

How to make the property tax more acceptable? analyze critically

[Economics](#), [Tax](#)



How To Make The Property Tax More Acceptable? — Analyze Critically

Abstract Property tax, a part of total taxation system has been developed to play role in financing municipal services. Over the two decades there has been an unprecedented move toward decentralized governance all over the world and Bangladesh is not exception to it. This change has taken a special significance in many developing and transitional countries where centralized systems were perceived to have failed to deliver improved general welfare. The promise of political, administrative & fiscal decentralization is that it can strengthen democratic representative institutions, increase the efficiency of the public sector and lead to improve social and economic welfare for Bangladesh that decide to adopt it. But in Bangladesh people have a notion to avoid giving property tax. The tax payer are not satisfied or unwilling to pay tax for various reasons that came out through this experiment and survey. Considering those problems and outline of solutions and better property tax policy is suggested in this report. Different avenues open for improving the performance of property Tax in Bangladesh have been examined.

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Implementation Issues 22 3. 3 : Problems regarding the implementation of property tax 25 3. 4 : Steps to be taken to make property tax more acceptable 27 Appendix 30-31 References 32 Chapter 1 Introduction 1. 1 About Property Tax " A property tax is an ad valorem levy on the value of property that is owner required to pay. The tax is imposed by the government authority of the jurisdiction in which the property is located; it may be paid to a national government, a federal state or a municipality. Multiple jurisdiction may tax the same property. There are three species or types of property: land, improvements to land (immovable man made objects, such as buildings), and personal property (movable man-made objects). Real Property (also called real estate or reality) means the combination of land and improvements. Under a property tax system, the state requires and performs an appraisal of the monetary value of each property, and tax is assessed in proportion to that value. Forms of property tax used vary between countries and jurisdictions. Property tax rates, assessment rules and valuations vary widely by jurisdiction. Some jurisdictions adjust assessed values to fair market value periodically and some have limits on such adjustments. Property taxes are often assessed at the local level, under local rules. So assessments, rates and variation may vary widely within a particular state, province or Country. " (Property tax [Internet]. N. d. Available from: http://en.wikipedia.org/wiki/Property_tax [Accessed 15 April 2012]) Local governments are also authorized to levy individual property taxes. These apply to structures (houses, apartments, garages and other buildings) owned by people and to motorboats, aircraft and other vehicles except automobiles, motorcycles and other self-propelled

vehicles. Tax rates may vary by type of structure with the rates set by local governments but subject to (low) minimum federal limits. For vehicles, the tax is levied according to engine power. The enterprise property tax applies to the annual average balance sheet value of assets (fixed, intangible and inventories) of legal entities. Assets used for agricultural production are exempted from property taxation. Rates are set by regional legislatures and can vary by type of producing asset.

1. 2 History Of Property Tax

The history of property tax is so long. From the beginning of civilization tax was existed in the world. Polls taxes, property taxes on the value of land, building & other personal property are some of them. So property taxes are being existed from ancient time. It was in 5000 B. C. Property tax has been collected in Egypt, Persia, and China. The base of this taxation was land & its production value. Taxes were levied against the value of grain, cattle, oil, beer & land. The tax collectors were called scribes. Some of them were tax assessors. They maintained who owned title to lands along with size of their fields. The Athenian general Aristides (530 B. C.-468 B. C.) completely reformed the property tax assessment system of Athens while serving as assessor. He established a good & fair system for property taxation. Property taxes were assessed according to the value & productivity of the land, with more productive lands receiving higher assessments. During the reign of Alexander the Great (356 B. C. — 323 B. C.) when he moved through Persia, India, Egypt and other parts of his world, he left administrators with explicit instructions on how to implement property taxes. This is how property tax collected on his reign. From roughly 200 B. C. to 300 A. D. Romanians paid property taxes on the value of land, buildings, livestock, trees, vines and

