



# How Rational and Practicable is the Land use Charge in Anambra State of Nigeria?

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**Abstract**— This work was undertaken to identify how rational and practicable Land Use Charge is in Anambra State. The Land Use Charge is one of the Land-based taxes that tries to integrate other land-based taxes into a single tax. The Land Use Charge as practiced in some States of Nigeria is subjected to criticism because of overwhelming evidence that the institutional control measures in place are at variance with the tested and accepted standards in some other countries, particularly in the United Kingdom. The work adopted a survey design to generate data from the landlord, Anambra State Property, Land Use Charge (APLUC) staff, and Estate Surveyors and Valuers. The responses to the questions were taken to measure their views using relative important index. They suggested that for a Land Use Charge to be rational, practicable, and acceptable, the charge should be fair, the control of the APLUC department must be steady and the basis of the assessment clearly stated. They were also of the view that information on skills and training of members of the tax assessment appeal panel should be mentioned and so on. The issues raised and the remedies proffered in this work would be of immense benefit to policymakers and management of Land Use Charge.

**Keywords**— Rational, Practicable, Land Use, Charge, Anambra State.

## I. INTRODUCTION

Anambra State Government has made significant effort in improving the Land taxation system. Over the last several years, government-provided considerable assistance to the land taxation system as regard to Assessment, Appeal, and Administration, aiming at improving the overall Property and Land Use Charge compliance. This resulted in the enactment of the Anambra State of Nigeria (A.S.N) Law No. 1 of 2011, the Property and Land Use Charge (APLUC) Law, which repealed the Anambra State of Nigeria (A.S.N) Law No. 5 of 2000.

The APLUC law, which harmonized existing land charges, according to the State Government, is to develop the state that has been facing a growing population without corresponding increase and improvements in physical and social infrastructure (Odimegwu, Anyakora & Odumodu, 2018).

This law empowers the government to tax on incomes and asset holdings of the citizens to raise revenue for carrying on the business of governance in the state (Egolum, n.d). The tax legal and regulatory framework must be significantly stated and in clear terms, and as such (assumed) to decrease compliance burden for taxpayers (as regards understanding) and administration alike and increase voluntary compliance. Nevertheless, Smith (as cited in Odimegwu et al., 2018) found that a good land tax system should conform to the Cannons of Taxation which are equity, certainty, efficiency, and convenience.

Perhaps, varying criteria for evaluating a land tax have emerged overtime, therefore a good land tax must be fair, equitable, set in clear terms, be acceptable to the payers, consistent with the goals of promoting a stable economy, have revenue adequacy, consider the ability to pay based on income, and should be proportional to the benefits received from government services (Ogbuefi, 2004), while

an inequitable discriminatory tax policy administered haphazardly would breed opposition, hostility and non compliance.

### 1.1 Forms of Land Taxation in Nigeria

Nigerian law taxation is enforced by the three (3) tiers of Government. These are Federal, State, and Local Government Taxes and Levies Act, Cap. T2 Laws of the Federation of Nigeria, 2004, and on May 26, 2015, this Act was amended. The Act is an existing law under the 1999 Constitution of the Federal Republic of Nigeria, section 315 of which provides in subsections (1)(a) that subject to the provisions of this Constitution, an existing law shall have effect with such modifications as may be necessary to bring it into conformity with the provisions of this Constitution and shall be deemed to be: (a) an Act of the National Assembly to the extent that it is a law with respect to any matter on which the National Assembly is empowered by this Constitution to make laws.

Section 315 subsection 2, states that the appropriate authority may at any time by order make such modifications in the text of any existing law as the appropriate authority considers necessary or expedient to bring that law into conformity with the provisions of this Constitution. The 1999 Constitution, Part II of the Second Schedule, Paragraphs 7, 8, 9, and 10 and Fourth Schedule, Paragraphs 1 and 2, show that the Federal, State and Local Governments have the responsibility to collect taxes and levies.

The one that is of importance in this work is the State form as it concerned Anambra State land taxation and reform and the tax regulation pertaining to this, is APLUC Law No. 1 of 2011. The APLUC Law tries to integrate all real property with all land-based rates and charges which were formerly charged under the Assessment Law, the Land Rates Law, the Neighbourhood Improvement Charge Law, and the Tenement Rates Law, into one single Property Land Use Charge. The property rating practice in Anambra State before the advent of APLUC was characterized by corruption, personnel problems, ignorance, lack of adequate materials, apathy, poor street naming, and house numbering among others, and of course, poor revenue generation (Ezeudu, 2009). All these, are geared towards the decision of the State Government to undertake the tax reform.

