



Good Governance, Better Results

GOVERNANCE THEMATIC GROUP

Session 7 Strategies for improved property tax performance in developing countries

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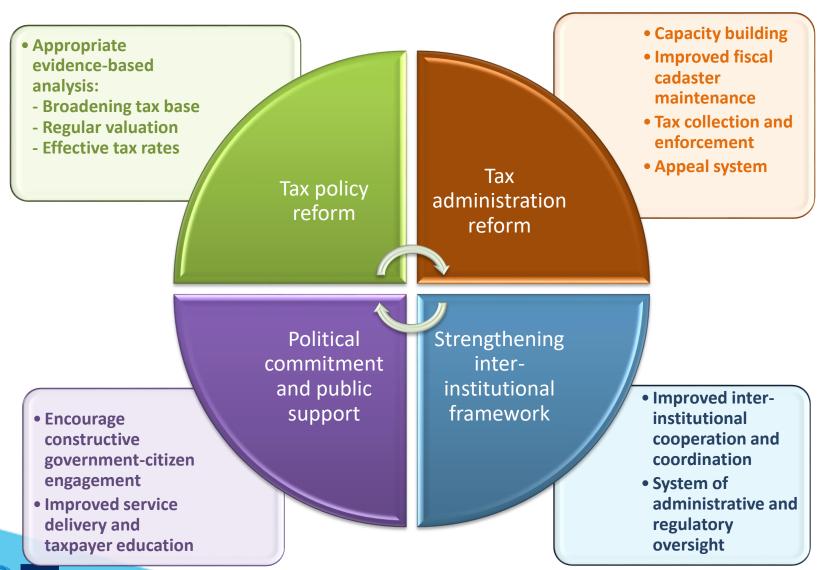
Introduction

- ➤ The challenges of establishing a successful and sustainable property tax in developing countries are numerous and vary from country to country.
- There is no 'One-Size-Fits-All' approach
- ➤ Each country has its own institutional framework, tax-specific legislation, and political, fiscal and administrative environment that has to be taken into account in order to design or reform a property tax

Strategies for property tax reform

- Countries should adopt a comprehensive approach:
 - appropriate evidence-based analysis,
 - adequate focus on both policy and administrative reforms
 - effective monitoring of ongoing and completed reforms
- Countries should also realize that successful property reform requires an up-front investment in training and creation (or upgrading) of the necessary administrative infrastructure in the form of a comprehensive and accurate cadastre or register
- Strong political support and good public relations are prerequisites for successful property tax reform

Adopting a comprehensive approach



Tax Policy Review

How efficient, equitable and effective is the current tax policy in meeting (local) revenue needs?

How should it be adjusted?

What are the policy options?

Detailed diagnosis of:

- policy design features (e.g. neutrality vs. bias)
- economic and social impact (e.g. on growth and equity)



Tax Policy Reform

Tax Base:

- broad based
- few exemptions
- sunset clauses on all exemptions
- annual expenditure analysis on revenue forgone

Valuation:

market value preferred over area based

Tax Policy

Tax rate:

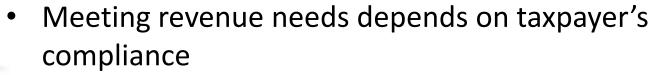
- higher rates
- local rate setting to improve local accountability
- setting min-max rates
 to avoid competition
 and tax exporting
 between municipalities

Tax Administration Review

What are the levels of taxpayer's compliance?

How efficient and effective is the administration of property tax?

How can taxpayer's service be improved and non-compliance be targeted?



- building capacity to strengthen tax administration
- technology is at the core of the management of modern tax administrations

Tax Administration Reform

Assessment:

- improved fiscal cadaster maintenance
- assess to market information
- frequent revaluations
- capacity building (qualified assessors)

Appeal:

better dispute resolution to avoid backlogs of (unresolved) appeal cases

> Tax Administration

Collection and Enforcement:

- enforcing sanctions
- collection via withholding from salary/pension or utility bills
- improve ease of payment (e.g. mobile apps, at stores, online)

Inter-institutional Framework Review

How to create a robust and enabling interinstitutional framework that is needed to support policy and administrative reforms and to monitor the performance?

- Strengthening the mutually reinforcing processes
- Creating a system of administrative and regulatory oversight



Inter-institutional Framework Reform

Cooperation and Coordination:

- inter-institutional agreements between government-agencies
- private-public partnerships

Data Sharing and Management

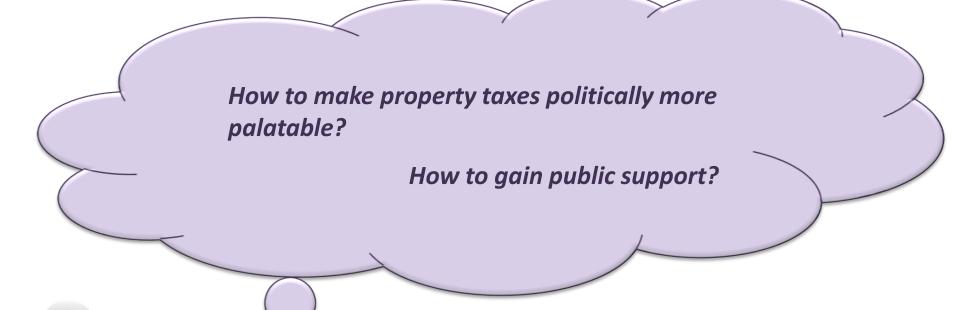
integrated data system

Interinstitutional Framework

Regulatory and Administrative Oversight

Promotes good governance, transparency and accountability

Political commitment and Public support



Strong political commitment and public support are perquisite of any successful reforms

Political commitment and Public support

Constructive government-citizen engagement:

- communication strategy with stakeholders
- public hearings

Building a taxpaying culture:

- improved service delivery
- taxpayer education and awareness

Political
Commitment
& Public
Support

'Cushioning'

- Phase-in mechanism
- voluntary deferrals
- tax relief schemes to low-income taxpayers
- payment in installments (e.g. via withholding)

Before moving to the breakout session...

Any questions?





Breakout session

The aim of the breakout session is for countries to explore the possible strategies to improve the revenue performance of property tax

Describe how your country can improve the performance of property taxes, in particular:

- What are the policy options for reform?
- How can the administration of property taxes be more efficient and effective?
- How to create a robust and enabling inter-institutional framework that is needed to support these policy and administrative reforms?
- How to get political commitment and broad public support?
- How can ADB and international partners support?





Breakout session

Country Groups

Group 1:

Group 2:

Group 3:

Group 4:

Breakout session

Report Back

Presentations by each country delegate

Round table discussion