other personal property. Tax was collected by Julius Caesar for the Gaulic campaign. In the early years of roman republic, the tax rate was just one percent of value. The tax rate hiked during war & crisis to three percent. Economic incentive & maximum use of the land was at the heart of his taxation policy. Other roman emperors were far less insightful. Tiberius Caesar cut back on public improvements & retained huge portions of tax in his treasury. That resulted in a financial crisis. Over the time there were other emperors who implemented harmful policies that were largely to blame to collapse of the empire. In the 11th century, lords and king owned land in England. Most peasants paid taxes by way of rent each year. For higher productive land, the rental value was higher. In the tenth, eleventh and twelfth centuries an average peasant paid one tenth of that value of crops to the lord who then passed on a percentage to the king. After 1066, William the Conqueror created an early form of land taxation. Town official recorded of everyone who owned property. This book was called " Domesday Book", and the name lasted for hundreds of years. After abusing his power & raising taxes to a confiscatory level in 1215, King John was forced sign the Maghna Carta, which limited the king power to raise revenue. Taxes from this point on could be collected only with the common consent of his barons. By the sixteenth century, the king's own lands and states were taxed. In 1689, the English Bill of Rights endorsed a law that the king could not tax without Parliament's consent. From 1662 to 1689, a hearth tax was administered in England and Spread to continental countries. That tax was an estimate of a building's value. Assessors recorded the number and size of hearths in each home & determined value accordingly. In 1620, the Puritans

implemented property taxes to pay for the church and the religious education of their children in Boston. A person's religion was not considered to impose this tax. It was obligatory for everyone pay the property tax. Taxes from Boston's town went Directly to the church. This practice lasted for over one hundred years. In United States throughout the nineteenth century, most state and local governments raised their revenue through property tax, though the south continued extensive use of poll taxes with some property taxes. The history of property tax in Indian subcontinent is also very long. This can be divided in several reigns. Ancient times, Buddhist period, Hindu rules, Afghan, Mughal, Pathan, Sultani rules, British Empire & East Pakistan to Bangladesh. In the ancient times Hazong, Murong, Khuki, Khasia were cultivated land here. Local leader distributed land to cultivate to the local members. Local leaders were called " Munda" of " Shardar". A portion of crops were given to the " Munda" or " Shardar" as property tax. In the reign of Hindu kings there was legality of personal property. People used to cultivate by removing jungle. On that time a portion of crops were given to the Kings as property tax. Emperor Sher Shah was the first man to establish a good taxation system. He modernized the property taxation system. He have taken initiative to record the title owner of lands & implemented a good taxation system. Munghal founded a convenient system to adopt a policy of farming out the collection of property tax to " Zamindars", Who were emperial agents to collect property tax. Munghal Emperor Akhbar the Great initiated Bengali Year to ease taxation in Subcontinent in 1556. In 1765 East India Company obtained " Dewani" from Delhi Emperor to collect property tax from Bangla, Bihar & Odisha. An English revenue supervisor was

appointed in 1769 since property taxes were not collected due to a famine. In 1772 Warren Hastings appointed a revenue collector in place of supervisor to collect property taxes. After the partition of India & Pakistan in 1947 the "Jamindari" system abolished in 1948. After that a historic law "East Pakistan Estate Acquisition Act 1950" is passed. That is how property tax came to Bangladesh.

1.3 Objective of property tax

1.3.1 A source of local revenues: Throughout the world property taxes are commonly employed as the main source of locally generated revenue for the good reason that there is no other major source of taxation revenue that is exactly geographically defined. It is possible to use local income taxes and local sales taxes for generating local government revenue but both have difficult administrative problems. Local revenue may be generated from other sources, particularly rents from local governments owned properties. In some cases, local income taxes are an important source of revenue. In many cases, however, property taxes is a main source of revenue of local governments.

1.3.2 Primary source of revenue: As a primary source of revenue, property tax plays an important role in decentralization and the autonomy of local government. Full decentralization of governments incorporates the power to raise revenue independently in addition to powers allowing local governments to use the funds as they see fit. In practice, local government autonomy is always limited. The duties of the local governments are almost in variably such that it is impossible to discharge them without central government grants which detract to a greater or lesser extent from the independence. Increasing independent powers of raising revenues through property taxes thus becomes important.

1.3.3 Support for other functions: 'Valuation lists'

compiled for local government may be used by other bodies, particularly those that can be termed "single function authorities" such as water boards. Water charges are commonly based on the assessed value in the valuation list. Such procedures are very cost effective and have a reasonable correlation with water usage in many circumstances. Drainage boards can also be funded by charges related to the valuation list, which has advantages over charges related only to the surface area of the property. 1. 3. 4