### 1.2 The Advent of APLUC Law

The Lagos State Land Use Charge Law integrated all real property with all land-based rates and charges which were formerly charged under the Assessment Law, the Land Rates Law, the Neighbourhood Improvement Charge Law, and the Tenement Rates Law, into one single Property

Land Use Charge ("LUC"). Egolum (as cited in Odimegwu et al., 2018 ) found that the Lagos State LUC led to the advent of the APLUC Law of 2011, followed by Federal Capital Territory, (Abuja) (though the bill has not been passed into law), Oyo and Edo States in 2012, Ondo and Abia States in 2014, Osun and Enugu States in 2016.

## II. METHOD

This work adopted the descriptive survey research design. The properties owners (landlords), APLUC staff, and Estate Surveyors and Valuers are the target population. The Estate Surveyors and Valuers as mentioned are the real property consultants and professionals recognized in Nigeria.

The APLUC office in Awka indicates that a total number of 25 staff work in Awka. Landlord's (Udoka housing estate phase 2) population was drawn from Anambra State Housing Development Corporation. And Anambra State Housing Development Corporation indicates that a total number of 213 landlords own properties in Udoka housing estate Awka. The other group of the population chosen for this study is the Estate Surveyors and Valuers. The Anambra State branch of the Nigerian Institution of Estate Surveyors and Valuers secretariat Awka (2020) indicates that a total number of 21 Estate surveyors and valuers are in the membership level of fellows and associates practicing in Awka. This is to show that all of the respondents came from this area mentioned above.

The APLUC and Estate Surveyors and Valuers were selected for questionnaires administration by use of the total population (census) technique due to manageable size (25) and (21) respectively. And a random sample selection of the landlords was done. This method was adopted because it prevents bias in the sample selection of the sample population and for the work to be faster the research adopted the survey monkey approach. The survey monkey application is a useful online tool for creating and administering surveys as well as managing and analyzing data. This tool walks the researchers through the basics of using Survey monkey from creating a survey in survey monkey to downloading the data. The researchers ensure careful review and consider the question types.

However, an aggregate sample size of 157 landlords was adopted as the sample size, using Kothari (2004) proportional allocation method, while APLUC and Estate Surveyors and Valuers were selected using the total population (census) technique due to the manageable size of 25 and 21 respectively. This research featured questionnaires/oral interviews.

## III. RESULTS

## Data Presentation and Analysis

Table 3.1. Distribution of Questionnaires to Landlords, APLUC staff and Estate Surveyors and Valuers.

S/N	Location	No of population	Distributed	Retrieved	% of success
1	Awka	Landlords (213)	157	144	92
2	Awka	Estate Surveyors and Valuers (21)	21	15	71
3	Awka	APLUC staff (25)	25	16	64
Total					77

A response rate of 76% was achieved on Questionnaires to all the 144 Landlords, 16 APLUC staff and 15 Estate Surveyors and Valuers. Oral interview guides were also applied in the study.

### 3.1. How Rational is the APLUC Law No. 1 of 2011?

The revenue generated as shown in Fig. 3.1 below, is from the Anambra State Ministry of Finance, which provided that the following amounts have been realized from the property tax between 2011, the inception of the APLUC law and 2015.

Fig. 3.1. Revenue Generated from 2011 to 2015 and there was no revenue recorded from 2016 to 2020. This shows the flow of the revenue generated from 2011 to 2020.

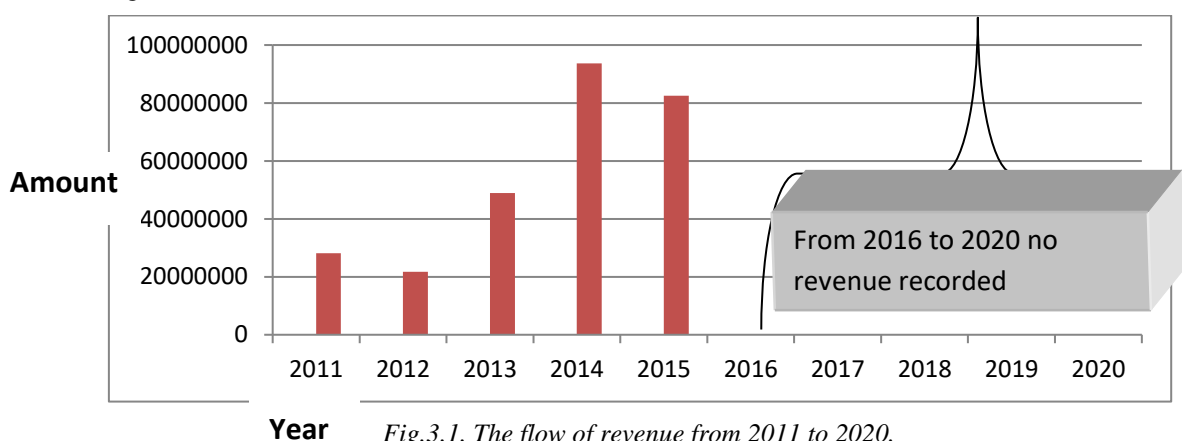


Fig.3.1. The flow of revenue from 2011 to 2020.

