Assessment of Taxpayers Perception and the Level of Compliance in Paying Land Use Charge in Anambra State, Nigeria

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Abstract:
The emphasis in most economies is on diversifying the sources of government revenue to avoid overdependence on a particular income stream like crude oil. A diversified economy has a number of different revenue streams to fall back on in the eventual failure of one. Some states in Nigeria have realized the value of land in their domain as a great source of internally generated revenue. Anambra State Government in 2011 consolidated land based taxes into a new land use charge known as Anambra State Property and Land Use Charge (APLUC) in an attempt to shore up its revenue base. The anticipated success of APLUC did not materialize thus the study sets to evaluate APLUC collections with a view to assessing the taxpayer perception and the level of compliance in paying the charges.
The study adopted a survey design to generate data from respondents; tax payers, staff APLUC and Estate Surveyors and Valuers. Information obtained was presented by the use of descriptive and inferential statistics. A 5- point Likert scale was adopted to measure the weight of their views. The hypothesis on if the level of compliance by the tax payers is independent on the perception of the APLUC was analyzed using One- Sample Chi- Square Test
The respondents opined that they are faced with double taxation. They are also of the view that the amount they pay is quite high and they do not believe it is a reflection of their property value. The test of hypothesis result gives a level of significance (p-value) of 1.000 which is greater than 0.05, indicating the level of compliance by the tax payers is independent on the perception of APLUC. Strategies that will impact positively on tax payers perception of APLUC is therefore imminent in order to achieve the internally generated revenue drive initiated by the government.

Keywords: Land taxation, APLUC, perception

1. Introduction

Infrastructure falls under public services generally provided by the government for its citizens. . It is an umbrella term for many activities and basic structures and facilities necessary for a country to function efficiently (Ilori, 2002). The provision of efficient infrastructure service is a key requirement for the take-off of private investment and there's need for maintenance and update.

Speaking on the importance of infrastructure in 2014, Dr Ibrahim Mayaki, as the Chief Executive Officer of the New Partnership for Africa's Development (NEPAD) said that for real development in every sphere to happen, we need to improve our infrastructure. He further stated that, at NEPAD, we believe that infrastructural development is the key to all aspects of social and economic transformation. But according to experts and stakeholders at the opening day of the Habitat III (2009) regional meeting for Africa, rapidly expanding populations in most African cities accompanied by slow economic growth rates are straining urban infrastructure. Nigeria is the most populated country in the African continent with the estimated population of about 192 million (United Nation Estimate, 2017). At the Public Private Partnership (PPP) Stakeholders Workshop organized by the African Development Bank (AfDB) in Abuja, the then Minister of Finance, Okonjo-Iweala said that Nigeria's infrastructure is grossly underdeveloped and that about US$8 billion is needed annually to bridge the huge gap in the nation's public infrastructure.. The situation is worse for state and local governments, hence, the need for huge and diversified sources of revenue to cater for these anomalies and possibly provide new ones. With the shortfall in revenue accruable from the oil sector, the quest to diversify the nation's economy and increased responsibility of government at all levels, it becomes imperative to increase the revenue base of the government through tax since they cannot depend on unpredictable source of revenue. Although states operate on other sources of revenue which include allocations from the Federation account, grants and donations or return on investments, the drive for increasing the IGR base is on increase and taxation can play a significant role (Kakulu, 2013). Taxation is the principal source of government's

internal revenue generation in almost all types of economy (Igwe-kalu, 1998). Tax can only be effective if it is efficient in raising revenue, provision of infrastructure and to achieve urban development goals. Landed property taxation involves those taxes imposed by law and payable by individuals, corporations and other bodies in respect of interests or estates in real or immovable property (Ogbuefi, 2004). Ezeudu (2013) opined that properties have features that make them unique for revenue generation. Therefore, rating/tax should be exploited to the fullest in order to maximize its revenue potentials Anambra state has a population of 4,055,048 (National Population Commission, 2006). But the recent estimates claims the state now has 8,352,911 (Estimates, 2017) as the total population. It is the 8th populous and second densely populated state in Nigeria with almost 700 people per square kilometer with an annual population growth rate of 2.21% and has 60% of its people living in urban areas (UN-HABITAT, 2009). With the unprecedented growth of the cities in the state, it becomes necessary for government to guide the future growth in a sustainable manner. Internally Generated Revenue (IGR) becomes crucial to cater for inadequate infrastructure.

