

# Property Rate Mobilization in Ghana: Perspectives from Revenue Officials and Property Owners in the Wa Municipality

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**Abstract** - Property rate is a potentially attractive means of financing Metropolitan, Municipal and District Assemblies in Ghana. However, the revenue from property rate in Ghana, and for that matter the Wa Municipal Assembly (WMA), is extremely low, mostly due to mobilization challenges. This study investigates the perspectives of rate mobilizing bodies and the ratepayers in the Wa Municipality. The study adopted a cross-sectional design. Three divisions and seven officers of the Wa Municipal Assembly were purposively selected. Accidental sampling and snowballing techniques were used in getting the property owners in the selected divisions. The study has unearthed that property rate revenue mobilization in WMA is generally low, often below 40% of what is expected. The actual property rates revenue component for five consecutive years, in the WMA has always been less than 10% of the actual IGF implying how less effective property rate mobilization is in the municipality. It also reports inadequate database on properties, inadequate logistics to support collection, ratepayers' resistance and haphazard building as the major challenges to mobilizing property rates in the municipality. The study suggests that the Municipal Assembly's database should be upgraded in a way that can include all the properties under it. The database should enable the Assemblies to recognize all the properties under their jurisdiction to enable the municipality and the land sector agencies to share information, and also have access to up-to-date information. This will in turn facilitate efficient revenue collection.

**Keywords** - property rate mobilization, IGF, property owners, perceptions, local government

## I. INTRODUCTION

Ghana adopted the local governance system in 1988 [1], and as part of the adoption, the local authorities are now at the forefront and backbone of the local level developmental efforts. The 1992 Constitution of the Republic of Ghana also states in Article 240 (1) that the "*Ghana shall have a system of local government and administration which shall, as far as practicable, be decentralized*" [2]. The local governance

system is commonly known as decentralization, which "*involves transferring power and responsibilities from higher to lower levels aimed at ensuring popular participation of the citizenry in the decision-making processes, management of assets, resources and services*" [3]. This places revenue mobilization and management responsibilities on local governments. Like many other low-and-middle income countries, funding developments at the local level by the central governments have been posing many challenges for reasons of limited and constrained funds. This situation mostly results in the local governments collaborating with the central government in funding and providing the necessary services required by that locality. The local Assemblies are therefore mandated to mobilize their own funds to execute development of their respective jurisdictions.

Section 124 of [4] and Article 245 of [2] state the various sources through which the local authorities can raise revenue internally for its development purposes. Among them include but not limited to; rates, taxes, licenses, fees and charges, investment income to mention a few. For this reason, it is incumbent on the local authorities to find a way to generate internal revenue to be able to finance their projects. This has occasioned most local authorities to device a way of mobilizing revenue internally and the Internally Generated Fund (IGF) can be boosted if much attention is geared towards property rating.

Property rating in Ghana, and for that matter the Wa Municipality, has been fraught with a lot of challenges. Meanwhile property rates, being one of the property taxes, is part of the most lucrative and promising means of mobilizing revenue at the local authority level, and yet the least tapped means of property tax revenue realization to support these local assemblies. Article 245 (b) of [2] indicates the levying and collection of Rates, Fees, Taxes and Duties as functions of Metropolitan, Municipal, and District Assemblies (MMDAs). Despite this Constitutional provision, these Assemblies still encounter a lot of set-backs in their quest to mobilize these

funds. According to [5], on revenue mobilization of the Districts Assemblies, it was stated that, property rate was among the major sources of Internally Generated Fund (IGF) of the various districts but the performance of its collection was nothing to write home about. In order to curb this, property rates collection need to be re-addressed and efforts of mobilization need to be increased. Tax evasion is a universal phenomenon that takes place in all societies and Economic Systems, including both developed and developing countries [6]. This fact can be understood in a sense that most people owning properties are in majority when it comes to escape from paying property rate.

Property rates constitute a substantial part of the total revenue for local assemblies, but the collection of property rates is often not efficient and it is a common problem not only for Ghana, but for many developing countries [7]. Many other researchers have proved that, irrespective of the property rates being recognized as a major source of revenue for MMDAs, the actual tax revenue fall short, (Kelly and Musunn, 2006). Yet the burden lies on the MMDAs to deploy a way to raise the necessary funds internally to be able to finance their projects. The central government under this local governance system would just collaborate with these MMDAs in funding and providing the necessary services required of that locality. According to [1], despite various legal provisions for District Assemblies to mobilize resources, they often have inadequate funds, and this makes it difficult for them to provide needed services to their communities. Most of the local authorities have not been able to take advantage of this component of the Internally Generated Fund (IGF) as expected. This may be mostly due to lack of records on property owners and the cost of implementing the tax system, just to mention a few.

