

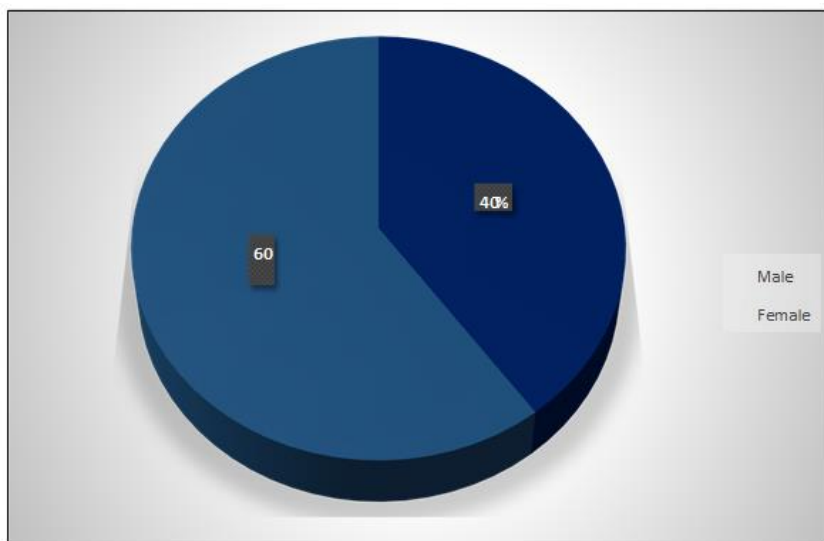
## CHAPTER 4: Data Presentation and Analysis

The study findings were presented, analysed, and evaluated in the findings are also reviewed in light of relevant theory and literature, and the study objectives, to uncover parallels and differences between this study and previous investigations. This helps to solve the research problem, research questions, and achieve the study objectives described in Chapter 1. Data is shown using tables, bar graphs, and pie charts. To analyse data for each of the significant areas of relevance to the study that pertain to the main research issue, a summary of responses from both research instruments was employed.

We present the statistical values of responses from of the study. Out of a total number of 110 questionnaires that were distributed 90 of them were returned giving a respondent composition of 82%. For the interviews 10 were to be conducted among key informants namely, Zimra Tax Advisory officers, Epworth Local Board Administrative Staff, Town Planners and 7 were successfully conducted. This gave a response rate of 70 % for the ones that participated in the interviews. The focus of study was for Epworth Local Board and its residents which consist of 7 wards as shown by figure 1 in Chapter 1.

*Table 5:* Composition of Respondents (Fieldwork, 2022)

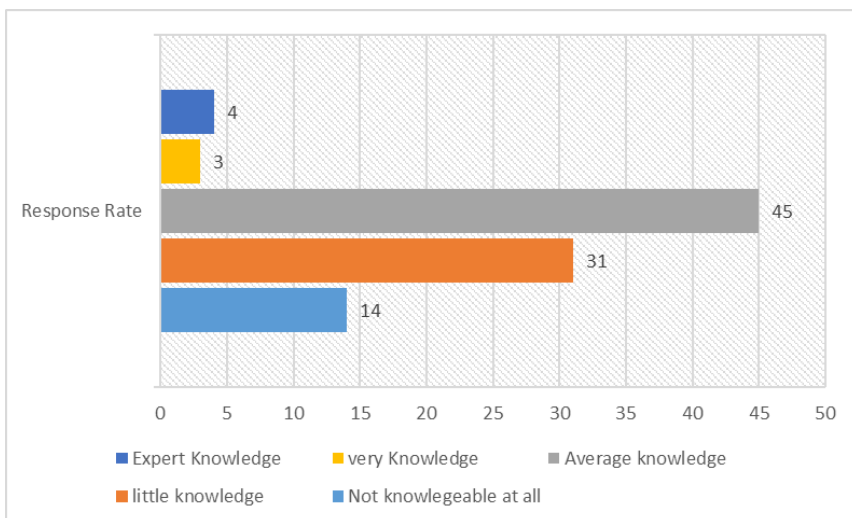
Instrument	Number to be distributed/ conducted	Actual number distributed/ conducted	Percentage rate (%)
Questionnaires	110	90	82
Interviews	10	7	70



*Figure 6: Sex composition of respondents (Fieldwork, 2022)*

Of the 90 interviewees and questionnaire respondents, 60% of the respondents were female and 40 % were male as shown diagrammatically in the figure 6 above. This means that more female participated in this study as compared to man.

