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PROPERTY TAXATION COLLECTION AND ENFORCEMENT IN DEVELOPING COUNTRIES; CHALLENGES, TOOLS AND APPROACHES

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Abstract
The problem of poor property tax collection and enforcement is rampant in developing countries including Kenya. This is evidenced by the following: poor contribution of property rates towards raising governments' revenue; insignificant contribution of property tax to GDP; increasing rate of defaulting in payment of property rates; low collection ratios; and high level of intergovernmental transfers. The effect of this is that governments are not able to meet their obligations of service provision. This paper is based on desk review and therefore an exploratory study into the nature of property taxation collection and enforcement tools. It also looks at the challenges or bottlenecks that hinder optimum collection of taxes. It summarizes by showing that optimum property tax collection depends on a combination of collection methods and enforcement approaches put in place by the governments.

Key Words: *Property taxation, Rates, Property collection and enforcement tools*

Introduction

The role of property rates in financing the governments' activities does not need to be over-emphasized. Boamah (2013) considers property rates as the most reliable, common and maintainable source of income to devolved governments globally. Bahl and Martinez (2006) acknowledges property tax as one of the best revenue sources in enabling county governments' autonomy. Property rates provide a sustainable source of revenue, which is prerequisite to good governance and public service delivery at devolved government level (Karanja, 2004). The lucrative nature of property rates as a force of financing at county level makes it crucial for the realization of monetary devolution and the funding of public service provision (Boamah, 2013).

Bahl and Martinez (2006) suggest that for the numerous benefits of devolved governance to be enjoyed, local governments ought to have strong institutional capacity, adequate independence and freedom in mobilizing their own revenue. Key sources of revenue for county governments consist of internally raised income mobilized by county governments within their jurisdiction and external monetary transfers. Independence of devolved governments is achieved through internally generated funds (Boamah, 2013). Petio (2013) argues that county governments end up losing autonomy and become inefficient in implementing development projects in circumstances where internally generated funds are less than national fiscal transfers.

Property taxation has a lot of untapped potential for raising revenue for devolved governments in most countries. As Bahl & Martinez (2006) argues, property rates is one of the best revenue sources in ensuring that county government achieve the necessary revenue autonomy at the county level. Avoiding property tax is very challenging, it can represent a non-distortional and highly proficient fiscal tool to local government if well administered (Fjeldstad and Heggstad, 2012). Effectiveness and efficiency of property rates' administration expansively depends on active national and county government involvement to ensure regular update of tax base details and property values; proper tax assessment; timely billing; effective collection and enforcement (Kelly, 2000).

In Kenya, Article 209 of the Constitution gives national government powers to raise revenue through imposing value-added tax; income tax; excise tax and customs duties. In addition, this article allows county governments to generate own income through levying property rates; charges on the services they provide within their jurisdictions and entertainment taxes. These revenues sources have a great potential in providing the funds required for meeting the objectives of county governments. The significance of property rates in raising local revenue heavily depends on effectiveness of collection and enforcement function of tax administration system.

Issues of Concern

The problem of poor property tax collection and enforcement is rampant in developing countries. Kelly (2000a) estimates that property rates account for between 40 and 80 percent of local revenues for sub-national governments globally. Contribution of property rates to local revenue in developed economies is above the global average. Available evidence indicates that property taxes account for 99%, 100%, 93% and 72 of locally generated tax revenue in the United Kingdom; Australia and Ireland; Canada; and USA respectively (Braid, 2005; Bahl, 2009; Hefferan and Boyd, 2010).

In developing countries, the contribution of property taxes to local revenues for devolved governments is less than 40 percent of (Barako and Shibia 2015). Fjeldstad and Heggstad (2012) highlighted that property rates accounts for about 10% to 30% of local government taxes in Tanzania, 14% in Ghana, 6.1% in Sierra Leone and less than 10% in Gambia. Political interference in property rates collection, lack of political support in enforcement and insufficient administrative capacity are cited as contributors to poor performance of property rates in developing countries (Fjeldstad and Heggstad, 2012).

