

Tax Administration

MVV182K

Property-related Taxation: Issues and Trends

**Masaryk University
Brno, Czech Republic**

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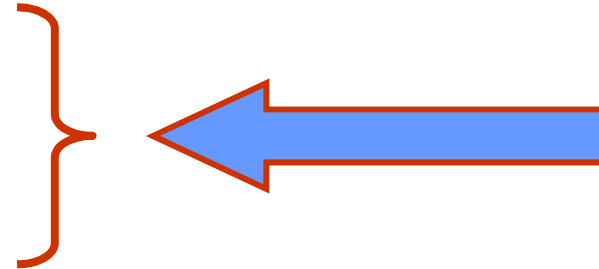
University of Pretoria

South Africa



Elements to Consider

- Tax base and property discovery
- Taxpayer
- Valuation and/or assessment
- Tax rates
- Tax relief
- **Tax administration**
 - **Billing**
 - **Collection**
 - **Enforcement**
- Taxpayer communication
- Overall system management



Billing (1)

- Prepared, billed and delivered by statutory deadline
- Objective is to obtain payment in a timely manner with the least taxpayer reaction
- Ensure taxpayer has all the information they need
- Lack of information results in frustration
- Use staff resources appropriately
 - E.g. Dar es Salaam (2001)

Billing (2)

- Appropriate systems
 - Individual billing
 - Postal systems
 - Door-by-door delivery
 - Collective billing
 - Posting in newspaper and at municipal offices
- Non-receipt of tax bill?
 - E.g. South Africa – not an excuse for non-payment

Tax Bill Information

- *Property database identifier*
- *Name of taxpayer*
- *Property address*
- *Address for delivery of tax bills, if different from the property address*
- *Assessed value of the property*
- *Tax rate(s)*
- *Total current tax due*
- *Date on which the payment is due*
- *Tax arrears if any*
- *Penalty date(s) and amounts*
- *Location(s) for payment of the tax bill*
- ***What is on the back of the tax bill??***

Municipal Account


POSBUS 80329
DOORNPOORT
0017

2027879771
0001025056000

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Account for P16	Stand on 00713	Township DOORNPOORT	Days 120
Address ; 233 PEERBOOM STREET		Sectional title scheme	Unit no. 00000
Meter reading unit 1616201B	Group account	Deposit date 10/05/05	Deposit 149.77
GISKEY: 017200713		Guarantee date Guarantee 0.00	
		BP: 471886	

DATE	DETAILS	(R) AMOUNT (excl. VAT)	(R) VAT	(R) AMOUNT (incl. VAT)
23/05/12	Saldo Oorgebring	2192.67	0.00	2192.67
02/07/12	Betaling(Dankie)	-2192.67	0.00	-2192.67
22/06/12	Sub Totaal (A)	0.00	0.00	0.00
01/08/12	Direktedebiet - De drag (01/08/12)	-2482.04	0.00	-2482.04
22/06/12	Erbelasting	406.02	0.00	406.02
22/06/12	Afvalverwydering	191.44	26.80	218.24
22/06/12	Elektrisiteit	1076.28	150.69	1226.97
22/06/12	Water	420.49	58.88	479.37
22/06/12	Sanitasie	132.86	18.61	151.47
	BTW 14% op dienste van R 1821.07	0.00	254.95	0.00

22/06/12	Erbelasting			
	Ander Residensi - le Eiendom			
	Mark Waarde: 670000.00 Tarief : 0.0120900 Nie-hefbare Wrde: 13000.00 Waardasiekorting: 35000.00 2012/06 MarkWaarde - Nie-hefbareWaarde x Tarief = 12	659.91	0.00	659.91
	Minus: Waardasiekorting x Tarief = 12	-35.26	0.00	-35.26
	Minus: Huishoudelike Korting van 35%	-218.63	0.00	-218.63



Tel: 012 358 9999
 Fax: 012 359 6111
 E-Mail: customercare@tshwane.gov.za
 Address: P O Box 408 | Pretoria | 0001