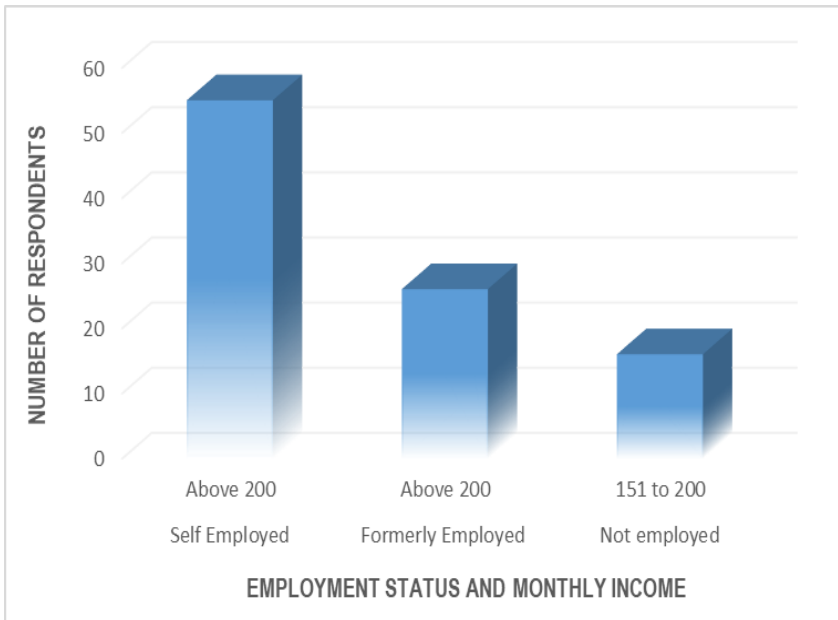
The research findings reveal that out of 97 respondents that responded the questionnaires and interviews 14% does not have knowledge about the property taxation hence the researcher was explaining the concept of property taxation and rating to those people so that they will give their thoughts. 46% of the participants were knowledgeable of the property rating as they have the background of paying rates to the council hence the researcher was well informed by this group of residents. Also all the participants for the 7 contacted interviews were all expect knowledge of the taxation and rating systems and how they operate and also obligations of rate payers and the council's role to provide services to its people.



**Figure 7:** Shows property taxation knowledge by respondents in Epworth. (Fieldwork, 2022)

Research findings reveal that 56% of respondents are self-employed. Their monthly income is approximately 200 USD. However, some often fail to raise the US\$200 especially those involved in carpentry, selling of firewood and welding. 27% of respondents were employed and the greatest number are government employees such as teachers and some are employed in the private sector also they highlighted that their fixed monthly income is above 200 USD. 17% of respondents are not employed and they are struggling to raise 100 USD monthly. the respondents are hired in piece jobs to survive hence this group has no or have little capacity to pay rates to the local board as compared to other categories of respondents. Some respondents that are formerly employed have highlighted that they even extended their houses and they rented out other rooms which are yielding around 15 to 25 USD dollars per room this also contribute to their monthly income. The findings revealed that 57% of respondents participated in this study are self-employed; they are able to provide food for their families, making it difficult for them to pay council rates. Wards 5 and 6 are also home to pensioners and former Churu Farm workers who were transferred by the government as part of the land reform program. The majority of property owners benefitted from their holdings from a political standpoint, resulting in a lack of standardisation and

quality housing provision hence figure 8 depicts the employment status and income levels in Epworth.



*Figure 7:* Employment Status and Monthly Income (Fieldwork, 2022)

According to Urban Council Act Chapter [29:15], section 247, a general valuation and assessment and a general valuation roll shall be made so that the time between the date the new roll becomes effective and the date the current roll became effective is not less than three and not more than ten years (2). Furthermore, the Minister may, by statutory instrument, extend such duration to a maximum of fifteen years in any given scenario. In cities, towns, and rural areas, councils impose property taxes. Each of these organisations regularly assesses the homes under its authority and creates an annual "rates schedule" based in part on the values. Depending on the local authorities' yearly financial budget requirements, these may change. Since there are licensed property valuers in Zimbabwe that can be procured to perform the general valuation of the properties are typically based on market

values properties. Below are taxes that are applicable in real estate transactions.