Lall and Deichmann (2006) acknowledges the key role of property tax in GDP of developed countries, while noting that its potential is not fully utilized in developing nations as evidenced by poor collection. Globally, property taxes account for 0.5 to 3.0 percent of GDP (Kelly, 2000a). Property tax accounts for more than 2% of GDP in developed countries (Braid, 2005; Bahl, 2009; Hefferan and Boyd, 2010). Kaiser (2005) and Bahl (2009) estimated that property tax averages at 0.42% of GDP in developing and 0.54% in transitional countries. In developing countries, property taxes account for less than 0.6 percent of GDP (Barako and Shibia 2015). Poor contribution of property tax to GDP in developing countries is partially attributed to ineffective and inefficient rates collection and enforcement.

Karanja (2004) acknowledges that there is increasing trend of defaulting in payment of property rates leading to low revenue collection. Globally, property tax contribution to Gross Domestic Product (GDP) for sub-national governments is shrinking (Kelly, 2000a; Barako and Shibia 2015). The importance of property tax in Kenya has been declining from 0.37 percent of GDP in 1990-1991, to 0.22 percent in 2002/2003 then to 0.16 percent in 2009/2010. On the other hand, contribution to own-source revenues has declined from 28 per cent in 2002/2003 to 24 percent in 2009/2010 (Barako and Shibia, 2015). The performance of rates administration depends on effectiveness of billing and collection.

Property rates collection ratios vary considerably across countries. In developing countries, the ratios range from 20 percent to 50 percent (Bahl and Vazquez, 2008; Sepulveda and Vazquez, 2012). Kelly (2013b) estimates that collection ratios in most OECD countries to be approximately 100 percent. The low property rates collection ratio in developing countries is attributed to poor collection of the billed rates and ineffective tax enforcement.

Poor property tax collection and enforcement is also evidenced by high level of intergovernmental transfers. Local governments in developing countries face inadequacies of finances to fund their expenses due to poor collection of domestic revenue including property rates resulting to high level of intergovernmental transfers. Chitembo (2009) in Ndunda, Ngahu and Wanyoike (2015) notes that in Botswana, rural councils receive 92 per cent of their annual revenue from the Central Government while urban councils 62 per cent. According to Commission on Revenue Allocation (2013), over 50 percent of expenditures of approximately 60 percent sub-national governments in Kenya are financed by transfers from national government. The level of county governments' reliance on the national government in Kenya is so high that at one point the Council of Governors considered calling for a national referendum to have annual county governments' allocation increased. Over reliance on transfers from the central government is a manifestation of poor revenue collection in counties partially resulting from ineffective collection and enforcement of property rates.

Diminishing performance of rates is attributed to poor collection methods and increasing rates liability especially among the owners of rateable properties which are undeveloped (Karanja, 2004). Tax enforcement against non-compliance determines the amount of revenue to be collected (Kelly, 2000). Kamba (2007) highlighted that most of the property rates' related reforms have been focusing on tax base and assessment system while overlooking collection and enforcement aspect of property rates administration. Rateable property owners ought to comply fully and promptly in order to meet the budget required for provision of public services. Proper enforcement ensures 100 per cent compliance in rates payment which guarantees provision and maintenance of public services within the local authority's jurisdiction.

The collection and enforcement of property rates is a major challenge facing devolved systems of governance in developing countries as they make attempts to boost local revenues. Kenya is one of the countries facing this challenge. There is a clear gap in policy, practice and knowledge regarding property rates. The poor collection and enforcement of property rates in developing nations is worrying, thus necessitating the need to evaluate policies and practice of property rates collection and enforcement in devolved systems of governance in Kenya.

Definition Property Tax

Property tax entails obligatory levies relating to the ownership, improvement or occupation of property (McCluskey, 1991). Syagga and Olima (1996) defines property tax as a local charge levied on landed property with or without improvements for revenue collecting purpose. It is an attractive tool for financing local and central governments.

Property tax therefore entails regular levies payable annually at specific rate by owners of improved or unimproved private, communal or public property to decentralized government. Property taxation aims at mobilization of domestic revenue of the local government

History of Property Rating

The most ancient tax records were in clay tablets form in the Lagash city-state which is currently known as Iraq. They date from about six thousand years B.C. The king used a rotational tax system in which appraisers would concentrate on one area per month (Carlson, 2004).