## II. LITERATURE

### 2.1 The Concept of Tax

According to [8], *"tax is a compulsory levy by the government through its agent on the profits, income, or consumption of its subjects or citizens and it is also seen as a compulsory contribution made by individuals and organizations towards defraying the expenditure of government"*. Taxes are also described as compulsory payments made to governments without the expectation of a direct return or benefit to the person paying the tax. Also, in the opinion of [9] Professor Adams gave a Comprehensive definition of a tax stressing the various aspects of tax. He says *"from the standpoint of view of the state, a tax is a source of derivative revenue, from the angle of the citizen a tax is a coerced payment, from the administrative point of view it is a demand for money by state in conformity to established rules from the point of view of theory a tax is a contribution from individuals for common expenditure"* [9]. A tax is therefore a fee charged (or levied) by a government on a product, income or activity. If tax is levied directly on personal or corporate income, then it is a direct tax. If tax is levied on the price of a good or service, then it is called an indirect tax. The purpose of taxation is to finance government expenditure. One of the most important uses of taxation is to finance public goods and services such as street lighting and street cleaning. Since

public goods and services do not allow a non-payer to be excluded, or allow exclusion by a consumer, there cannot be a market in the good or service, and so they need to be provided by the government or a quasi-government agency, which tend to finance themselves largely through taxes [10]. Tax is a pecuniary burden laid upon individuals or property owners to support the government; a payment enacted by legislative authority. Tax is not a voluntary payment or donation, but an enforced contribution, enacted by legislative Authority and is any contribution imposed by government, whether under the name of Import, duty, custom, excise, subsidy, aid, supply, or other name [10].

It is believed in Ancient Egypt tax dates back around 3000 – 2800 BC, according to the World History Encyclopedia [11]. The Pharaoh would conduct a biennial tour of the kingdom, collecting tax revenues from the people. Early taxation is also described in [12], in Genesis Chapter 47, verse 24, *"But when the crop comes in, give a fifth of it to Pharaoh. The other four-fifths you may keep as seed for the fields and as food for yourselves and your households and your children"*. Joseph was telling the people of Egypt how to divide their crop, providing a portion (i.e. a fifth or 20%) to the Pharaoh. A share (20%) of the crop was the tax. In other parts of the world taxes have been levied in one form or another.

According to [13], in 1660 King Charles II of England revived the Privy Council and a new committee called the Lords of Trade and Plantations, which was charged with formulating colonial policy. Also, Parliament passed the Navigations Act of 1660, which strengthened the ban on foreign shipping initiated in 1651 and declared that certain enumerated goods – sugar, indigo, and tobacco – could be shipped only to other English possessions [14]. Duties were applied to these commodities. According to [15] and [16], in 1673 Parliament passed the Revenue Act of 1673. The act imposed a "plantation duty" on certain American exports and closed loopholes that colonists had employed to export tobacco and other products directly to European markets. It also created a staff of customs officials to collect the plantation levy in American ports [16]. This staff was the first revenue-collecting administration in the British New World. Throughout history, taxes had been run by kingship and monarchies. In the United States for example, it was until the latter part of the 17th century that the so-called Glorious Revolution [17] ushered a sea change in political philosophy. A subsequent protestant uprising in Parliament drove James II from the throne and into exile, after he had levied new taxes without Parliamentary consent, abrogating the corporate charters of towns and guilds, and declaring that his son and heir would be raised as a Catholic [17]. William of Orange, a Protestant Dutch Prince, accepted an invitation to rule with his English wife, Mary, as "constitutional monarchs" who would accept the rights of Parliament [17]. The long-held understanding of the "divine right of kings" gave way to notions of a constitutionally limited monarchy, permanently checked by the authority of Parliament. English revolutionaries, or Whigs, believed that the enhanced capacity of the Legislative body, particularly its role as the final arbiter of taxation, best protected the traditional rights of English subjects from regal capriciousness. [17]

Governments have numerous responsibilities. Some of these include economic infrastructure; roads, legal tender, enforcement of contracts, etc., enforcement of law and public order, protection of property, public works, social engineering, welfare and public services; including education systems, health care systems, pensions for the elderly, unemployment benefits, and public transportation. Energy, water and waste management systems are also common public utilities), and the operation of government itself. A number of revenue sources are available to a government to execute these responsibilities. Among the many sources is tax. Taxes consist of one prominent, prudent and feasible source of revenue for the government. The reasons for which governments levy taxes on citizens are varied. First, governments tax the people in their country as they produce to earn income for themselves. Taxes form a high percentage of revenue to nations. Economic development of any country is also largely conditioned by the growth of capital formation. But Less Developed Countries (LDCs) usually suffer from the shortage of capital. To step up both public and private investment, government taps tax revenues. Another reason for taxation is that of regulation or control, this is 'sumptuary taxation'. Taxes are collected on goods or services where the social cost is not reflected in the private cost. For example, tobacco is heavily taxed due to the health problems it causes and because the cost associated with health care is usually borne by the government. Likewise, customs duties can be levied on imported articles with a view to encourage internal production of the same. Taxes like custom duties are also used to control imports of certain goods with the purpose of reducing the intensity of balance of payments difficulties and encouraging domestic production of import substitutes. Finally, another extra-revenue or non-revenue reason for taxation is the reduction of inequalities in income and wealth. This can be done by taxing the rich at higher rate than the poor or by introducing a system of progressive taxation.