Valuation lists to be used in transitional economies: Valuation lists may be used in transitional economies for other purposes such to establish lease rates on government owned land. Where land markets are not yet developed mass valuation results can also be used as a basis for establishing market values for properties. In addition, local bodies may have to take over functions previously controlled and administered centrally. They are not able to rely on central government funding and have to raise their own revenue. Depending on the tax rates and cost of collection, valuation list may provide a fair and cost effective basis for doing so. 1. 4 Property Tax All Around The World Australia " Australia has property taxes known as property or land rates. Land rates and frequency of payments are determined by local councils. Each council has land valuers who value the lands worth. The land's worth is the value of the land only. It does not include existing dwellings on the property. The assessed value of the land determines the total charges of rates. Rates can change from \$100 per quarter to \$1000 per quarter depending on the location and value of the land. Quarterly payments are common, but frequency varies by locality. Australian property owners also pay water rates. Some councils include this in the total of the rates notice

and provide a breakdown of water and land charges. Other councils may charge this separately. Depending on the municipality, water rates can be either a flat fee, user pay or a combination of both. Prospective buyers can get details about land and water rates from the local council before purchase. " (Property tax [Internet]. N. d. Available from: http://en.wikipedia.org/wiki/Property_tax [Accessed 15 April 2012]) Canada " Many provinces in Canada levy property tax on real estate based upon the current use and value of the land. This is the major source of revenue for most municipal governments in Canada. While property tax levels vary among municipalities in a province there is usually common property assessment or valuation criteria laid out in provincial legislation. There is a trend to use a market value standard for valuation purposes in most provinces with varying revaluation cycles. A number of provinces have established an annual reassessment cycle where market activity warrants while others have longer periods between valuation periods. " (Property tax [Internet]. N. d. Available from: http://en.wikipedia.org/wiki/Property_tax [Accessed 15 April 2012]) Chile " Land property taxes, called " territorial tax" or " contributions", are paid annually in four payments during the year. The rate varies between 1 to 2% of the fiscal value, depending on the use of the property (agricultural, habitation, commercial). The fiscal value is determined for each property by the Internal Tax Service, based on the land area and built area, the value of the construction materials, age, use and distance to commercial areas. The fiscal value is usually much lower than the market value. Non-business properties valued below a certain fiscal value are exempt (currently about US\$33K). Properties used for business face no exemption. The collected

taxes go to the municipality where the property is located. All municipalities contribute a share of the received income to a "common municipal fund", which is then redistributed back to all municipalities according to its needs (poverty rate, etc.). " (Property tax [Internet]. N. d. Available from: http://en.wikipedia.org/wiki/Property_tax [Accessed 15 April 2012]) Hong Kong " In Hong Kong, there is a kind of tax named a property tax, but it is not an ad valorem tax; it is actually classified as an income tax. According to HK Inland Revenue Ordinance IRO s5b, all property owners shall not be subject to this tax; unless the HK property owner has received a consideration, the example is rental income for the year of assessment. The property tax shall be computed on the net assessable Value at the standard rate. " (Property tax [Internet]. N. d. Available from: http://en.wikipedia.org/wiki/Property_tax [Accessed 15 April 2012]) India " Property tax or 'house tax' is a local tax on buildings, along with appurtenant land, and imposed on owners. It resembles the US-type wealth tax and differs from the excise-type UK rate. The tax power is vested in the states and it is delegated by law to the local bodies, specifying the valuation method, rate band, and collection procedures. The tax base is the annual ratable value (ARV) or area-based rating. Owner-occupied and other properties not producing rent are assessed on cost and then converted into ARV by applying a percentage of cost, usually six percent. Vacant land is generally exempt. Central government properties are exempt. Instead a 'service charge' is permissible under executive order. Properties of foreign missions also enjoy tax exemption without an insistence for reciprocity. " (Property tax [Internet]. N. d. Available from: http://en.wikipedia.org/wiki/Property_tax [Accessed 15 April 2012]) United Kingdom "

There is currently no ad valorem tax on residential property. Two former systems were dropped because of their extreme unpopularity: - Schedule A income tax, a central government tax that was levied on the imputed rent, that is the rent that owner-occupiers of land would have been receiving from a tenant had they not been living in the houses they owned. However, actual (as opposed to imputed) rent is still subject to income tax under Schedule A. Rates, a local government tax that was levied in proportion to the assessed value of property; this proportion was not fixed or set by a schedule or formula but floated according to the budget decided on by councillors (originally elected by only ratepayers), giving rise to a charge distributed proportionally over all the relevant properties. This was replaced under the Thatcher government by the Community Charge (popularly known as "poll tax"), which proved even more unpopular than the rates, and was replaced by a mixed Council Tax which combines elements of property tax and a poll tax. Rates are still (2010) levied on business property, though some classes of business are exempt. " (Property tax [Internet]. N. d. Available from: http://en.wikipedia.org/wiki/Property_tax [Accessed 15 April 2012]) United States " In the United States, property tax on real estate is usually levied by local government, at the municipal or county level. Rates vary across the states, between about 0. 2% and 4% of the home value. The assessment is made up of two components—the improvement or building value, and the land or site value. In some states, personal property is also taxed. The property tax is the main tax supporting local education, police/fire protection, local governments, some free medical services, and most of other local infrastructure. Also, many U. S. state and local jurisdictions

impose personal property taxes. " (Property tax [Internet]. N. d. Available from: http://en.wikipedia.org/wiki/Property_tax [Accessed 15 April 2012])