Property taxation was applied in Egypt, Babylon, Persia, Athens and China. Carlson (2004) notes that the primary emphasis of early property tax was on land and its productivity. Between 2700BC and 2200BC, Chinese dynasties of Hwang Ti and Hsai levied land tax to finance public services offered by the government (Karanja, 2004). Konyimbih (1998) notes that during the Roman Empire and in the ancient Egypt, land tax was levied on agricultural land.

Modern rating can be traced to feudal England. Konyimih (1998) records that The Poor Relief Act (1601) during the reign of Queen Elizabeth I laid foundation of modern rating especially in most of the commonwealth countries. Inhabitants and occupiers of land were required to pay land rate on real and personal property. Personal property was exempted from rates with the introduction of the Poor Rate Exemption Act of 1840 (Karanja, 2004). Henry George was a great supporter of land tax. He proposed that the community takes the value which is not produced by an individual. This value results from the growth and improvement of the whole community (Konyimih, 1998).

Ricardo proposed taxation of economic rent on land (Karanja, 2004). He argues that increase in land rent is created by society and not from an individual owner's effort. Ricardo insisted that taxing unearned income was justified since this would have no effect on productivity. These discussions led to development of rating systems such as unimproved site value, capital value rating, annual rental value rating and area rating (Karanja, 2004).

In Kenya, rates are levied by local/county government on landed property for mobilization of local revenue. Taxation of landed property in Kenya was introduced during the British colonial rule. Rating in Kenya coincided with the introduction of other policies on land tenure and government structures. Colonial administration created local authorities which were given responsibilities of providing and maintaining public services (Karanja, 2004). Property rates were introduced to finance the activities of local authorities.

Kenya's rating law was based on rating ordinances operational in other colonies especially South Africa. The annual value rating was introduced in Nairobi in 1901 with the enactment of Nairobi Municipality Regulation Ordinance of 1901 (Karanja, 2004). Rating was based on annual property value in Nairobi. This method was abolished in 1920 since only few properties had been developed to warrant taxation on annual value basis (NCC, 1950). The approach was replaced with Unimproved Site Value (USV) rating after enactment of Nairobi (Rating of Unimproved Site Value) Ordinance in 1921 (Karanja, 2004).

In 1928, Local Government Rating Ordinance repealed the Nairobi (Rating of Unimproved Site Value) Ordinance of 1921 (Karanja, 2004). It introduced a uniform rating system countrywide with a free choice of system for local councils. Mombasa introduced Improved Value Rating (IRV) which was discontinued in 1948 after the introduction of Unimproved Site Value (USV) rating.

The first single rating law relating to forms and administration of rating valuation for the whole country was enacted in 1956 (Valuation for Rating Act) which still applies today (Syagga, 2015). In 1964, Rating Act Cap 267 of the Laws of Kenya was enacted to empower local authorities to levy rates on landed property in order to raise local revenue.

Types of Property Taxation

Land taxation policy is one of the key tools of land use management. Property taxation has various forms including property rates, stamp duty, value added tax (VAT) and estate duty. Property rates on the unimproved site value basis is one of the most common form of rating in Kenya.

Estate duty is imposed on estates of deceased person's wealth (Akumu, 1999). This includes intangible, moveable and immovable property. Basis of estate duty is the market value of the property. In Kenya, estate duty was levied under the Estate Duty Act (chapter 483) which sought to tax validate benefits or inheritance. Estate Duty was discontinued in Kenya in 1984.

Value added tax is generally a consumption tax which is implemented as a destination based tax while stamp duty is an indirect tax levied on legal instruments such incorporation of companies, transfer of chattels, shares, land and landed property, lease, license, mortgage, charge, insurance policy (Akumu, 1999). Under sale of land, the basis of stamp duty is the exchange value of the property. Property rates in Kenya are levied at 2% and 4% for agricultural land and urban land respectively.