In 2001, Lagos state consolidated a number of existing charges, thus: the Land Rates Law, the Neighbourhood Improvement Charge Law and the Tenement Rates Law were merged into a new Land Based Charge. The Land Use Charge Law, 2001 (which has been repealed and replaced with a new Land Use Charge Law 2018). As a result of the developments and enhanced revenue generation in Lagos state, a number of state governments followed suit on consolidation of Land based taxation to increase their revenue base. States like Anambra state (2011), Edo state (2012), Ondo state (2014), Osun state (2016). Following the success of Lagos state land use charge, Anambra State expects to realize billions of naira annually from property tax but much success has not been recorded. One will begin to ask why the collection is less than the expectation given that the laws from the two states (Lagos and Anambra states) employ the same procedure. One of the greatest challenges of the tax system is in the collection of the billed taxes (Ezeudu, 2017) which is probably the challenge hindering the efficacy and performance of the APLUC Law.

Hence, the study sets to evaluate APLUC with a view to assessing taxpayers' perception of the law.

2. Study Area

Anambra state is one of the thirty- six states in the South East geographical region of Nigeria. It is the 8th most populous and second most urbanized state in Nigeria, with 62% of its total population living in urban areas. In terms of infrastructure, the State is served by four major road networks, namely; the Onitsha -Enugu dual carriageway which is a gateway to the West and North of the country. The Onitsha- Owerri Road, dualized highway, which is the main route to the eastern states. The Onitsha- Nnewi- Okigwe Road and the Onitsha – Adani Road make the rest of the State accessible to the River Niger Port and nodal town of Onitsha. In Onitsha is located most of the road transport services headquarters. The main waterway is the River Niger.

The three main towns of Awka, Onitsha and Nnewi are characterized by privately owned residential buildings for instance Block of flats, Duplexes and tenements and commercial properties like shops, hotels, schools. Industrial properties also abound in the three towns but are more concentrated in Nnewi and Onitsha and also agricultural properties like farmlands. All these form the base of the APLUC.
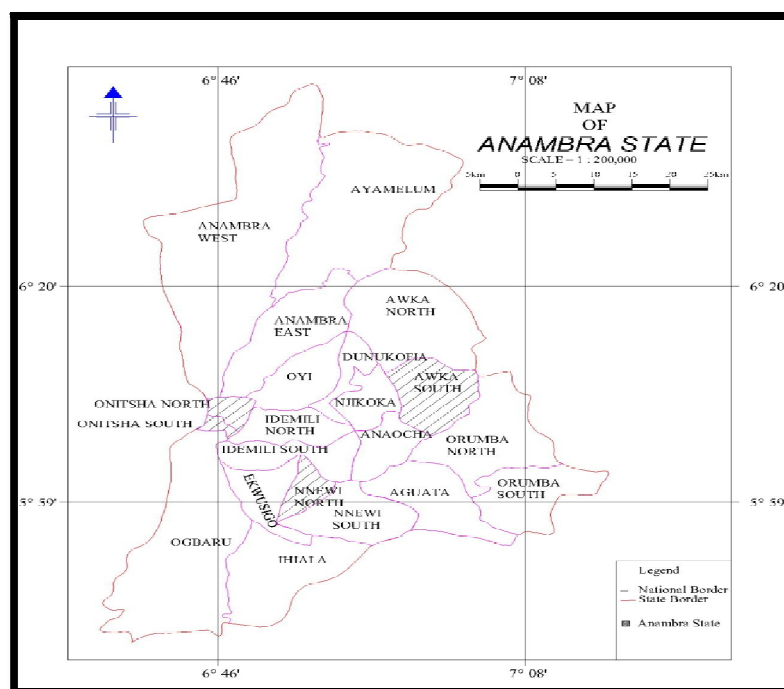

Figure 1: Map of Anambra State Showing the Study Areas
Source: Department of Surveying and Geoinformatics, Nnamdi Azikiwe University, Awka

3. Land Use Charge

Land Use Charge is a form of land based tax which applies to land in use. In other words, it applies to only landed property in beneficial use (beneficial ownership or occupation). It is a tax directed at annual value and not at capital value

of property since it is charged annually (Agwubike, 2018). Some states in Nigeria consolidated all land based taxes and charges into a new land based charge. States like, Lagos (2001), Anambra (2011), Edo (2012), Ondo (2014), Osun (2016), Enugu (2016) etc. The taxes formerly charged under the Assessment law, the Land Rates Law, the Neighbourhood Improvement Charge Law, the Tenement Rates Law, Property Rates Law were merged into a single Property Land Use Charge. The concept of Land Use Charge is fundamentally not far apart from the concept of property/tenement rating (Agwubike, 2018).

The Annual Charge Rates Notice published in furtherance to the Land Use Charge Law prescribes various Land Use Charge Rates for different kinds of properties in these states where they are practiced. The law also provides the categories of properties to be exempted.