Chapter 2 Property tax in context of Bangladesh

2. 1 Present Property Tax Collection Ratio In Bangladesh

In city corporation area, the residence now have to pay 17% tax as municipality tax. This 17% tax is collected targeting the three section.

Section	Name of the Section	Percentage
Land & building (Administration cost)	Property Tax	7%
Waste removal purpose	Conservancy Tax	7%
Lighting the city	Conservancy Tax	3%
Total =		17%

If the tax can be collected from every eligible tax payer, then the city corporation authority can easily run and develop the city and play important role in improving the living standard of city dwellers. Mr. Deepak Chakrabarty, Chief Revenue Officer of Chittagong city corporation claimed that, " Although about 141000 holdings are in Chittagong city area, about half of them evade tax or don't pay tax either. There are 4 installments to pay the tax for the benefit of tax payer. And if anyone pays tax fully in one installment they are offered 10% tax rebate to be motivated to pay tax. "

2. 2 Necessity Of Property Tax In Bangladesh

2. 2. 1 Checking the growth of prices of urban properties in Bangladesh: Without proper research it is difficult to say with any degree of precision to what extent this price surge was due to growing demand owing to demographic and income growth factors and to what extent this resulted from excess demand due to the absence of taxation. Yet, the combined effects of a 3. 8 percent annual growth in population and 2. 6 percent growth in per capita income alone can not fully explain the 91 percent annual rise in the relative price land in Dhaka. It is logical to expect that the absence of proper land taxation

contributed substantially to the price spiral by fueling excess demand. 2. 2. 2 Equity Consideration: Equity considerations can also be incorporated in the design of proper property taxation. In countries like Bangladesh much of the land holdings in rural areas are small and the farmers are mostly poor. Land taxation is not advocated for small holding farmers. The primary target for land and property taxation is land holdings and real estate in urban areas that have accumulated huge rents with no taxation. Much of the urban land owners are very rich and their wealth has soared with no effort simply through rocketing land prices. Even so, the property tax design could exempt the tax on owners of low-cost housing. 2. 2. 3 The impact on incentives and distortion of revenue allocation: The impact on incentives and distortion of resource allocation owing to the absence of land taxation is easy to see from the stylized example of investment choices facing a potential investor in today's Bangladesh. This is shown in Table 1. While highly simplified in nature, the picture painted in Table 1 about the investment incentives is fairly representative. It is obvious that the lack of property taxation and their taxation of capital gains from property transactions and stocks is major factor that distorts investors incentives in favor of land holdings and stock purchases when compared with real economic activities. 2. 2. 4 Massive tax collection sources as huge growth of remittance present in Bangladesh: The massive growth of remittances has similarly facilitated the expansion of demand for land, specially in Dhaka. A yet another contributing factor is the frequent declaration of tax amnesty. People have used land and real state holdings as a safe haven to park their liquid resources without paying taxes and with no questions asked. It is depressingly sad that policy attention has

been so scant with no effort to close this massive tax loopholes. 2. 2. 5 The volume of foreign revenues from the absence of effective property taxation is obvious: The volume of foreign revenues from the absence of effective property taxation is obvious. While property transactions pay a nominal capital gain tax of 5. 0% and other fees, these are assessed at artificially low official prices. The values were reset recently. Even so, these values are still four-five times below the market prices. Property owners also pay some minimal charges to municipalities. 2. 3 Property Tax Possibility in Bangladesh Lets consider the present situation in Bangladesh. Even as early as in 1972, the average population density was high-estimated at 474 people per kilometer. Today this has increased to over 1100 people per kilometer. The distribution between urban and rural areas and within cities of urban areas is much more telling. For example, the average density in Dhaka city has surged four-fold from 6250 people per square kilometer in 1974 to 25000 in 2010. The impact of this demographic factor only on the scarcity value of the fixed factor of production — land -- is easy to see. Add to this the growth of real income that has caused per capita income of Bangladesh to expand by more than 150 percent, from Taka 9172 in constant price of 1995/1996 in 1972 to Taka 23, 380 in 2010. The effects of these factors on the growth of demand for land and consequently on land prices can be well expected to be substantial. Although many internal and external factors are involved in case of property tax in Bangladesh, it is very much possible here. The possibility of property tax has been evaluated On the basis of the four factors, those are outlining below: 2. 3. 1 Moving to decentralized government: As a part of the increased decentralization process, each and every city corporation

(local government) are desiring to meet the expenditure incurred by their own revenue. Here taxation on property can play vital role to meet up that expenditure of local government. If so, the local government will be able to design the development plan as well as implement those by the revenue earned through property tax.