In Kenya, the Rating Act empowers local authorities to levy annual property taxes in urban areas. Kamba (2007) argues that property rating encompasses annual local authority tax on property depending on a particular tax rate. Property rates are levied by the county government to meet their liabilities. Levying property rates in the major towns is critical in raising local revenue. Property rating adopts various forms including a rental value rating, improvement rating, area rating and site value rating. Local authorities prefer unimproved site value (USV) rating in Kenya. This can be attributed to the following: USV promotes physical development of land in urban centres; it makes land ownership for speculation purposes to be expensive; it is a simple to administer and ease to determine the amount to be raised thus used in budgeting (Akumu, 1999).

Importance of Property Rating

Property rating is a key source of revenue for devolved systems of governance. Boamah (2013) clearly notes that property rate is the most common, dependable and maintainable a source of income for local authorities globally. It is therefore indispensable for effective operation of fiscal decentralization and financing of public service delivery and local infrastructure provision. Akumu (1999) asserts that property tax revenue can be used to finance public services in urban population which collectively generate economic rent. The revenue is used to fund public goods and services including road maintenance, garbage collection, street lighting, street cleaning and piped water thus directly leading to increases in property values.

Property rating ensures equality among the urban dwellers. Umar, Kasim and Martin (2012) insist that property taxation ensures that all rateable property owners within a certain category receive equal and rational treatment. Provision for exemptions and fair determination of taxation rate and market value help in ensuring equality. The taxation objectives at devolved government level aims to foster equity, fairness and transparency. The distribution of public services and infrastructural development also aims ensuring equality. Akumu (1999) noted that property rates can be used as a tool of income redistribution in order to reduce disparity between the rich and poor.

Property rating helps in land use management. Akumu (1999) acknowledges that land taxation plays a key role as a strategic policy instrument for economic management in a given area. Land as a factor of production has great significance especially in developing economies. Fiscal control of land use through rating directly impacts the general trend of economic performance.

Basis of Property Rating

Plimmer and McCluskey (2010) noted that there are various tax bases including Land Value (or Unimproved Site Value), Capital Improved Value, Improvements' Value and Annual Rental Value or a combination of any two. Determination of the most appropriate basis of the tax is paramount for an effective and efficient taxation system. Such basis is discussed hereunder:

a) Unimproved Site Value

This entails taxation of land based on unimproved site value. It is applied to countries such as Kenya and Jamaica. Land is taxed to its highest and best use, under the prevailing planning regulations (Plimmer and McCluskey, 2010). This form of taxation encourages owners of land which is under-utilised to maximize its use. Taxation on the basis of unimproved site value encourages optimum use and improvement of land. Intensively use of land leads to less urban dereliction.

b) Improvements' Value

This entails taxation based on the value of improvements only. This avoids the need to find value of the land element. This is applied in countries such as Kosovo and Tanzania. The Urban Authorities (Rating) Act of Tanzania defines rateable property to include all occupied buildings within the jurisdiction of the local authority.

c) Capital Value of Property

This entails taxation based on value of land and improvements (together or separately). Valuation for rating purpose entails valuing the entire property as one followed by application of one rate. On contrary, the land component can valued separately from the improvements to allow for application of different rates. This is applicable to countries such as Pennsylvania, USA and Grenada. Application of a smaller relative rate of buildings, encourages land owners to develop the land (Plimmer and McCluskey, 2010).

d) Annual Rental Value of Improved Property

This entails taxation based on rental value. Rental value is derived from an analysis of market transactions (Plimmer and McCluskey, 2010). The basis is applicable in Uganda. Kamba (2007) notes that rating system in Uganda requires that the property owner pays for the rates on the basis of annual rental value.

The different kinds of tax base are aimed at achieving different economic or social outcomes (Plimmer and McCluskey, 2010). The bases are therefore selected based on the longterm objectives of the central or local government.