## 2.2 Property Rate

Property rate is the annual amount paid by a land owner to the local government or the municipal corporation of his area. Mostly, taxes and rates are classified as basic rates and property rates, and are payable by individuals and organizations who own immovable properties situated in the jurisdiction of the assembly [18;19;20;21]. The property includes all tangible real estate property; the house, office building and the property he has rented to others [22]. Property rate is an ad valorem tax levy on the value of property that the owner of the property is required to pay to a government in which the property is situated. There are three general varieties of property: land, improvements to land (immovable manmade things, e.g. buildings) and personal property (movable things). Real estate is the combination of land and improvements to land [23].

Property tax is defined by [24] as taxes that are imposed on capital with some types of capital taxed at rates above the average, others below. Hence, property tax plays a key role in local public finance. Also, an individual property tax liability is the product of the tax rate and the property assessed value, the value the jurisdiction assigns to property. Essentially,

property rate is based on the assessed value of the property. In Ghana, [25] explains that gain or profit from any right granted to any other person for use or occupation of any property is chargeable to income tax. Gain or profits for use or occupation of any property includes any royalties, rent, and premium or like consideration received for the use or occupation of property.

In considering the types of property tax, two broad divisions are made, that is Real property tax or property rates and Personal property tax. Dealings on these properties also create further opportunities for taxation. These dealings include acquisition tax, holding tax and transfer of property (realization tax). Acquisition tax is a statutory tax paid by purchasers and developers of property in the process of acquiring good title to property example Stamp Duty, Gift tax, Building and planning permit fees, and Registration fee, wealth transfer tax etc. Holding tax is also tax levied on the ownership and possession of land and property example rent tax and property rates, estate duty. And property realization or transfer tax is levied on the change of ownership of landed property either through sale or lease example Capital Gains tax, gift tax and Stamp Duty. All these taxes that come about as a result of property transaction and transfer of ownership are one off payment. However, real property tax or property rate is a recurrent tax paid annually.

The importance of property rate payment cannot be overemphasized. First, it is an important **source of local revenues**. Throughout the world property rates 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/or 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 Government owned properties. In some cases, local income taxes are important. Second, property rate is a major **Source of revenue**. In many cases property tax is the major source of revenue. As a primary source of revenue, property rate plays an important role in Decentralization and the autonomy of local government. Full decentralization of Government incorporates the power to raise revenue independently in addition to Powers allowing local governments to use the funds as they see fit (in accordance with the limits of their legal powers). In practice, local government autonomy is always limited. The duties of local governments are almost invariably such that it is Impossible to discharge them without central government grants which detract to a Greater or lesser extent from their independence. Increasing independent powers of raising revenues through property taxes thus becomes important. Third, it serves a **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 lists. Such procedures are very cost effective and may have a reasonable correlation with water usage in many circumstances (although Cases do exist where commercial and industrial properties have low water Consumption but have relatively high values). 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.

### 2.3 Demarcation of Property Rate as Local Tax

The property rate has, historically, been associated with local government in most countries. One of the reasons for which property rate is considered a local tax is because landed property is immovable, therefore it cannot be moved from to various locations as a result of tax changes. Even though an increase or decrease in property rate may be capitalized into property values in a given area or region, and in the long run tax differentials may affect where people locate, these effects are far less than the gravity of those that would occur at the local level, with income and sales taxes. Also, property rates are considered to be a local tax or (source of revenue for local governments) is the connection between the various services, mostly funded by local governments, which improve the property value. for example, [26], has argued that the property tax in the United States is like a benefit tax because taxes approximate the benefits received from local services. To the extent that this is the case, local property tax financing local services will promote efficient public decisions since taxpayers will support those measures for which the benefits exceed the taxes.

Both the benefits derived from such local services as good schools and better access to roads and transit, etc. and the taxes used to finance such services are capitalized into property values. Since taxpayers are willing to pay more for better services and lower tax rates, either will translate into higher property values. In the view of [27], this analysis assumes that (1) local property taxes in fact finance services that benefit property values. (2) That both tax rates and service levels are decided by local voters. (3) voters who wish to “buy” other combinations of services and tax rates are free to move to other jurisdictions. (4) voters, impelled by their sensitivity to property values, act rationally in response to such signals and (5) local governments do what voters want them to do. The strength and validity of many of these links seems suspect in the context of many countries.

Moreover, this line of argument seems even more tenuous when it comes to explaining the generally higher taxation on non-residential property observed in many countries. But [28] argued that, an income-type value-added tax appears to be a much more sensible way to “price” local services to businesses than a property tax. More commonly held perceptions see the property rate as tax on capital or, to the extent it falls on housing, as a tax on housing services. For example, [28] argues that the property tax in the United States results in distortions in the housing market and in local fiscal decisions. In particular, since the US property tax, which is based on market value, falls on both land and improvements it both discourages building and results in the underutilization of land. The result is that the country ends up with less capital per unit of land than is economically efficient. Homeowners who improve their house, for example, will face higher taxes as a result and will thus be discouraged from doing so.