3.1. History of Anambra State Property and Land Use Charge (APLUC)

APLUC is an acronym for Anambra State Property and Land Use Charge. With the aim to eliminate malpractices in the collection of funds relative to taxes the state government in 2010 established APLUC. Its function is to take charge of land based taxes given the huge success recorded in Lagos state land use charge but without legal backing. The first enumeration was conducted by the consultant/contractor, Global Mckens Limited. The enumeration was meant to cover the whole of the state but commenced with some local government areas.

However, in November, 2011, Anambra State Property and Land Use Charge (APLUC) were given a legal backing when it was signed into law. The law was enacted to harmonize and bring into one comprehensive charge for effective collection as against the malpractices noticed in collection previously and to boost the states internally generated revenue (IGR). The property and land use charge under the law includes:

- Property Rate
- Tenement Rate
- Ground Rent
- Infrastructural Development and Maintenance Levy.

The law in its section 2 specifies the category of real property liable to charge to include:

- A parcel of land;
- An improvement;
- A parcel of land and improvement; or
- A port, wharf or pier.

3.2. Incidence of Tax

Tax incidence or tax burden is the analysis of the effect of a particular tax on the distribution of economic welfare. The incidence of a tax is concerned with the person who actually bears the burden of the tax. It also refers to the extent to which an individual or organization suffers from the imposition of a tax. The burden of a tax is either borne by the payee or the payee shifts the burden to a third party.

Anambra state is among the states in Nigeria where the owners of landed property pay the taxation. Hence, the incidence of tax is on the property owners. Therefore, the Anambra state Property and Land Use Charge is paid by the property owner. However, the property owner may shift the burden to the occupiers through rent increase.

3.3. Taxpayers Attitude and Perception of the Tax

Taxpayers' attitude is made up of the three thought, namely tax mentality, feelings of tax tension, and tax morale (Mckerchar and Evans, 2009) in (Odimegwu, 2017). It is the constitutional duty of the citizens to pay any tax that might be imposed by Government. However, no citizen would like to pay any tax voluntarily and that is why Government usually enacts law to back it up. A typical tax law would specify the purpose of the tax, the mode of its administration, scope, offences and associated penalties relating to the tax matters. The essence of the tax law is to assist taxpayers and tax administrators to know what the tax is all about, how it works, who is responsible for its administration as well as the offenders relating to tax matters and associated penalties. When the ability to pay of taxpayers is not considered, this forms the most significant variable relative to his perception of the fairness of the tax system (Chan and Lueng, 2009). A taxpayer's attitude is greatly affected by his assessment of the accountability of the government. The dilapidation or non-existence of public services or infrastructure raises taxpayers' perception of exploitation by the government and promotes tax resistance. When development activities are not undertaken and the existing ones are moribund or producing below expectations it promotes tax resistance. Tax payers ought to see tangible benefits of the taxes they pay.

In the early times, taxation was to a large extent considered as an instrument of oppression wielded by the ruling class over the subjects (Oladipupo and Izedonmi, 2013). In contemporary Nigeria, it became a case of people not understanding why they should pay tax when they provide all the basic amenities they need. Secondly, lack of trust for the government and the public officials who administer the tax because of the way they squander the nation's funds with so much impunity. Similarly a Zimbabwe tax study by the African Forum and Network for Debt and Development (AFRODAD) finds that because of rampant corruption in government, many people do not pay taxes as they see this as just enriching corrupt government officials. Thirdly is the general lack of patriotism caused by the actions of the leaders. The disappointment felt by Nigerians could have robbed them of the sense of patriotism for the country.

However, the study looked at the people's attitude and perception of APLUC if they conform to what Land Use Charge is all about generally.

4. Data Used

Data was drawn from two sources, primary and secondary data. Primary data were collected from the following sources; tax payers, staff of Anambra State Property and Land Use Charge (APLUC) and Estate Surveyors and Valuers. The population of tax payers is gotten from the number of properties in the three major towns of Awka, Nnewi and Onitsha as captured in the APLUC property data base. The population for the study is 58,848 property owners/tax payers. (Source: 2017 Anambra State Property and Land Use Charge Property Register) from which a sample size 381 was determined. The population of Estate Surveyors and Valuers is 24 gotten from the register of members in Anambra State while the APLUC staff is 5 obtained from their office at Awka. Questionnaire and interview were used to collect data for this study.