2. 3. 2 Initiating technology based tax system: computerization in taxing system can initiate a new horizon which will be effective for tax management in Bangladesh. In general, Bangladesh appeared to be closing the technology gap at a much faster rate than they are closing income gap. By dint of the technological advancement it will be possible to keep up to date records of the land, characteristics. The problems relating property tax assessment, collection and record keeping can be minimized through the use of new technology.

2. 3. 3 Willingness of central government to give local government the access to productive the tax basis: The central government wants to release other productive revenue sources to local government. Examples are the right to tax payrolls, piggyback personal income taxes and excises, business taxes and taxes on the use and ownership on the motor vehicles. The central government also wants proper development of all the local areas by local government. That's why an opportunity to receive tax on property is found by local government from the tax payer.

2. 3. 4 The efficiency of shortcuts to valuation of property: some critics say that the cost of collection of tax is the main constraint to the growth of property tax. They say it is just too expensive and too hard to enforce in full extent. So countries like Bangladesh can turn to shortcuts to address the problems. The introduction of national valuation based on location and area, self assessment, indexing between valuation periods and

the exemption of "hard to tax" properties are all the examples of such shortcuts. Hopefully this innovations will help to hold well property tax system. 2. 4 The major implications in property tax implementation Three major problems are usually emphasized concerning property tax in developing countries. This emerged in the Nigerian study as well as in other studies. These three problems are: Valuation, assessment and collection. All three problems are compounded by the fact that land title and cadastre are poorly developed in most of this societies. The idea that land is governments all community owned have only aggravated the problem. The fact that the big political players in politics at the centre are also the substantial property owners and are likely therefore to be the ones to pay the tax when they levied further aggravate the situation. One can understand why there will be strong opposition to the tax in many developing countries. Nevertheless, this paper suggests that these problems are not insurmountable. For instance, at the national level, some breakthroughs have been recorded in improved revenue mobilization through the creation of revenue authorities in many developing countries like Bangladesh. The task of raising substantial revenues from the property tax turns on three Critical considerations. These are: ^a Firstly, The political willingness of the crucial stakeholders. ^a Secondly, opportunity as presented by the economic base and the size of the urban centers. ^a Thirdly, the Capacity, the capacity to implement the tax is dependent on the other two variables. If there is a willingness on the part of the key stakeholders-the political players at the central and local levels, private and civil society sectors and donors and a country has cities of substantial size and economic base, all the problems associated with the tax-

valuation, assessment and collection — can be tackled with the conventional technologies but new technologies promise to enhance this capacity further.

2. 5 Comparative analysis of prospect and implication of property tax There are some factors which are brought against the logic of implementing property tax. Basically these factors are less effective considering the gain on implementing property tax. These comparisons are described below: 2. 5.

1 Cost argument VS Effective implementation of property tax: the problem in implementation in the property tax is the huge cost in administering this tax system. Many believed that the total cost needed to implement property tax is much more higher than the tax earned from tax payer. But actual scenario is that when this taxation plain is implemented once properly, the number of tax payer will definitely keep increasing. And the property tax has the advantage that it imposes a relatively low compliance cost on tax payers because tax payer intervention in terms of the determination of the tax liability is minimal, except in the case of appeals. Unlike most other taxes that tend to be self assessed (income taxes, VAT etc.). Property taxes are assessed by the tax authorities and therefore the compliance cost are largely shifted to the assessing authority and billing authorities. That's why the cost argument is not feasible in that respect considering stable future earnings through taxation on property.

2. 5. 2 Peoples unwillingness to pay tax VS Effective tax collection: People are very naturally averse to pay tax on income they earn. Some tax payers claim that they have no problem to pay tax if government can show proper utilization of this money in necessary fields in front of them. As they are not satisfied with governments reaction to them, they feel hesitated to pay tax. But in this case, through good

governance of particular local authority and computerized tax collection system can avail the scope of huge tax collection from general people. True matter is that, people will automatically beside to pay property tax then. 2.