## III. RESEARCH METHODOLOGY

### 3.1 Study Area

Wa Municipality is one of the fastest growing municipalities in Northern Ghana [29]. The Wa Municipal Assembly is one of the 11 districts in the Upper West Region with Wa as the Municipal Capital and the Upper West Regional Capital as well. The Wa Municipal Assembly was upgraded to a Municipality Status by Legislative Instrument (L.I 1800) of 2004 [30]. Before then, it used to be together with the Wa West and the Wa East Districts [30]. The Wa Municipal Assembly shares administrative boundaries with Nadowli District to the North, Wa East District to the East and South and the Wa West District to the West and South. It lies within latitudes 1°40'N to 2°45'N and longitudes 9°32' to 10°20'W. It has a landmass area of approximately 234.74 square kilometres (km<sup>2</sup>), which is about 6.4% of the region [30]. The results of the 2021 Population and Housing Census of Ghana show that the total population of Wa Municipal stands at 200,672; with the male population standing at 98,493 (representing 49.08%) while the population of females stands at 102,179 (representing 50.92%), [31].

The Wa township has a good arterial road network linking already demarcated areas. The road network in the Municipality can be categorized into major and minor roads. The major roads are the tarred roads. Such roads include the Wa – Kumasi road and the road network within Wa township. The minor roads are the untarred roads such as the Wa – Busa, Wa – Funsu Wa – Wechau road. The Municipality has about 190km length of trunk road. The total length of feeder road in the Municipality is 360.75km of which 185.90km is engineered; 71.80km is partially engineered whilst 103.05 is non-engineered road [32].

The town has been classified into 1st class, 2nd class and 3rd class etc. by the Municipal Assembly using the following set of criteria; availability of approved layout, good and orderly development, availability of socio-economic facilities, good environmental practices, good housing types and conditions, accessibility to homes, and availability of drainage systems. The first-class residential areas cover four sectors including Airport Residential Area, part of Dzudedayiri (along the Wa-Tumu-Road) mostly government buildings; Degu Residential Area and the Kpaguri/Tendamba/Xavier area but it covers less than 1/3 of the town's land area. The Zongo/Kabanye, is the only sector identified as Second-Class Residential Area [32]. Wa municipality is made up of 20,016 houses of which 12,792 are found in the Wa township [33]. The predominant type of housing in the study area is compound houses; Bungalows and self-contained buildings are the emerging housing types particularly in the developing residential areas. Many of these houses are made of sandcrete blocks with aluminum roofing sheets [32].

### 3.2 Research Design, Sample Size and Sampling Techniques

Research design focuses on the kind of data required for the study, sources and collection tools and techniques and analysis. It therefore answers the ‘what’, ‘where’, ‘who’ and ‘how’ questions in research process [34;35;36]. The study adopted a cross-sectional design. A cross-sectional design involves the observation of a representative subset of the population at a specific point in time. The study looked at property rating institutions and property owners within Wa municipal. Because the entire property owners in WMA

cannot be interviewed, a section of them were taken to represent the whole. According [37], the selection of a method of data collection depends on the kind of information being sought, from whom and under what circumstances.

Communities in the municipality include Charia, Bamahu, Kperisi, Piisi, Sing and Busa among others but for the purpose of this study, the entire Wa Municipality could not be considered, hence the study purposively selected three divisions. The study adopted non-probability sampling technique. The purposive and convenience sampling techniques were used under the non-probability. Departments of the Wa Municipal Assembly were purposively selected, they were municipal finance office, municipal budget office, municipal revenue office and municipal rating office. Purposive sampling method was also used to select three out of the divisions. The divisions selected were Division 1, 17 and 18 (Dobile, Bamahu and Kpaguri Extension respectively) in WMA and the various residential property types (owner occupier and rented) within the study area for data collection, using a questionnaire designed for the study. The reason was to target respondents from first class residential areas, rented property areas and owner occupier property owners. The convenience sampling technique was used in selecting the property owners in a community from each division. This was because the property owners needed to be specifically targeted for the administration of the questionnaires.

#### IV. RESULTS AND DISCUSSION

The results are presented and discussed in two perspectives. First, from the point of view of the Assembly officials involved in revenue mobilization, and secondly from the perspective of rate payers (i.e. the property owners).

##### 4.1 Performance in Property Rate Mobilization

It was of interest to the study to find out how the Wa Municipal Assembly (WMA) has performed in raising revenue. Table 4.1 (budgeted values) and Table 4.2 (actual values) show the performance of the WMA in revenue mobilization (this is inclusive of property rate, internally generated fund (IGF), and the total revenue mobilization) for 2018 to 2022. As can be observed from Table 4.1 and Table 4.2, there were no amounts recorded for property rate in 2018 and 2019 because, according to the WMA, they did not decouple property rates from other rates collected by the Assembly in those years.