Research findings revealed that Value Added Tax (VAT) is termed as a transaction tax, the effects will differ depending on the transaction. A number of transactions are subject to VAT at a rate of 0% (from 1 January 2020; previously 15%), 14.5%, or both. There are restrictions on how input tax deductions can be used. Before executing any transactions connected to company activities, advice on the VAT consequences of those transactions should be sought. The registration requirement has increased from 60,000 that was calculated using currency based on United States dollars [USD], to a yearly turnover of one million Real Time Gross Settlement (RTGS) dollars (ZWL).

According to the ZIMRA Tax Compliance Officer, VAT is charged on each taxable supply made by a registered person. Any provision of goods or services made during or in support of a taxable activity is considered a taxable supply. A registered VAT vendor may deduct input tax credits paid in the course of making taxable deliveries to that person if a tax invoice is provided to support the deduction. In the case of a property sale transactions, it means all such transaction are due for VAT to ZIMRA but in the case of Epworth, the ZIMRA Tax Advisory and Compliance Officers they both revealed that several property transactions are no traceable since properties are changing hands without the knowledge of the ZIMRA this means there is high revenue loss for both Epworth Local Board and ZIMRA. This means that upon transfer of a property there is rates clearance and paying of all property taxes that are due to ZIMRA. They also noted that ZIMRA will be able to trace formal transactions that have been declared through the deeds office and that's where they are able to claim all the relevant taxes that are due.

Transfer duty is the other form of tax that was highlighted by the interviewed ZIMRA Advisory and Compliance Officer and it is payable on the acquisition value of property purchased at the following rates presented in Table 6 below:

**Table 6:** Transfer Duty Scale of fees (Fieldwork, 2022)

Value of the property (USD)	Rate of transfer duty
0 to 5,000	USD 400
5,001 to 20,000	2% of the value above USD 5,000
20,001 to 50,000	3% of the value above USD 20,000
50,001 and above	4% of the value above USD 50,000

Findings also indicate that transfer duty is normally payable by the buyer, but the agreement for the sale of the property will determine the person liable to pay these costs. In addition, conveyance costs of up to 4% (plus 14.5% VAT) must be added on. However, this is more applicable in other neighbourhoods which have title deeds and cession such as ward 1, 2 and 6 of Epworth where there was successful regularisation of settlements. The participants also highlighted that ZIMRA is also losing income in some transactions taking place in such neighbourhoods where there is no adequate property registration.

Stamp duty is one of the other property taxes which some transactions could be subject to stamp duty. The ZIMRA Officer has observed that the amount of stamp duty that is payable will vary and depend on the specifics of each transaction. The basic transactions can be summarised in Table 7.

**Table 7:** Stamp Duty fees Fieldwork (2022)

Transaction	Stamp duty
Bonds	0.4% (USD 0.40 for every USD 100 or part thereof)

Transaction	Stamp duty
Brokers notes - purchase of securities	0.25% (USD 0.25 per every USD 100 or part thereof)
Brokers notes - purchase/sale of any movable property other than a security	0.10% (USD 0.10 per every USD 100 or part thereof)
Brokers notes - purchase/sale of any immovable property	1% (USD 1.00 per every USD 100 or part thereof)
Off market share transfer instruments	2% or USD 2
Cheques	0.05% (USD 0.05)

For the above-mentioned transactions, tax counsel should be sought to ensure that the stamp duty calculations have been clearly considered and they have claimed it all.

Capital Gains Tax (CGT) is also the other tax that was mentioned by the key informant from ZIMRA, they also mentioned the following rates of capital gains tax are applicable in Zimbabwe on the sale of real estate or stock owned in firms that are listed (on the Zimbabwean Stock Exchange) or not purchased before to February 2019 Securities that have been listed: 1.5% of proceeds if they have been listed for at least six months, and 2% if they have been listed for less time. Real estate: 5% of sales. 5% of proceeds come from unlisted securities. acquired after February 22nd, 2019 Securities that have been listed: 1.5% of proceeds if they have been listed for at least six months, and 2% if they have been listed for less time. Property, unlisted securities, and other assets are each subject to a 20% capital gain tax.