5. 3 Evasion of tax VS Strong monitoring: Tax evasion is the way how people try to get rid of the payment of tax. This is a common phenomenon everywhere and this tendency can be checked through strong monitoring system and motivation to the tax payer operated by a particular local government. In this case tax collection will be fruitful as the help of technology can easily be derived through implementation of it having appropriate plan and procedure. If all the tax payers are to be identified and general assessment is made in every interval property tax can be collected in a better way. So property tax can be a handy tool as a source of revenue of local government or city corporation on our country. 2. 5. 4 Property tax implementation by central government VS Local government: If the implementation of property tax in terms of choosing government either by local government or central government if compared, it will be found that, it can better be implemented by local government rather than central government. The reason is simple. If the central government wants to impose property tax in a local area, then the possibility of property tax collection is very less. Here as because of the less acquaintance with the tax payer living in a remote area, the central government is unable to catch evasion of tax. On the other hand, in case of local government the tax payers are well known to the tax authority and they are supposed to have good relationship each other. That's why property tax implementation is much more acceptable by the local government in our country. Chapter 3

Critical analysis of property tax to be more acceptable

3. 1 Introduction of implementation plan

As property tax is one of the most important sources for collecting internal revenue, so every government emphasizes on it most. Government always try to increase revenue through collection of property tax. It also indicates government's administrative strength incase of tax collection from the moneyed person of the country. So central government passes acts regarding property tax. They employ collection officers & other personals for the purpose of collection of tax from the tax payers around the country. It requires capital investment to set up offices in the different areas of the country. They take different steps for collecting taxes from the citizens of the country. But in every year the amount collected from the tax is not satisfactory to the government. There are many reasons for this poor condition in the collection of tax. Government has to take a number of steps to remove the reasons behind the failure to collect tax and to make implementation of property tax smooth.

3. 2 Implementation Issues

As property tax is the backbone of municipal finance and every government recognizes that a property tax is a good local tax, there are a number of implementation issues that must be considered. These are discussed gradually:

3. 2. 1 Property identification:

The most important and the early issue for implementation of tax is identification of taxable property. All of the properties owned by the citizen of the state must be brought. Under consideration for the assessment of taxable value of the properties, It must be ensured that no property has been left unconsidered. Amongst all of the properties, the taxable properties must be considered carefully. Property identification is often more difficult in developing countries. For example,

maps of property identification may not exist; property ownership data may not be provided because of disputes over who owns that; information on improvement may be missing; building permit information may not be provided to the tax authority; land and building records may be maintained by different agencies and not linked; tax records may be identified by tax payer and not by property. And tax records may be considered secret.

3. 2. 2 Choice of tax base: There is no fixed tax base that is followed by all countries of the world. In certain countries, the property tax is based on property value as determined by market value, site value and rental value. In some other countries the tax is based on building area and property area. In a few countries, a mix of these bases is applied. Each of these approaches is discussed below:

3. 2. 2. 1 Market value assessment: In market value assessment, the value of the property is the amount settled from the bargaining between buyer and seller. Market value indicates a value that market set for an individual property. The properties that are not brought in the market place and don't change hands, the value of that property must be estimated. There are at least three estimation methods available that can be used:-

- Firstly, when in the market the same or similar types of property are sold in the market, then the selling price of the sold property will be the value of the taxable property.
- Secondly, A depreciated cost approach is sometimes used. This is most appropriate when properties are relatively new, there are no comparable sales, and developments are relatively unique. In this method, the value of the property is calculated by assigning a value to the land as if it were vacant and including the cost of replacing the building and other improvements.
- Thirdly, A capitalized

income approach may be used. This approach is used for the property that generate rental income. In this case the annual net rental income of the property is considered as the income of the property. And tax is considered according to this income.

3. 2. 2. 2 Site value assessment: In this model, the value of the land is only considered. The further capital improvement (Example: Building) is excluded from the assessment. Under graded site value assessment system, capital improvements are included in the base and taxed at lower rates than land, with the level of gradation varying according to the taxing jurisdiction's policies and practices. There may arise Two problems in this system:-

- â- First, Actual separating from improvements may be more complete than it sounds.
- â- Secondly, Since the base for site value taxation is smaller than the base for market value taxation, it would be needed to impose a higher tax rate under site value taxation to raise the same amount of revenue.

3. 2. 2. 3 Unit value or area assessment: under unit value or area assessment, the tax base is a combination of building area and lot area. For each property, assessed value is the sum of lot area times on assessment rate per square meter of lot area plus building area times an assessment rate per square meter of building area.