**Table 4.1: Performance in Revenue Mobilization (Budget)**

Description	2018	2019	2020	2021	2022
Property Rate	0	0	198,789	218,669	37,244
IGF	991,033	1,022,097	1,719,617	1,891,578	1,891,578
Total Revenue	9,866,167	9,602,208	26,343,448	31,914,952	22,821,766

Source: Authors' Construct, 2023 (using data from WMA, 2018-2022)

**Table 4.2: Performance in Revenue Mobilization (Actual)**

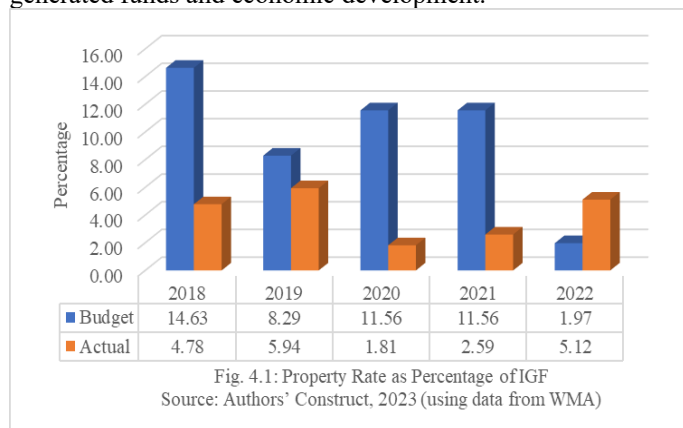
Description	2018	2019	2020	2021	2022
Property Rate	0	0	20,184	36,000	74,499
IGF	945,463	1,255,409	1,112,470	1,389,206	1,456,421
Total Revenue	7,816,284	9,461,639	15,567,227	14,391,664	9,770,945

Source: Authors' Construct, 2023 (using data from WMA)

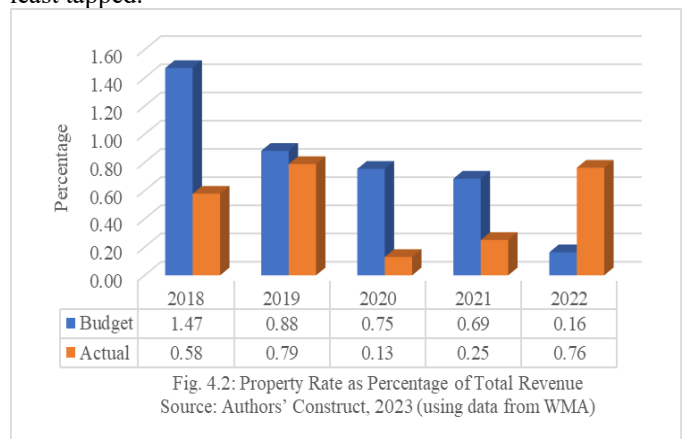
Revenue mobilization in the WMA has been consistently below projected/budgeted levels. The Assembly has been able to collect a good 79.22% of its total revenue budget in 2018. This performance increased to 98.54% in 2019, which is very commendable but has since been on the decline to 59.09% in 2020, 45.09% in 2021 and 42.81% in 2022. This means that the performance in total revenue mobilization by the Assembly can be described as declining. The actual values/amounts of total revenue raised have also been fluctuating. This finding is consistent with [38], who reported fluctuations in yearly performance of revenue generation by local assemblies. A similar trend can be observed for internally generated fund as well, over the period, where actual performance in IGF generation has been fluctuating. Comparing the estimated property rate with the actual, the performance of the Assembly has been excellent in 2022, when it collected 200% of the estimated value and the lowest performances were recorded in 2020 and 2021 with 10.15% and 16.46% respectively.

Inferring from Fig. 4.1, property rate was expected to constitute an average of 9.6% of the total estimated IGF for the period 2018-2022 for the WMA. But the actual property rate collected formed 4.05% of the IGF. Meanwhile, property rate accounts for about 14% of the total revenue envelop of local governments in Ghana [39]. Note that for 2018 and 2019, the values used for the calculation of the percentages are those of all the types of rate revenues, since the Assembly did not separate property rates from other rates. According to [40], *"the Assembly's rates comprise cattle rates, bicycle rates and property rates (residential, commercial, industrial, among others)"*. However, a careful look at the data from the Assembly indicates that property rates have consistently over years formed the greater portion of the rates collected by the Assembly. For instance, in 2021 and 2022, property rates accounted for 98.58% and 98.24%, respectively of all rates collected by the Assembly. Hence, using the entire rates value for the calculation. This means that currently property rates contribute quite a small amount of the IGF for WMA (less than 5% in 2018 and 2021). Even the estimated property rate amounts on the estimated IGF (which was consistently less than 12%) *"was not encouraging considering the rate at which properties are been constructed"*, as observed by one interviewee from the WMA. He further noted that *"the property rates figures ought to have been higher than what is been realized over the years"*. This according to the Assembly is as a result of the several challenges uncovered by the

research team. However, property rate contributes about 12% of the internally generated funds of the local government [50]. This low level of performance has implications for internally generated funds and economic development.



In a likewise manner, property rates collected in the WMA contribute only in a very small way to the overall revenue generation/ realization of the Assembly. From Fig. 4.2, actual property rates collected were consistently below 1% of the of the total revenue of the Assembly over the period and the estimated values were also less than 2% of the estimated total revenue. From the foregoing, these data confirm the studies [38;1] that have suggested that local authorities have over the years failed to leverage on property rates to raise the revenue to fund the developmental activities/initiatives within their jurisdictions in addition, [39] argue that Property tax (i.e. property rate) and business operating permits or licensing are some one of the most lucrative sources of tax revenue to support local governments and play major role in financing these local governments throughout the world, yet they are the least tapped.