The fig 3.1 also shows fluctuating amount which provided an irregular rising and falling in amount generated and non revenue generated from 2016 to 2020. Government believed that land taxes increase would enhance the internal generating revenue (IGR), whereas without acceptability by the people to pay then the overall purpose of the increase would be defeated.

A survey of what could cause amount fluctuation, was carried out through the use of oral interviews and

questionnaires. One hundred and forty four (144) landlords, sixteen (16) APLUC staff and fifteen (15) Estate Surveyors and Valuers were surveyed in Awka and analysed with relative important index. Respondents' responses were in terms of Strongly Agreed (SA), Agreed (A), Strongly Disagreed (SD), Disagreed (D), and Undecided (U) for the analysis in assigned 5, 4, 3, 2 and 1 respectively.

Table 3.2. Landlord responses

Landlords	SA W=5	A W=4	SD W=3	D W=2	U W=1	Total	RII	Rank ing
No Awareness	0 WF=0	100 WF=400	0 WF=0	0 WF=0	44 WF=44	144 (444)	3.1	3 <sup>rd</sup>
Charge too High	46 WF=230	35 WF=140	0 WF=0	43 WF=86	20 WF=20	144 (476)	3.3	1 <sup>st</sup>
Because Estate	24	22	23	47	28	144	2.8	4 <sup>th</sup>

Surveyors and Valuers are left out during law making	WF=120	WF=88	WF=69	WF=94	WF=28	(399)		
Lack of Basis of Assessment	45 WF=225	35 WF=140	0 WF=0	26 WF=52	38 WF=38	144 (455)	3.2	2 <sup>nd</sup>
Skill and Training of Members of Appeal Panel not Provided	0 WF=0	0 WF=0	36 WF=108	43 WF=86	65 WF=65	144 (259)	1.8	5 <sup>th</sup>

Key: WF = Weighted frequency.

Table 3.2 reveals that 'Charge too High' ranked first (RII = 3.3). This was followed by 'Lack of Basis of Assessment', which ranked second (RII = 3.2). And followed by 'No Awareness' (RII = 3.1). Then, followed by 'Estate Surveyors and Valuers' who are left out during the law making process (RII = 2.8) and the last is 'Skill and Training of Members of Appeal Panel not Provided', which ranked fifth (RII = 1.8). These explained that the five analysed indicators affect compliances. From this analysis, it reveals that the amount fluctuation is as a result of lack and drop of compliance on the part of the landlords.

#### Responses from the Landlords on what causes lack and drop in compliance with APLUC as regards to revenue generated.

The landlords are of the opinion that APLUC can be said to be accepted and the compliance level increases if the under listed are taken care of:

- The calculation of the charge should be clear on the method they use to arrive at the assessment and taxes.
- The tax should be reduced.
- The revenue collected must be used for the reason(s) of the charge and not diverted to other things.

#### Responses from the Staff with regard to compliance

The staff revealed that the APLUC collection had been stopped and that the last revenue collection was done in the year 2015.

Then, the reasons given for the stoppage of collection of the revenue are as follows:

- The stop was as a result of misunderstanding between the Governor and the contractor.
- The staff salaries are not paid.
- The unsteady control of the APLUC department as it was initially under the Ministry of Finance in 2011, moved to the Ministry of Lands in 2014 and moved to the Board of Internal Revenue in 2019.

Table 3.3. Estate Surveyors and Valuers Responses

Estate Surveyors and Valuers	SA W=5	A W=4	SD W=3	D W=2	U W=1	Total	RII	Ranking
No Awareness	0 WF=0	4 WF=16	3 WF=9	5 WF=10	3 WF=3	15 (38)	2.5	3 <sup>rd</sup>
Charge too High	0 WF=0	9 WF=36	0 WF=0	4 WF=8	2 WF=2	15 (46)	3.1	2 <sup>nd</sup>
Because Estate Surveyors and Valuers are left out during law making	0 WF=0	3 WF=12	1 WF=3	11 WF=22	0 WF=0	15 (37)	2.5	3 <sup>rd</sup>
Lack of Basis of Assessment	15 WF=75	0 WF=0	0 WF=0	0 WF=0	0 WF=0	15 (75)	5	1 <sup>st</sup>
Skill and Training of Members of Appeal Panel not Provided	0 WF=0	1 WF=4	2 WF=6	6 WF=12	6 WF=6	15 (28)	1.9	4 <sup>th</sup>

Key: WF = Weighted frequency.