FRANZSEN, H.C.D. ET

Account No. 2019776679
 5904085069001 /

TAX invoice: 912503181995
 Issued: 26/04/15

Account for P11 Stand no 00645 Township MUCKLENEUK Days 24
 Address 540 RUDELD STREET Sectional title scheme Unit no. 00000
 Meter reading unit 1105601B Group account 23/04/05 Deposit 139.34 Guarantee date 0.00
 GISKEY: 047600645/R BP: 293223

DATE	DETAILS	(B) (excl VAT)	(R) VAT	(R) (incl VAT)
23/03/15	Balance Brought Forward	4,689.24	0.00	4,689.24
04/05/15	Payment (Thank You)	-4,689.24	0.00	-4,689.24
26/04/15	Sub Total (A)	0.00	0.00	0.00
01/06/15	Direct debit amount (01/06/15)	-3,698.58	0.00	-3,698.58
26/04/15	Property Rates	879.37	0.00	879.37
26/04/15	Waste Management	186.86	26.16	213.02
26/04/15	Electricity	1,394.96	195.29	1,590.25
26/04/15	Water	749.05	104.87	853.92
26/04/15	Sanitation	142.12	19.89	162.01
26/04/15	VAT 14% on services of R 2472.99	0.00	346.22	0.00
26/04/15	Total Current	-346.22	346.22	0.00
TOTAL AMOUNT PAYABLE (A+B)		-346.22	346.22	0.00

Ek sertifikaat dat hierin 'n wissel is afskrif van die
 oorspronklike dokument is.
 Hierin is 'n kopie van die oorspronklike dokument.
 Kommissie van Administrasie van Onthous
 MARTHA ALETTA ERASMUS
 Fakulteitsadministrasie: Ekonomiese en Menswetenskappe
 Fakulteit Administrasie, Ekonomiese Wetenskappe en Wetenskappe
 Universiteit van Pretoria, Faculty of Pretoria
 Datum: 18/05/15

90 Days	90+ Days	Total charge (excluding VAT)	Total VAT	Total charge (including VAT)
0.00	0.00	-346.22	346.22	0.00
DUE DATE 18/05/15		AMOUNT PAYABLE		0.00

THIS STUB MUST ACCOMPANY PAYMENT

Name C D Final date for payment 18/05/15 Account no 2019776679 0.00

Please use this Ref. no. when making Bank Payments
 Ref. no 2019776679
 TAX Invoice: 912503181995
 CITY OF TSHWANE VAT REG NO 4000142267
 20197766796

Standard Bank
 NEDBANK
 First National Bank
 ABSA
 012 358 9999
 012 359 6111
 customercare@tshwane.gov.za
 P O Box 408 | Pretoria | 0001
 1416-AB002430

Undeliverable Tax Notices

- Reasons
 - Refusal of tax notice by taxpayer
 - Abandoned property
 - Change in ownership
- Response
 - Keep all undeliverable or returned notices and follow up
 - Re-deliver – where appropriate

Collection of Revenues

- Ease of payment results in faster receipt of revenues
- Payments received must be recorded and system continuously updated
- Capture any changed data
- Timely banking of revenues maximizes investment and reduces security risks

Payment Options

- Manually
 - In cash at municipal office
 - In cash at ward offices
 - Door-to-door collection
 - Banks, post office, shops
- Electronically
 - Internet banking
 - Debit order
 - Mobile phone

Uncollectible Taxes?

- Administrative error
- Indigent debtor
- Bankruptcy
- Amount of debt too small to pursue
 - E.g. cost of collection exceeds amount of bill
- Statute barred
 - E.g. debt too old

Tax Administration - Enforcement

- Enforcement
 - As allowed *and required* by law
 - It is not optional...
 - Essential to ensure integrity of the total property tax system
 - “Rule of law” must apply
 - Requires **political will** and management support
 - Enforcement versus harassment...
- Effective taxpayer communication
 - E.g. taxpayer policies or annual reports
 - E.g. tax bills

Enforcement

- Enabling Environment:
 - Political backing
 - Culture of payment
 - Lead by example
 - Support from senior management
 - Knowledge of the most appropriate enforcement measure or measures
 - Reliable data