Following from the observations from literature that Assemblies were not taking advantage of the potentials of property rates in revenue generation, the views of the key agents from were sought and the from the interviews with key revenue agents, it was revealed that the WMA has devised preventive measures against revenue leakages from property rate. These measures include monitoring and analysing the activities of the collectors, revenue officers and data entering units; tracking revenue flows and reconciling data throughout the system to pinpoint anomalies and failures as well as reviewing trends and changes in revenue over time. These

may have yielded some results since the WMA collected more than two times the estimated revenue from property rates (see Table 4.3). Also, at the time of writing out the findings, the Assembly had been able to mobilise 33,698.87 representing 85.99% of the expected property rate for 2023. It would thus be of interest to know how the WMA would fair in the ensuing years in terms of the mobilization of property rates. The WMA has the vision to become “a Model Municipal assembly that is self-sustaining in resource mobilization and delivering world class client services through the provision of standard socio-economic infrastructure and services” (<https://wamunicipal.gov.gh/about-us/>). Therefore, to become self-sustaining in resource mobilization, the Assembly needs to improve on revenue mobilization efficiency and efficiency in property rates mobilization should be seriously considered.

Table 4.3: WMA Revenue Mobilization for 2023		
Description	Budget	Actual
Property Rate	39,191.53	33,698.87
IGF	1,891,577.94	1,524,501.34
Total Revenue	23,238,012.24	29,602,359.83

Source: Authors' Construct, 2023 (using data from WMA, 2023)

#### 4.2 Challenges in Property Rate Mobilization

Various studies (including [41;7;42;43;44] have come out with various challenges to property rate generation in Ghana. Eight of the key challenges to property rate mobilisation found in the literature (summarised and listed here in no particular order), were (1) inadequate database on properties; (2) malpractices/corruption by collectors; (3) non-valuation of properties; (4) haphazard building; (5) no cooperation among the institutions; (6) tax payers' resistance; (7) lack of funding for revaluation; and (8) inadequate logistics to support collection of rates. Officers in charge of property rates mobilization in the Municipality were asked for their perspectives on the eight key challenges. Table 4.4 presents the results. All the respondents indicated that “inadequate database on properties” (which was ranked 1<sup>st</sup>) was the main challenge of property rate mobilization in WMA. This challenge affects the property rating process from valuation of properties to the distribution of demand notices up onto the collection of the rates. Lack of modern technology, especially computers, to facilitate the taxation process is another impediment to effective tax administration [19;42]. This can be partly linked to another challenge, thus, lack of cooperation among the institutions (WMA, land sector agencies and property owners). The next ranked (2<sup>nd</sup>) challenge was “lack logistics to support rates collection”. This they explained was in terms of valuation personnel, financial resources to aid collection, revenue collection personnel, vehicles or motorbikes for the collection. These challenges need to be mitigated before property rating can be effectively implemented to achieve the desired level of amounts. Also, ranked joint second with lack of logistics was “tax payers' resistance”. The paying public sometimes show ‘uncooperative’ attitude towards the revenue collectors and there is a general apathy on the part of the paying public towards their tax obligations [45]. Other studies [41;7;1] have suggested proper public sensitization and education in this regard to get the public to cooperate in order improve rates collection. From Table 4.4, “lack of funding for revaluation” was ranked the least (8<sup>th</sup>), which presupposes that the respondents believed that “lack of funds for revaluation” does not contribute in a significant way to the inability of the WMA



in raising much revenue from property rates. It also suggests that the Assembly may be doing its bit to ensure revaluation of properties, since revaluation is to be done every five years or at worst not more than ten years interval [44].

Challenge	Rank
1. Inadequate database on properties	1 <sup>st</sup>
2. Inadequate logistics to support collection of rates	2 <sup>nd</sup>
3. Malpractices by collectors	5 <sup>th</sup>
4. Non-valuation of properties	6 <sup>th</sup>
5. Haphazard building	4 <sup>th</sup>
6. No cooperation among the institutions	6 <sup>th</sup>
7. Tax payers' resistance	2 <sup>nd</sup>
8. Lack of funding for revaluation	8 <sup>th</sup>

Source: Authors' Field Construct, 2023

Furthermore, ranked jointly at 6<sup>th</sup> position was “no cooperation among the institutions” and “non-valuation of properties”. In addition, [41], found out that one of the main issues related to underperformance of local assemblies in their efforts to raise higher amounts revenue was lack of information sharing between the land sector agencies (registry and valuation unit) and the local authorities. They added that “*it appears that there is no centralized database connecting the land registry and the land valuation division to assist them in developing the valuation list*” [41]. On the issue of “non-valuation of properties”, studies have noted that the determination of the rateable value of properties is often time-consuming, complex, and costly given its wide coverage in a particular jurisdiction and as a result, valuation records is often neglected, outdated and incomprehensive [41;44]. Also, “malpractices by collectors” was ranked 5<sup>th</sup>. Studies also found out various acts of malpractice/corruption among revenue collectors. For example, [41] identified fraudulent practices on the part of the revenue collectors and the difficulty in obtaining the needed data. Finally, “haphazard building” was ranked 4<sup>th</sup> by the officials in charge of revenue mobilization in the WMA. The study by [41] revealed that there are numerous buildings within the jurisdiction of the Accra Metropolitan Assembly that are built outside their boundaries. They further asserted that the reason may be due to the fact that the parcels of land were not surveyed or the buildings did not have permits. Furthermore, unauthorized building is considered one of the major problems in Ghana and in a way, this decreases the revenue obtained from permits and property rates [41].