In addition, a ZIMRA Tax Advisory and Tax Compliance Officer further explained the reasons for Capital Gains Tax, it is customary to accept property values as stated by the seller. The ZIMRA Commissioner may, however, use his authority under section 14 of the Capital Gains Tax Act to either increase the value or request a valuation report from a property valuer registered with the Valuers Council of Zimbabwe in certain situations where, in his opinion, the declared value falls short of and is outside of fair/open

market values for comparable properties. These situations could arise in, but are not restricted to property sales or transfers involving related parties where the relationship influences the finalized purchase price intentionally understating the worth of a property to avoid paying the full amount of capital gains tax. Sale of a property by private treaty in settlement of a debt where the seller may willfully understate the property's value to "free" money to pay off a debt. The key informant also indicates that Zimra is losing a lot of revenue since several properties in Epworth are exchanging hands without their knowledge because it is difficult to come up with the value of the property because the quality of houses in large parts of the neighbourhoods namely Solani, Donoro, Part of Overspill and Domboromwari as shown by the plates 1 and 2 respectively below.

Rating Valuation in Zimbabwe is based on manual procedures anchored on the 'paper, tape measure and the clipboard', thus in data capturing the valuation team measures and physically inspects all non-residential properties and assesses all residential properties (Urban Council's Act Chapter 29:15 Part XVIII). On areas where there are no developments the data capturers should refer to local authority local plans and subdivisions to at least capture the stand number, stand size and use, this aided valuation of undeveloped land. In terms of Section 250 "the basis of valuation of non-residential property shall be the Open Market Value of the Property.

Section 252 provides the basis of valuation with regards to residential properties as a general assessment which basically entails calculation of number of rating units applicable to the subject property and determination of rating zones within which properties sharing similar attributes and values are situated (citation). According to section 247 (UCA 29:15), the process of Rating Valuation involves two aspects namely (a) a General Valuation of all Non-Residential Properties within its area in such a manner as to arrive at a fair and equitable valuation or assessment having regard to the provisions highlighted in Part 18 of the same Act & (b) the General Assessment of Residential Properties within its area.

Different methods of valuation are applied on individual properties. Methods are applied in accordance with property type are; The investment method of valuation is used on commercial properties; Contractor's method is used on



institutions, industrial and government properties; Profit method is used on income producing properties such as filling stations; Different methods of valuation are applied on individual properties; Methods are applied in accordance with property type. Non-Residential Properties include, Commercial (Shops, Service Stations), Industrial, Institutional (Churches, Schools, Colleges, Hospitals). For the purpose of rating valuation of non-residential properties, the council has the right according to Section 250(2) apportion the value of the properties between land and improvements (citation). Thus, in terms of this subsection, the valuation of the property shall be apportioned as follows:

The valuation of the land shall be its value as though it were unimproved with regards to adjacent properties (S251). The valuation apportioned to the improvements shall be the value of the property less the value of land as determined under Section 251 (citation). 'The Urban Councils Act (UCA) PART XVIII, talks about the valuation and assessment of properties for rating purposes, an array of sections in this part of the act is mainly focused on the valuation procedure and considerations when valuing properties in the jurisdiction of a local authority for rating (the whole process which leads to the creation of the General Valuation Roll) (citation).

Assessment of residential properties include determine which Rating Zone the property is in; the allocated rating unit for the property's value; The size of residential properties inside the rating zone must be comparable; In each zone, there ought to be homes close to one another; Any rating zone cannot contain a single property. Following the establishment of rating zones, the Town of Clack is obligated to issue a notice in the local newspaper and to make sure that anybody may access the map showing the zones of an area comparable to the smallest stand size permitted by the current local zoning regulations in the area where the residential property is situated.