Property Rates Collection

Tax collection entails preparation, issuance of tax bills, collection of property rates and ensuring payment (Bird and Slack, 2002). The billing system aims to fulfil the rating authority's legal obligation of notifying the taxpayers of their liability Property rates collection is measured in terms of Collection/Compliance Ratio (CR). Kamba (2007) defines Collection Ratio as the rating income collected from property rates in relation to the total amount invoiced in a given year. Collection Ratio ascertains the efficiency of collection and the extent of compliance in payment of rates. Property rating aims at financing the budget of provision of public services. The Collection Ratio should therefore be 100 per cent indicating fully compliance in order to finance the projected budget adequately. Failure to collect part of the billed rates result into constraints in financing public services.

Kelly (2000b) asserts that Collection Ratio is determined by enforcement policy in place. The performance of rates administration depends on effectiveness of billing and collection. Most property rating reforms focus on discovery and valuation system while overlooking collection aspect of property rates administration system (Kamba, 2007). For the rating system to improve in local revenue mobilization, the billing and collection systems should be critically evaluated.

Methods and Players of Property Rates Collection

Property rates collection by local government itself is the most common method. According to Kelly (2013b), the best practice entails allowing the local government to be responsible for collecting all property taxes that are due for a particular year. Thereafter, collection agencies or lawyers can be contracted to take legal action for recovery of the outstanding accounts.

Secondly, property rates can be collected by private sector. UN-HABITAT (2011) notes that countries such as Uganda and Pakistan engage the private sector to help in rates collection and enforcement. Tax collection contracts entail a lump sum payment via bidding. The winner remits the contracted amount and keeps any extra amounts collected (Kelly, 2013b). Private collectors are more effective in ensuring fully compliance. This is attributed to stronger personal interest in collection result and more effective mechanism for penalizing poor performance by collector (Fjeldstat, Katera and Ngalewa, 2008).

Alternatively, property rates can be collected by neighbourhood organizations, urban neighbourhood governments and village or traditional leaders. Kelly (2013b) notes that some countries such as Paraguay engage neighbourhood organizations in property tax collection. In Philippines, urban neighbourhood governments are engaged in tax collection while Indonesia, Sudan and Ghana involve village or traditional leaders to encourage tax compliance. Collection incentives such as sharing revenue and retaining part of the collected has been employed to mobilize active support in Kenya. For instance, over the years, Karengata Resident Association has been collecting and depositing land rates from members in a Nairobi City Council - Karengata Association escrow account which was jointly operated. This was because the city council was not providing public services in Karen and Langata. However, this changed from September 2015 when the High Court ruled that all land rates should be submitted to Nairobi City County since it is providing relevant public services to the residents.

A comprehensive collection and enforcement strategy is required in order to achieve optimum tax collection ratio. Voluntary compliance can be achieved through various incentives, penalties, sanctions and essential political support. Implementation of reforms in property tax administration requires strong political support, legislative framework, institutional capacity, technical assistance, financial and qualified personnel (Kelly, 2013b).

Property Rates Collection Model

Sepulveda and Vazquez (2012) summarizes property rates collection (TC) in the following formulae:

$$\boldsymbol{TC = (TC \div TL) \times (TL \div TAV) \times (TAV \div TMV) \times (TMV \div MV) \times MV}$$

Where
TL *- the property tax liability,*
TAV *- taxable assessed value,*
TMV *- taxable market value,*
MV *- full market value.*

Property rates collections ratio (CR) is the ratio of actual rates collections to tax liability,

$$\boldsymbol{CR = TC \div TL}$$

If TC is equal to TL, collection ratio becomes 100 percent. In most cases, collection ratio is normally less than one hundred per cent. Collection ratio helps in establishing extent of the compliance with property rating law and the property rates enforcement ability of the authorities (Sepulveda and Vazquez, 2012). Poor property rates collection ratio is associated with failure of rates authorities to effectively enforce the rating law and failure by rateable property owners to comply.

Due to poor enforcement, property rates collection ratio in developing countries ranges between 20% and 50% (Bahl and Vazquez (2008; Sepulveda and Vazquez, 2012).