Table 4.5 presents a summary of the strategies to mitigate the challenges affecting the effective mobilization of the property tax in the WMA, in the view of those in charge of property rates mobilization (i.e.: Finance, Budget, revenue and valuation offices as well as three revenue collectors). The respondents opined that the property digital addressing system initiative taken by the government would be helpful in preparing a database of properties within the Municipality.

This will in turn solve the major challenge of property rating in the Municipality. Another way suggested was that the Municipal Assembly intensifying the sensitization of property rates payments to ensure the property owners are well informed on the relevance of property rates payment. Again, revenue mobilization officers believed that the use of tax force could also help in the mobilization but is must be noted that without proper and intensive sensitization, the use of tax force may not yield much results.

Property digital addressing system.
Valuation of property.
Use of tax force to mobilize the revenue.
Develop a database on properties.
Provide logistics to revenue collectors to equip them to collect rates.
Education in the form of public forums, adverts, sensitization on the need to pay property rate.
Put in place adequate controls to mitigate malpractices in property rate collection.

Source: Authors' Construct, 2023 (using data from WMA)

#### 4.4 Payment of Property Rates

Property owners in the Wa Municipality were asked whether they have paid property rates before. The list of property owners in the WMA was obtained from Assembly's Records on Property Owners and registered businesses [46]. From findings of the study, it was realised that majority of the respondents (71.3%) have ever paid property rates and the remaining 28.7% of respondents have never paid property rates before. Those who said they have ever paid, added that these payments were made after demand notices were brought to them by rate collectors. However, about 90% of the respondents had attended school ranging from primary to Tertiary level and 10% had no education. Juxtaposing the payment of property rates against the educational level of the respondents, the level of education did not directly translate into their payment of property rates. This suggests that the payment and understanding of property rates is not necessary about having formal education but rather sensitizing the people on the benefits of paying the tax. The respondents who responded not having paid property rates before alluded to various reasons for non-payment of property rates. The reason majority of the non-ratepayers alluded to was no knowledge about property rates and hence no need to pay the tax. This is line with the findings of [21] that the most important reason given for non-payment of property rates is lack of awareness of any obligation to pay, which “*was mentioned by 151(38.71%) of the defaulters and as such is ranked first*” [21]. This also reflects the fact that intensifying the public sensitization would also yield much results. Some of the respondents also said that they have never received any demand notices concerning the payment of property rates in the Municipality, hence they did not know that they were

liable to pay and therefore have never paid. A respondent had this to say “no officer has ever asked for property rate”.

The ratepayers were asked to make comments regarding challenges they encounter in the property rate payment and several issues were mentioned by the ratepayers as some challenges they faced in the payment of property rates. These have been summarised in Table 4.6. Notable among them was that the amount levied is high considering the payment of other taxes as well. Others were also of the opinion that they find it uncomfortable visiting the revenue to pay, they would have preferred paying to the rate collectors but they do not trust these rate collectors too. Another challenge was that the rate collectors are not well informed of their duties in the sense when the property owners are not clear of some issues and demand clarity, the collectors sometimes got angry over them. The implication of these challenges is that the Assembly needs to deploy innovative payment methods such electronic transfers. Moreover, there is the need to educate the rate collectors well on customer/client relations.

**Table 4.6: Challenges Encountered by Ratepayers**

No or little awareness is created for the payment
The incentive to pay property rate is diminishing since the payment does not reflect in the community
The amount levied is too much considering other bills such as E.P.A and internal revenue taxes
The rate collectors are not honest and trustworthy enough
Collectors are not well informed on their job
Visiting the office to make payment is uncomfortable
No reminder of the payment over time.
Access to point of payment

Source: Authors' Construct, 2023 (using data from WMA)

Regarding how the challenges could be addressed, the respondents alluded to the following ways as summarized in Table 4.7. They were of the view that addressing the modes of payment will improve their payment of the tax. This would reduce most of the stress they go through in the payment process as well as benefit from their contributions. The WMA should therefore take a keen notice to these challenges and improve upon them in order to raise the payment level.

**Table 4.7: Suggested Remedies to Payment Challenges**

Improve the modes of payment
The revenue should be expended to the ratepayers' benefit.
Authority should provide alternative payment modes such as bank account and mobile money numbers for direct payment
The authority needs to educate us on property rates.
Payment in Instalments
Consistent reminder of the date due for payment.
Authorities should come for the rates not the other way around

The rate collectors should be educated on client's relation.
There should be a tax force exclusively for property rate collection.

