning Rate	Yes	
Tenement Rate	Yes	
Title Registration	Yes	
Consent Fee		Yes
Withholding Tax	Yes	
Betterment Tax	No	
Land Use Charges		Yes
Value Added Tax	Yes	
Groundrent	No	

Source: Field Survey, 2020.

The table 4.1 above showing that all types of property tax are administered in the study area except betterment tax and Ground rent.

Figure 4.2: Time Series Plot of Real Property Revenue Generated in Kebbi State(2010-2019)

Time Series plot of in Real Property Revenue Generated in Kebbi State (2010-2019)
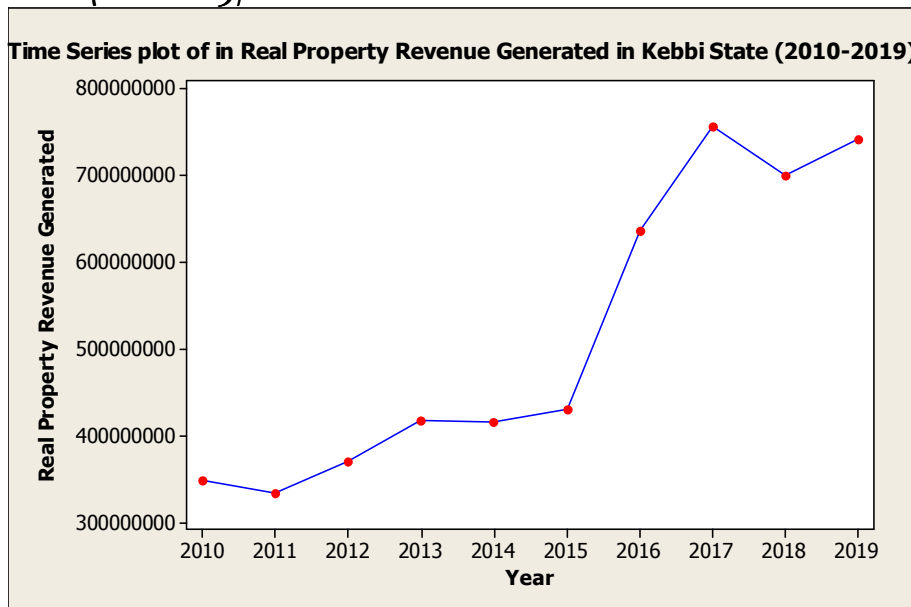
Regression Analysis: Y versus $X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8, X_9,$ and X_{10},

The fitted regression equation is:

$$y = 73E+6 + 0.999708X_1 + 0.999898X_2 + 0.999908X_3 - 1.00012X_4 - 1.00039X_5 + 1.00001X_6 + 0.999685X_7 + 1.00000X_8$$

Predictor	Coef	SE Coef	T	P
Constant	73	9536	0.01	0.995
X1	0.999708	0.000469	2132.26	0.000
X2	0.999898	0.000687	1455.17	0.000
X3	0.999908	0.000233	4290.63	0.000
X4	- 1.00012	0.00083	1207.49	0.001
X5	- 1.00039	0.00019	5316.18	0.000
X6	1.00001	0.00001	72373.11	0.000
X8	0.999685	0.000463	2159.20	0.000
X9	1.00000	0.00002	60084.20	0.000

$S = 30.946$ R-Sq= 72.6%   R-Sq (adj) = 61.3%

Key

X_1 = Planning Rate

X_2 = Tenement Rate

X_3 = Title Registration

X_4 = Consent Fee

X_5 = Capital Gain Tax

X_6 = Withholding Tax

X_7 = Betterment Tax

X_8 = Land Use Charges

X_9 = Value Added Tax

X_{10} = Ground Rent

INTERPRETATION OF RESULTS

For the yearly time series data collected on real property revenue generated in Kebbi state, the graph of the data in figure 4.1 indicated an irregular trend in real property revenue generated in the state over the years under consideration. The highest revenue generated figure for the period under study is Seven hundred and fifty six million, four hundred and forty two thousand (756, 442, 000) and was realized in the year 2017. While the lowest revenue figures were generated in the year

2011 was three hundred and thirty two million, nine hundred thousand (332,900,000).

The data was run using multiple regression analysis for the period of ten years 2010 -2019 to study the relationship existing between total revenue generated in kebbi state and the selected types of property taxes. For the regression analysis, a model was fitted to the data taking the total revenue generated to be the dependent variable while the types of tax namely: consent fee, title registration, capital gain tax, withholding tax, tenement rate, planning rate, land use charges, ground rent and were consider as the independent variables. The analysis was performed to determine how each affect the total internally generated revenue in Kebbi state.

From the fitted regression equation i.e. the fitted regression equation is:

$$y = 73E+6 + 0.999708x_1 + 0.999898x_2 + 0.999908x_3 - 1.00012x_4 - 1.00039x_5 + 1.00001x_6 + 0.999685x_7 + 1.00000x_8$$

The regression coefficient from this model is 73,000,000.00 indicating the amount of internally generated revenue to be realized when all the types of taxes included in the model were to be zero. Similarly, the coefficient of all the types of taxes included in the model were obtained as 0.999708, 0.999898, -1.00012, -1.00039, 1.00001, 0.999685, 1.00000 respectively for consent fee, title registration, capital gain tax, withholding tax, tenement rate, planning rate, land use charges, personal income tax, ground rent. It could be observed that all have positive effect on the total internally generated revenue.

In Kebbi state while the remaining types of taxes all have negative effect on the total internally generated revenue in the study period. In other words, only contribute significantly to the internally generated revenue in Kebbi state while the remaining types of taxes do not contribute significantly to the total internally generated revenue in the state. It could also be observed that has the highest contribution to the total internally generated revenue in Kebbi state.

From the fitted regression model, the coefficient of determination was obtained as $r^2 = 72.6\%$

This mean that 72.6% of the total variation in internally generated revenue in Kebbi state has explained the fitted model while the remaining 27.4% is due to other sources of internally generated revenue not included in the model.

RECOMMENDATIONS

With respect to the findings discuss above, there is a great need to consider the evaluation assessment of the effect of multiple taxation on revenue generation in Kebbi State with an aid to preferring lasting solution. It is on this basis that the following are recommended: -

i. The State Government through the Kebbi State Board of Internal Revenue set a frame work for ensuring adequate and timely tax collection and remittance strategy in order to improve its tax base.

ii. Proper tax awareness campaigns exercise should be conducted at least every quota of a year to educate the populace on the importance of tax payment to development efforts of the government.

iii. Seasoned tax consultants should be employed to study the existing tax structure in the state with a view to unearthing areas that are deficient in revenue mobilization and generation so as to improve the revenue base of the state.

CONCLUSION

On the basis of the results obtained, it can be concluded that the internally generated revenue in Kebbi state is irregular exhibiting upward and downward trend over the study period and therefore difficult to predict. Also not all the types of taxes included in the study contribute significantly to the total internally generated revenue in the state as indicated by the fitted model It was deduced that only stamp duty, planning rate, land use charges and personal income tax have positive effect on the total internally generated revenue in the state while all the other variables do not significantly contribute to the total generated revenue in the state.

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