3. 2. 3 Issues in assessment: After assessment being chosen, the success of any assessment system will depend on the three critical parts of the assessment process. These three parts are discussed below:

3. 2. 3. 1 Uniformity in assessment: If property taxes are to be fair in their application, they must be based on assessments that are uniform within each taxing jurisdiction. Uniformity in assessment is essential if the assessment base is a two-tier local government system is used to apportion the cost of upper tier

services consumed by residents and business in the lower tier municipalities.

3. 2. 3. 2 Responsibilities for assessment: For maintaining uniform assessment in all provinces, the assessors should have supreme responsibility about their duty. Otherwise, uniform and proper assessment in all the provinces is somehow impossible. 3. 2. 3. 3 Frequency of assessment:

To ensure the fair assessment and productive assessment, periodic valuations and revaluations should be undertaken. Frequent assessments minimize the risk of sudden and dramatic changes in tax burdens. 3. 3

Problems regarding the implementation of property tax Every year a handsome amount of total tax is left uncollected. There are some problems which are well known reasons for this poor conditions in case of tax

collections. These are discussed below: 3. 3. 1 General human tendency to avoid tax: It is general human tendency that people always try to avoid any kind of payment. Normally, people don't like to give money to others from their pocket. Most of the citizens of Bangladesh think that why to pay money to government? It is government's responsibility to do everything for the welfare of the citizens. People are not liable to pay government from their income. They also think that their responsibility is only to give vote. After being elected it is government's responsibility to ensure a standard life for the citizens. Such mentality of government dependency is the main reason behind our mentality against tax payment. 3. 3. 2 Ambiguity in tax rules:

There are some ambiguity in tax rules. People can't understand the rules and regulation in the tax rules. For which department, what percentage of tax is taken is not clear to the tax payer. This is why they show unwillingness to pay tax. 3. 3. 3 Irresponsibility of tax collector: Most of the tax collectors are

not responsible for their job. They don't go to the tax payer's home in due time to collect tax. When they go to their home, then tax payer show the excuse of being late by the tax collection authority.

3. 3. 4 Political intervention: Implementation will face challenge as the lobby against property taxation is powerful in view of the ownership pattern of proper. When the tax of a tax payer remains arrear for several years and it becomes a huge amount of tax then they try to get exemption from tax. Finding no legal ways to get exemption from tax they try to find illegal ways to get rid of tax imposed on him.

3. 3. 5 Bribe taking tendency of tax collector: Corruption of the employees who are engaged in the tax collection process is one of the major problems for poor condition in tax collection. Tax payers always want to show less value than actual value of their property. In this purpose they take shelter of the fraud tax collection officers. Tax collection officers take bribe from the tax payers to do so. Sometimes, tax collectors demand more amount than actual amount from the tax payers. And they also don't show the bills issued by the authority. The tax payers think that, this huge amount is more than their expectation and it becomes a burden for them. They show lame excuses of un-affordability. But if collectors would inform Payers the actual amount, the tax payers could pay the tax amount spontaneously.

3. 3. 6 Proportionately less infrastructural development: Every government of Bangladesh can't ensure the expected infrastructural development of the country because of our poor economic condition. The city corporation's of Bangladesh take 17% municipality tax from each holding over their income every year. This 17% distributed respectively- 7% for holding or property tax, 7% conservancy tax and rest 3 percent for street lighting. But load shedding

is very severe, the condition of drainage system, gas and water supply are worse than expectation of the city dwellers. So, they do not want to pay tax. Sometimes they behave roughly with the tax collection officers. 3. 3. 7

Political Interest: sometimes ministers, city mayors or councilors request tax collection officers or tax authority not to impose pressure to the payers who don't want to pay in time for their political interest. Political leaders think that, if authority impose penalty or punishment for non payment of tax, these people will not support them in the coming election. So tax authorities can not take effective measures against non tax payers. For this reason, tax rules and regulation is not strictly applied. 3. 3. 8 Irregularity in assessment:

In Bangladesh, for the valuation of the taxable property there are two types of assessment. One is general assessment and the other one is quarterly assessment. The general assessment is done once after every 5 year. And quarterly assessment is done whenever a person makes any enhancement in his property. But in Bangladesh none of the assessments is done regularly. Here, it is done after 10 year or more, sometimes more than 15 year. The chief revenue officer of Chittagong City Corporation, Mr. Deepak Chakrabarty claimed that- " Last general assessment was made in 1994. When this general assessment is made after a long interval like this it obviously creates a sudden decrease in the value of property in comparison to the time period.