Source: Authors' Construct, 2023 (using data from WMA)

The respondents (property owners in the Wa Municipality) were asked whether public utilities/amenities such electricity, water, access roads, etc. were available in their localities. From Fig. 4.4, it can be observed that, most of the respondents (98.7%) in the study area had access to at least two of the amenities/services. Almost all respondents who had access to these services (i.e. electricity and water) said that they got connected to these utilities by application to the relevant authorities. However, they noted that they encountered different degrees of difficulties during the process of connection. From Fig. 4.4, 20% of the respondents had access to all the amenities and only one respondent (representing 1.3%) had access to none of them. This is contrary to some studies which found out the absence of services/utilities was a major reason for non-payment of property tax by property owners. For instance, [38] reported respondents saying that “the chorus we property owners sing is that our properties are largely not supplied with water and waste water reticulation, storm water drainage, paved intra-city roads and household garbage collection.” and that in the absence of these services “there is no justification for the local authority to continue to collect property rates from residents.” [38]. Again, according to [43;47], most Ghanaians have lost all enthusiasm to pay property rates, because over the years local governments have been unable to show any justification for it, however small, in the form of social services and physical infrastructure. In the case of this present study, property owners in the WMA had access to services/utilities, yet many are unwilling to pay property rates (28.7% have never paid property rates before). Comparing the percentage of respondents (98.7%) that have access to some of the utility services, it did not reflect on the payment of property rates because only 71.3% have ever paid.

Generally, most of the respondents had varied opinions regarding property rates. The first is in regard of whether it is a justifiable tax or not. Some of respondents expressed the view that they did not see the need for paying property rate and said, “fundamentally property rate is a bad tax because no benefit is derived from paying it by we the property owners”. They believed that by paying the property rates, there should be a direct benefit from the Assembly, hence did not see the need to continue paying. Secondly, some respondents talked about the incidence of the tax and one respondent had this to say, “it is supposed to be paid by the land owners (Tindamba) not property owners who have bought the land and put up our property”. This respondent believed that it should be a tax to be borne by the land owners and not persons who have bought the land to build for shelter. Respondents also mentioned that the property tax administration in the WMA should be made fair by covering all properties adequately so that the necessary development can be provided and suggested different ways in which property rates could be collected to ensure fairness and a wider coverage. Lastly, some of the respondents mentioned that it is a good source of revenue, but the local authority seems not to be interested because they do not demand for it. Others were skeptical about efficiency of the revenue usage and said that the authorities do not account for what is collected and that they do not meet the demands of the community In the view of



[48], the misapplication of revenue tickets were particularly identified as causes of the instability and low yields from the revenue sources. Clearly, these opinions expressed by the property owners within the Wa Municipality imply that the essence of the property rate has not clearly explained to the property owners, the level of education and sensitization need to be intensified in the WMA. According to [49], priority must be placed on enhancing the assembly capacity to manage all aspects of property tax administration, including property registry maintenance, valuation and appraisal, assessment and billing, collection, enforcement, and taxpayer service. Also, [50] suggests that local governments should therefore embrace investment in software, hardware and human resource. Again, since the WMA envisions to become “*a Model Municipal assembly that is self-sustaining in resource mobilization and delivering world class client services through the provision of standard socio-economic infrastructure and services*” [51] it should embark on a public relations campaign to fully inform the citizens on their rights and obligations, as it has been suggested by [49].

## V. CONCLUSION

The Decentralization system of Government over the years has increased the level of responsibilities of the Metropolitan, Municipal and District Assemblies (MMDAs). To meet the challenges of these MMDAs, Assemblies must expand and sustain their revenue sources. This seeks to encourage MMDAs to be self-reliant and not rely so much on Government grant especially the District Assemblies Common Fund. In an attempt to be self-reliant various Assemblies have tried various options to generate revenue and the assembly has come to accept that efficient collection of property rate will be a solution to the problem. Despite the efforts there were still challenges that should be overcome before the collection system would be enhanced. This research has proved that various factors have resulted in the low mobilization of property rates in the Wa Municipality. These factors are partly caused by the Assembly (which is the mobilizing organization) and partly caused by the tax payers. In summary, property rate has a promising potential in mobilizing revenue for the Assembly. However, the administration of the property rate and collection system is poor as there is little coordination among the land sector agencies (including, land registry, LVD, the Municipal Assembly) and the property owners. Surprisingly, many recent studies and government assessments in Ghana have blamed District Assemblies alone for their inability to generate enough revenue from property rates, resulting in an overdependence on the District Assembly Common Fund. Yet, the updating of valuation lists as the basis for levying property rates is rare because the state agencies responsible (the LVD and its Municipal Valuation Offices) lack logistics according to the rating and revenue offices of the WMA. For the Municipality, there is significant potential to harness maximum revenue from property rates through education of the people on the need to pay rates. Also, there is the need for intensive public awareness of property rates in the Wa Municipality. The study unearthed that some property owners are not aware of their obligation to pay property rates. This issue can be mitigated by intensifying mass education and awareness campaign using electronic media and print. The use of television and the radio to educate the public about the need of paying property rates and the significance of these rates to the development of the society. It is also incumbent on the

Municipal Assembly to broaden the coverage of the properties liable to rates. The Municipal Assembly's database should be upgraded in a way that can include all the properties under it. The database should enable the Assembly to recognize all the properties under their jurisdiction. Since property rate is a benefit tax, the Municipal authority should provide local services from the proceeds of the tax to encourage ratepayers to pay the rates.

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