Factors Affecting Property Rates Collection Ratio

Property rates collection ratio entails the actual amount of rates collected by the rating authority vis-à-vis the invoiced amount (UN-HABITAT, 2011). Property rates collection ratio indicates the extent of compliance to the tax law. Level of compliance to property taxation regulations differs as a result of distortions created by the conduct of administrators or rateable property owners (Sepulveda and Vazquez, 2012). On the government side, distortions result from deficient enforcement of property taxation law (DE) and presence of corruption (C). On the taxpayers' side, distortions result from tax evasion (E) and tax morale (TM).

a) Deficient Enforcement of Property Taxation Law (DE)

Deficient enforcement (DE) results from inability and unwillingness to of rating authorities to capture the maximum rating income potential (Sepulveda and Vazquez, 2012). Effective enforcement of tax law by the tax authorities leads to improved collection ratio. Property rating law should incorporate necessary measures to ensure timely payment of tax.

b) Corruption (C)

Corruption is corrosive in any government's revenue system since it diminishes actual income collected, weakens public trust and eventually compromises government's legitimacy (UN-HABITAT, 2011). Corrupt rates administrators end up taking a share of revenues collected leading to poor collection ratio. Corruption may also discourage taxpayers from paying the outstanding rates.

c) Tax Evasion (E)

Tax evasion entails any illegal form of taxpayers' non-compliance. Generally, taxpayers evade in consideration of the probability of reviewing and discovery, cost of enforcement and penalties of non-compliance (Sepulveda and Vazquez, 2012). However, properties cannot hidden from the tax authorities given their immovable nature. Consequently, property rates evasion only takes place in certain circumstances such rateable owners lying in order to be exempted from tax payment.

Tax evasion is determined by various factors including level of enforcement, penalties and corruption (Sepulveda and Vazquez, 2012). Deficient enforcement (DE) and rampant corruption (C) in tax administration system encourages tax evasion. High penalties (P) and proper enforcement discourages tax evasion.

d) Tax Morale (TM)

Sepulveda and Vazquez (2012) argues that the concept of tax morale among taxpayers accounts for the voluntarily compliance with the tax law regardless of level of enforcement. According to study conducted in United States and Turkey by Torgler and Schaffner (2007), tax compliance has a direct relationship with tax morale. The study established that positive attitude towards rating authority and system significantly increase tax morale which improves compliance leading to high collection ratio.

Responsiveness of tax authorities to the preferences of the taxpayers increases tax morale among taxpayers. On contrary, perception of corruption in tax administration system has a negative effect on tax morale (Sepulveda and Vazquez, 2012). Tax morale is therefore dependent on corruption (C) and government responsiveness (R).

$$TM = f(C, R)$$

Tax evasion (E) is directly related to deficient enforcement. It is inversely related to the penalties (P) and tax morale (TM).

$$E = f\{DE, P, TM(C, R)\}$$

Tax collection ratio (TCR) is therefore a function of deficient enforcement, corruption, penalties for tax evasion and government responsiveness.

$$TCR = f(DE, C, P, R)$$

In conclusion, the property tax collection ratio largely depends on taxation law and tax authorities. Legal and administration framework of taxation system play a crucial role in tax collection as opposed to taxpayers.

Challenges Facing Property Rates Collection

One of the biggest challenges facing policy makers globally is to preserve property rating as an important revenue source while offsetting its regressivity (UN-HABITAT, 2011). This has led to a decline in the popularity of the property rating and a disconnect between property rates bills and rateable owners' ability to pay.

a) Negative Attitude of the Public Towards Property Rates and Rates Officials

Brunori, et al (2006) argues that property rates obligation is prompted by an involuntary act of taxpayer. Regardless of the whether the property earns extra income, the property owners have to pay annual rates. Negative cultural attitude including expectation of free services from the government hinders property tax collection (Barako and Shibia, 2015). Boamah (2013) established that rateable property owners who have positive attitude about rating officials are more likely to comply.

b) Outdated or Incomplete Fiscal Cadastre

Ahmad, Brosio and Pöschl (2014) define cadaster to entail a public property registry showing ownership, tenure rights, situation, property features, value and use. A cadaster provides the taxation basis. Kelly (2013) cites outdated or incomplete fiscal cadastre as a key hindrance to efficient and effective property tax productivity in developing countries. Cases of insufficient property information are rampant in developing countries in which most of relevant details have not been recorded or captured. Ahmad, Brosio and Pöschl (2014) noted that cadastral updates are expensive because of the required tools, highly skilled personnel and technology. Fieldwork, surveys, valuation, and organized record-keeping. This can only be achieved with sophisticated tools, technology, and know-how, yet most local governments do not have the technical or human capacity.