" 3. 4 Steps to be taken for effective implementation Ultimately if the property taxation plan is to be implemented some recommendations are offered here. These are given below: 3. 4. 1 Well Designed urban and property taxation plan: To check the further growth of land prices, divert resources to productive sectors and provide substantial revenues, a well

property taxation plan has to be formulated. A number of factors will be important for the proper design for this taxation plan. Firstly, a proper survey and computerization of land and property ownership is needed. Secondly, property must be valued appropriately in line with current market prizes. Thirdly, capital gains tax must be implemented with no exception irrespective of the source of the gain, i. e. Including gains from property ownerships and stocks. Fourthly, the tax rates must be set at a reasonable level for both capital gains when property is transected and for property ownership.

3. 4. 2 Facing the lobby against property taxation technically: Implementation will face challenge as the lobby against property taxation can be powerful in view of ownership pattern of property. One way to address this challenge is to link property taxes with municipal services. Property taxes then become akin to betterment taxes. Municipal or city governments will typically be assigned this tax who will then use this resources to provide better urban services. A second challenge is the week implementation capacity of city government. To address this constraint, the property tax implementation can initially start with focus on few major thanas of a particular City Corporation. Once proper valuation and ownership registration of properties in this areas are completed and lessons of the pilot are internalized, implementation can then be expanded to the rest of the urban centers of the country.

3. 4. 3 Digitalization of taxation system: With modern technology, registration, valuation, record keeping can be hugely simplified. Payment of taxation can be done online. The technology is simple and easily available and can also be implemented easily. To avoid the risk of non payment, capital gains on property taxation can be collected at the time

of transaction involving registration of ownership transfer. If there is a strong political will, implementation of an effective system of property taxation will not be an impossible challenge. Hope to have a effective property taxation plan in our country, Bangladesh. Conclusion From the whole discussion in this report, it is apparent that the most efficient, uniform, accountable and transparent municipal property tax system has to be in existence to be acceptable by all authorities concern. Moreover, the existence of large number of municipalities in a region or country creates a competitive environment that provides an incentive for all competing municipalities to set their tax rate at the lowest possible level. So the tax payers will get benefited if such taxation plan can be implemented in a proper manner. And this property tax system will certainly be more acceptable in the context of our country.

Appendix Table: 1 | Table 1: Investment incentives in Bangladesh | | Investment options | Average gross annual rate of | Rate of taxation | Net of tax rate of return | | | return | | | Bank fixed deposits | 10-12 per cent | 10 per cent | 9-11 per cent (risk free) | | Commerce Industry | 20-30 per cent | 28-38 per cent | 15-23 per cent (with risk) | | Stocks (2006-2011 average) | 38 per cent | 0 | 38 per cent (with risk) | | Land holdings (1972-2010 average) | 100-125 per cent | 0-5 (limited taxation) | 95-120 per cent (risk free) | Table: 2 | Table 2: Property Tax Revenues as a Share of GDP | | | 1970's | 1980's | 1990's | 2000's | | OECD Countries | 1. 24 | 1. 31 | 1. 44 | 2. 12 | |(Number of countries) | 16 | 18 | 16 | 18 | | Developing Countries | 0. 42 | 0. 36 | 0. 42 | 0. 60 | |(Number of countries) | 20 | 27 | 23 | 29 | | Transition Countries | 0. 34 | 0. 59 | 0. 54 | 0. 68 | |(Number of countries) | 1 | 4 | 20 | 18 | | All the countries | 0. 77 | 0. 73 | 0. 75 | 1. 04 | |(Number of

countries) | 37 | 49 | 59 | 65 | Source: International Monetary Fund Government Finance Statistics Yearbook, various issues. Source: International Monetary Fund Government Finance Statistics Yearbook, various issues. Note: The average of year 2000's data is retrieved from year 2000-2001 data. Table: 3 | Ratio of Third Tier Government Expenditures to Total Sub national Government Expenditures : Selected Countries | | | 1990s | 2000s* | | OECD Countries | 53. 91 | 46. 89 | |(Number of countries) | 10 | 10 | | Developing Countries | 40. 97 | 40. 63 | |(Number of countries) | 8 | 8 | | All the countries | 47. 44 | 29. 17 | |(Number of countries) | 18 | 18 | Note: The table excludes countries with 100% Local Exp/ (Local + Regional) Exp *: These data covers 2000 to 2004 Source: International Monetary Fund

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