Table 3.3 reveals that 'Lack of Basis of Assessment' ranked first (RII = 5). This was followed by 'Charge too High' which ranked second (RII = 3.1). And followed by 'No Awareness' and 'Estate Surveyors and Valuers are left out' during law making was ranked third (RII = 2.5) and the last is 'Skill and Training of Members of Appeal Panel not provided', ranked fourth (RII = 1.9). These explained that the five analysed indicators affect compliances. From this analysis, it reveals that the amount fluctuation is as a result of lack and drop of compliance as shown in the analysis.

Then, the reasons given for expectation of APLUC not realizable by Estate Surveyors and Valuers are as follows:

a. Basis of assessment is not stated.

#### **Basis of Property Rating Assessment**

Anambra State of Nigeria (A.S.N) Law No. 1 of 2011 Property and Land Use Charge Law did not state the basis of assessment while there are two generic basis used in assessing property for rating purpose and these are Annual and Capital value (Ogbuefi, 2004). Thus, this fact is very important for the assessment and as such this was not stated therefore makes the Property and Land Use Charge vague.

For instance, in using capital value, it required the capital sum and the rate(s) of interest to be applied. The rate (percentage) to be used should take into consideration all factors in order to ensure equity to both the ratepayer and the rating authority. And as such, the rate used should not be too high, and it should also not be too low. Perhaps, the entire rate must be that which is in line with the basic cannons of taxation but where the basis is not stated is not clear.

Nevertheless, when compared to country like the United Kingdom; annual value of hereditament was the prescribed basis of assessment (Ogbuefi, 2004).

Ogbuefi (2004) found that in the former Anambra State, comprising Enugu, present day Anambra and parts of Ebonyi states, the state local Government Edict, 1976 states the basis of assessment of properties as state below.

This is stated in the tenement rating (method of assessment) order, 1977 section 3.

The assessed value of a tenement liable to tenement rate under the Edict shall be the rental value at which the tenement might reasonably be expected to let annually, as at the date of valuation, less a reasonable allowance for the cost of outgoings necessary to maintain the tenement in the state to command the rent, provided that in all cases the total deduction from such rental value for such expenses shall not exceed two-fifths (2/5) of the rental value.

b. Information on skills and training of members of the tax assessment appeal panel are not mentioned.

c. Estate Surveyors and Valuers should be among the members appeal panel.

d. Information on the skills and training of tax assessors are not stated.

e. The cycles for updating taxable values are not stated.

f. The charge failed when checked with the cannons of tax (equity, certainty, efficiency and convenience). The tax is not equitable in the sense that tax payers are all into tax bracket irrespective of the individual tax liability under the previous laws. Furthermore, the assessment method is uncertain and as such prone to abuse then, efficiency and convenience can not be in place when equity and certainty are lacking. Ordinarily, tax payers should be able to know in advance how much tax expected to pay.

g. Constant rate schedule employed in the exercise (per unit square) and lump taxes are inadequate for property valuation since real properties are heterogeneous and as such no two properties can ever be identical.

The above stated reasons are said to be the causes for the drop and lack of compliance towards APLUC Law.

Lagos State LUC, commercial and residential owner-occupied properties attract an annual property Land Use Charge Rate of 0.394% of the assessed value of the property; new owner-occupier/individual properties are assessed at an annual land use charge rate of 0.132% of the assessed value of the property (Oserogho & Associates, 2012) stated as a guide but in APLUC is missing.

#### **IV. DISCUSSION/CONCLUSION**

The APLUC Law No. 1 of 2011, section 16, subsection 1 (b) stated that, a person may appeal to the Tribunal if he is aggrieved by any calculation of an amount which he is liable to pay as Property and Land Use Charge and the Tribunal shall make such decision as it deems fit. And as such there is need to state the basis of assessment for acceptability, to increase voluntary compliance, decrease compliance burden for Property and Land Use Charge payers and administration alike. Meanwhile, the need to include the information on skills and training of members of the tax assessment appeal panel is of great importance as such will disqualify unqualified from being a member. And for transparency' sake, the Estate Surveyor and Valuer should be among the members since he is the only professional authorized by law to place values on landed assets. More so, the information on the skills and training of tax assessors needs to be stated and the cycle for updating taxable values are of necessity when viewed at APLUC Law No. 1 of 2011 section 5 subsection (2) and APLUC Law No. 1 of 2011 section 7 as stated above. Moreover, Estate Surveyors and Valuers should have been



involved in the making of APLUC Law, to eliminate most of these shortcomings and as such there is need for a review of the APLUC Law.

The unsteady control of the APLUC department as stated by the staffs should be stopped for the good of APLUC.

Looking at the foregoing is not rational and practicable. It is the reason for the fluctuation in the revenue generated from 2011 to 2015 as observed and as such gradually leads to the stoppage. And for the expectations of the Law to be achieved then the reasons of Landlords, APLUC staffs and Estate Surveyors and Valuers should be taken care of.

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