5. Data Analysis

In the analysis, a 5- point summated scale approach (Likert Scale) was used to elicit measurable information in statistical manner for quantitative analysis. Information obtained from Tax payers, Estate Surveyors and Valuers and staff of the Anambra State Property and Land Use Charge (APLUC) (from the questionnaires) was presented by the use of descriptive and inferential statistics. Statistical tables, frequencies and percentages were also used.
In the analyses of data collected under Likert Scale, a 5- point scale was adopted using the following scaling:

Strongly Agree (SA)   = 5 point. for very high.
Agree (A)   = 4 point. for high.
Undecided (UN)   = 3 point. for moderate.
Disagree (D)   = 2 point. for low.
Strongly Disagree (SD)   = 1 point. for very low.

The summation is: 5+4+3+2+1 = 15; and the mean is 15/5 = 3. Therefore, "3" is used as the cut- off point (mean).

This determined cut- off point was used in such a way that every mean score greater than or equal to the cut- off point agrees (or is satisfied as the case may be) with the decision while any cut- off point less than the cut- off point disagrees (or is dissatisfied as the case may be) with the decision. RII (Relative Importance index was also used to grade the respondent's views about the tax).

5.1. Analysis of Perception of Tax Payers (Property Owners) Towards Anambra State Property and Land Use Charges

S/N	Respondents' View	Strongly Agreed w = 5	Agreed w = 4	Undecided w = 3	Disagree w = 2	Strongly Disagree w = 1	Total	R11
1.	Double Taxation	121 wf = 605	171 wf = 684	40 wf = 120	12 wf = 24	7 wf = 7	351 (1440)	4.1026
2.	Over value	146 wf = 730	151 wf = 604	33 wf = 99	14 wf = 28	7 wf = 7	351 (1468)	4.1823
3	Under value	16 wf = 80	34 wf = 136	55 wf = 165	172 wf = 344	74 wf = 74	351 (799)	2.2764
4	Outrageous value	83 wf = 415	150 wf = 600	68 wf = 204	36 wf = 72	14 wf = 14	351 (1305)	3.7179

Table 1: Perception of Tax Payers (Property Owners) towards
Anambra State Property and Land Use Charges

From the table, 7 respondents representing 2.0% strongly disagree that there is double taxation, 12 respondents representing 3.4% disagree, 40 respondents representing 11.4% are undecided, 171 respondents representing 48.7% agree while 121 respondents representing 34.5% strongly agree to double taxation.
As regards overvaluing of their properties 2.0% and 4.0% and 9.4% of the respondents strongly disagree and disagree respectively, while 9.4% were undecided. 43.0% and 41.6% of the respondents feel strongly that their properties are overvalued.
In the aspect of undervaluing, 21.1% of the respondents strongly disagree, 49.0% disagree, 15.7% were undecided, 9.7% agree and 4.6% strongly agree to the fact that their properties were undervalued.
A greater percentage of the respondents (42.7% and 23.6%) agree that the value they are given for their properties is outrageous.
Also from the RII ranking, it is seen that double taxation rank highest out of the four views. This shows that the respondents rate the APLUC law as being optimally deficient.

5.2. Test of Hypothesis

H$_O$: The level of compliance by the tax payers is independent on the perception of the APLUC.

This hypothesis was analyzed using One- Sample Chi- Square Test to check if the two variables, level of compliance and perception of the law are independent

	Null Hypothesis	Test	Sig.	Decision
1	The level of compliance by the tax payers is independent on the perception of APLUC	One-Sample Chi-Square Test	1.000	Retain the null hypothesis.

Table 2: Hypothesis Test Summary

Table 2 shows a level of significance (p-value) of 1.000 which is greater than 0.05. This indicates that the level of compliance by the tax payers is independent on the perception of APLUC thus the null hypothesis was upheld.

6. Conclusion

From the study, the perception is that the charge appears double. Further inquiry reveals that most of them that go for registration of title deed/ obtaining certificate of occupancy pay APLUC charge which comprises of ground rent and still pay the same at the ministry of lands which is tantamount to double taxation. More so, they pay high amount which they do not believe is the reflection of their property.

Land based taxation is a goldmine which has been neglected in Nigeria. A critical examination of the Anambra experience revealed that much success has not been recorded amidst annual billions expected. Thus, government should be accountable, transparent and make good services spread to reach the tax payers. This will serve as a proof that tax payers payment is justified thus enable public confidence in the governance. A government agency to operate APLUC should be manned by the necessary professionals instead of consultants who have no knowledge of intrigues of land based tax. The state government should make open the formula used in determining the charge so as to give room for self assessment as applicable in Lagos state. These Strategies will result in change of perception of tax payers towards APLUC and enable government achieve the needed internally generated revenue.

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