c) Inadequate Capacity

Inadequate capacities of devolved governments to handle property rates related information is among the hindrances facing property tax collection. These include information on registration for the property tax; valuations, bills for property tax, collection and enforcement (Ahmad, Brosio and Pöschl, 2014). Some of the sub-national government have inadequate capacity to fully execute property tax administration function starting from tax registration to collection and enforcement. Understaffed tax administration system may not be able to accomplish its mandate.

d) Unfair Administration

In some scenarios, authorities levy different tax burdens on properties which are similarly situated leading to suspicion. Inconsistencies between assessed and actual market value leads unfairness in property tax administration. Values of ratable properties are exaggerated for tax purposes because of failure by local authorities to meet statutory requirements of maintaining updated market values regular revaluation (Brunori, et al, 2006). Unfair administration of property tax may lead to poor collection from rateable owners.

e) Shifting Burdens

Local and national governments tend to give tax incentives to investors as a way of attracting investments. Property tax incentives involving large parcels of land ends up shifting the rates payment liability from large business entities to local jurisdictions. The burden of paying tax is left to small business entities and homeowners. This results into increased amount of rates payable by ratable home owners (Brunori, et al, 2006). Unfortunately, in most cases increased tax liability is not accompanied by improvement in service provision.

f) Public Unhappiness

Brunori et al (2006) attributes property tax revolutions of 1970s and 1980s in USA to public discontentment. The revolution led to substantial statutory and constitutional restrictions on the property tax. Public discontentment leads to poor tax payment resulting to lower collection ratio. If the tax payers lack faith in how the revenues are utilized, defaulting cases increases leading to poor collection (Barako and Shibia, 2015). Pitiable service delivery and rampant corruption negatively affects tax payers perception leading to resistance incidences (Kelly, 2013). Clarity and transparency in tax collection and usage in raising tax payers' confidence leading to high level of compliance with the taxation system (UN-HABITAT, 2011). Misuse of collected revenue and absence of basic infrastructure are cited in Boamah (2013) as the main causes of dislike of property rates by rateable property owners.

g) Poor Enforcement Measures

The law allows the rating authority to take measures to ensure that outstanding taxes are paid accordingly. Enforcement measures differ depending on the country and property taxation legal framework. This include penalties for defaulters and seeking legal redress through courts. Poor enforcement measures of property taxation system leads to poor collection (Kelly, 2013). As Boamah (2013) rightly argues, low compliance is caused by poor enforcement.

h) Complexities in Understanding Tax System and Payment Procedures

Kelly (2013) notes that difficulties in understanding rating system and tax payment procedures also hinder effective property rates collection. The penalties for defaulting in tax payment ought to be easily understandable and implementable (Syagga, 2015). The rating system and payment procedures should be easily understood to enable rateable property owners pay the due taxes.

i) Lack of Political Goodwill

Property rating attracts much public attention. This makes politicians to advocate for reduction in property tax. Politicians mostly take a negative view of property taxation thus end up designing policies that limit property tax (Brunori et al, 2006). Wealthy individuals who have political influence own the rateable properties thus manipulating tax administration system despite having outstanding property taxes. Politicians often promise to free the electorate's property tax burden in their effort to elected (Ahmad, Brosio and Pöschl, 2014). Without political will, taxation administrators tend to be reluctant in pursuing tax evaders while courts end up hesitating the imposition of sanctions against defaulters (UN-HABITAT, 2011).

Ahmad, Brosio and Pöschl (2014) argue that local tax collection efforts are by receipt of huge intergovernmental transfers, easily acquired credit from financial markets; transfer of liabilities to the next administration by failure to acknowledge the rates liabilities until they are completely settled.