Enforcement Process

- The purpose of enforcement of tax payment is *a means through which the municipality receives the taxes to which it is entitled*
- The tax enforcement recovery process is not simply an exercise in filling out forms, sending letters and seizing (movable or immovable) property
- It is not intended as a means by which taxing jurisdictions acquire land or other property

Enforcement Measures (1)

- NOTE: These may be contained in different Acts
- Indirect or preventative measures:
 - Incentives for early/prompt payment
- **Administrative measures:**
 - Interest on arrears
 - Penalties
 - Withholding of municipal services
(e.g. issuance of licences, building permits, water, electricity)
 - Clearance certificates before transfer of property can be registered (e.g. South Africa)
 - Publishing names of defaulters

Enforcement Measures (2)

- **Legal measures:**
 - Civil action (i.e. debt collection) against owner
 - Significant (legal) cost involved
 - Attachment of wages, bank accounts, rent (i.e. action against third parties)
 - Action against occupier (e.g. where the whereabouts of owner is not known)
 - e.g. Rwanda, South Africa
 - Seizure and public sale of movable property (e.g. furniture and television)
 - Tax lien ('first charge' or 'preferential claim') against immovable property (e.g. Canada and Uganda)
 - Forfeiture and sale of the relevant property

Forfeiture/Tax Sale (1)

- Seizure of property and sale in execution
 - **Australia, Canada, Namibia, South Africa**
 - **Public sale after 3 years**
 - **Sierra Leone**
 - **Sale after 6 months**
- In strict accordance with the law

Forfeiture/Tax Sale (2)

- Must be provided for in the law
 - Adhering to a “due process” is critical
- Property advertised in official gazette and/or local newspaper (i.e. proper notification)
- Do a title/deed search
- Notify mortgage holders
- File all required documents
- Redemption period
- NB: Owner retains right to pay and retain property

Property Tax “Incentives”?

- “Carrots” vs. “sticks”?
- Discount for early payment?
- Waiving of interest?
 - E.g. Nairobi City Council, Kenya
- Tax amnesty – forgive and forget?
- Tax holidays?
 - E.g. Caribbean countries

Taxpayer Rights

- The right to be treated fairly and equitably in terms of all relevant laws
- The right to be treated with respect
- The right to be dealt with in an objective, impartial, professional and ethical manner
- ***The taxpayer does not have the right to evade tax or avoid payment of taxes***

Enforcement: Summary

- Advise owner of actions being taken during the collection process and make him/her aware of options available to pay taxes owing to the municipality
- The objective is to get payment that will put the owner in a current position in the least possible time AND to prevent the forfeiture or tax sale prior to the statutory date

Conclusions: Tax Administration

- Don't think politically – the politician will do that
- Administer (i.e. bill, collect and enforce) strictly in accordance with the law (i.e. statute and regulations)
- Develop business rules in accordance with the law
- Administer timely and efficiently
- Enforce effectively and visibly
- Respect the taxpayer's rights

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- Overall system management



Taxpayer Communication

- Communicate as frequently as practically possible
- Avoid jargon, acronyms or “legal speak”
- Prepare bulletins and pamphlets on frequently asked questions and any changes in legislation
- Include contact phone numbers, names and addresses on all correspondence
- Offer different language options if necessary and to the extent possible
- Utilize public meetings, radio, television, billboards, etc.
- **Be serious about the job at hand: You are competing with other creditors!**

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Overall System Management

- All of the key elements, i.e. –
 - Property discovery and tax base coverage
 - Valuation and assessment
 - Billing
 - Collection
 - Enforcement,must be administered professionally and diligently
- Relevant systems and data bases must consistently and continuously be updated
- Requires political will and administrative capacity and minimum skills levels

Conclusions

- Local tax administration
 - Dillinger (1991) states that “the low yield of the property tax is... the combined result of inappropriate policy and poor tax administration”.
 - Kelly (2003) states that the “major obstacle to improved property [tax] is not valuation but poor administration and the lack of political will for collection and enforcement”.