Property Rates Enforcement Tools

In order to ensure compliance to property rates regulations and optimum collection ratio, the administration system should focus on encouraging voluntary compliance (Kelly, 2013b). This can be done by providing rates payment incentives. To ensure optimum tax collection ratio, maximum and timely property tax payment is paramount. This can be achieved through the following tools or strategies:

a) Improved Public Services Offered by Local Government

The importance of linking property rates revenue collection to provision of public services does not need to be over-emphasized. Ahmad, Brosio and Pöschl (2014) highlighted that the establishing a link between property rates and public service provision works more effectively for devolved government than for central governments. Property rating can easily be linked to a specific local government's service (Kelly, 2013b). Rateable property owners ought to get a clear understanding of the property rating role as a benefit tax directly related to infrastructure and services provision.

b) Training on Property Rates Structure

Provision of information on the property rates structure through taxpayers' education programs can help in ensuring compliance and improving the collection ratio. Trainings should incorporate various aspects of rating administration system (Kelly, 2013b). These trainings can help in lowering compliance costs and encourage voluntary tax compliance.

c) Reducing Compliance Costs

Lower compliance costs can be achieved by providing a simplified and easily accessible payment system (Kelly, 2013b). Reduction in administrative and compliance costs can be achieved by providing multiple and convenient options for rates payment (Kelly, 2013b). Countries such as Greece, El Salvador, South Africa have linked the property rates to the payment of utilities such as electricity and water to ensure collection and enforcement.

d) Social Pressure

Social pressure can be used as a tool of encouraging compliance in property rates payment. On one hand, countries such Philippines and Indonesia publicly acknowledges exceptional compliant rateable property owners by publishing their names. On the other hand, countries such as Kenya, Malawi and Tanzania publishes the names of the delinquent taxpayers as a form of negative publicity (Kelly, 2013b).

e) Provision of Discounts and Waivers on Property Rates Interest

Provision of discounts helps in achieving voluntary property rates compliance. Discounts can be given to rateable owners who make timely and complete payments. Countries such as Philippines, Barbados and Ecuador offer discounts for prompt and complete payments to encourage compliance (Kelly, 2013b). Provision of waivers for accumulated interest on outstanding property rates can also be used as a tool of ensuring compliance. This is applied in most of the counties in Kenya. Some counties offer as high as 100 percent waiver on accumulated interests for rateable owners who clear their arrears within the stipulated time.

f) Sanctions and Penalties

Sanctions and penalties are a form of stringent enforcement measure of ensuring prompt property rates payment. Sanctions and penalties take various forms including imposition of penalties for late payment, interest payments for outstanding property rates and censorship of public services (such building permits, title registration, business licensing and suspension of utilities) (Kelly, 2013b). Voluntary compliance to avoid sanctions and penalties can be achieved through strict enforcement against non-compliance. Countries such as Kenya, Bahamas and Indonesia imposes payment penalties for late payment to boost compliance by amassing the non- compliance costs. Kelly (2013b) proposes that government policies should make property tax interest payments to be done together with the key taxes including income taxes.

h) Operational Tax Debt Recovery

Operational tax debt recovery helps in enforcement of late payment and interest penalties. Countries such as Philippines, Indonesia, US, Canada and Chile secure legal debt recovery through civil proceedings, garnering rents from the rateable property, seizure and sale of properties (Kelly, 2013b). This tool is the last resort employed by local authorities.

The extent of enforcement greatly affects property collection ratio. For instance in North America, collection ratio of close to 100 percent is achieved through property seizure and auctions to enforce compliance (Kelly, 2013b). On contrary, developing countries rarely employ seizure and auctions as tools for enforcement leading to poor collection. Implementation of enforcement measures requires strong political will and technical capacity.

Summary

The paper has delved into literature to show the importance of property taxation and the role that effective collection and enforcement to payment plays in raising revenue. Literature has shown that although there are various challenges that stand in the way of tax collection, a successful property taxation regime is a factor of the collection approaches put in place together with the enforcement approaches, which may be rewarding or punitive.

It is also important to note that given the role of property taxation in raising development revenue, it has been observed that citizens may not be very willing to pay property rates if there are no commensurate services. It therefore key on governments to be transparent on how the taxes collected are administered and be accountable to their citizens.

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