Rating Unit = *(Area of the Property)*

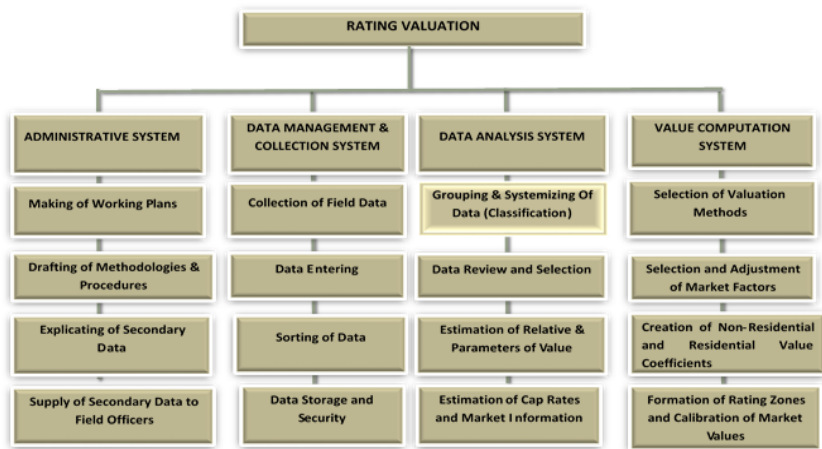
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*(Minimum Stand Size in an Area)*

The Urban Councils Act [29:15] specifies the following key factors for rating valuation: Any quantity that is less than a quarter of the rating unit is to be

disregarded (0.24); any quantity that is a quarter of the rating unit (0.25) or more but less than three quarters of the rating unit shall be counted as half rating unit; any quantity that is more than three quarters (0.75) of a rating unit shall be counted as full rating unit (1); Any residential property must never receive a rating that is less than half a unit.

The Figure 9 summarise the rating valuation process that any Local Authority in Zimbabwe should follow to generate revenue through proper taxation system as provided in Urban Council's Act [29:15].



*Figure 7: Rating Valuation process in Zimbabwe; (Fieldwork, 2022)*

The findings reveal that, the current system that is in place being used by Epworth Local Board is not effective in the sense that the board is failing to generate bills, there are no clear defined settlement patterns, poor land records especially ward 3, 6 and 7 where the road accessibility is a challenge to several households and some houses are built in wet lands using cheap material. However, in ward 1, 2 and 5 they have managed to remap and upgrade the roads and to regularise some developments. Interviewed Local Board Town planner revealed that, the Local Board, for the past 2 years have been working on the move to regularise vending in major shopping centres in Epworth such as Solani, Overspill, Dombo and Ruben where have built Vegetable and Flea Markets so that they will generate adequate revenue through giving out leases to the venders but the response from the residents

has affected the progress to an extent of having incomplete projects and unoccupied constructed market as shown by the plate 1.



**Plate 1:** Vending Sites constructed by Epworth Local Board; (Fieldwork, 2022)

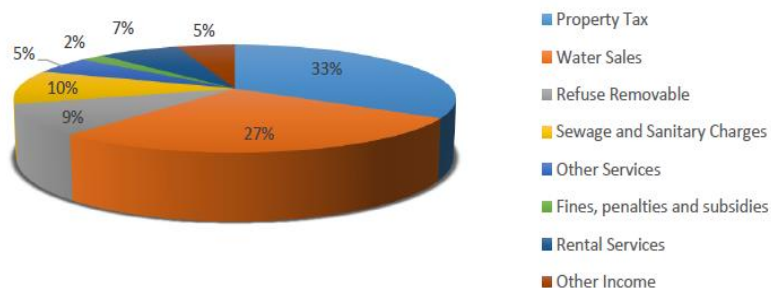
Plate 1 shows the unoccupied and occupied vending market which is located at Overspill shopping centre. These shows the move by the Epworth Local Board in trying to regularise the informal vending in all the shopping centres in Epworth. In addition, the researcher also observed several unlicensed shops in Epworth and the general response from the shop owners is that they claimed that, Epworth Local Board is charging high licence fee amounting to 200 USD once off yearly and monthly payments of operating of 50 USD. This means that Epworth Local Board have to adopt an aggressive approach in following their revenue to those unlicensed operators so that they will boost

their revenue from commercial properties in Epworth. 32% of commercial property owners who participated in the study explained that it doesn't make sense to pay for the license to operate I would rather sell groceries in my house that is shown on the plate where those unlicensed shops are being used for multipurpose that is both residential and commercial. The Counter response from the interviewed Epworth Local Board Administrator he revealed that "We deploy our teams on weekly basis to collect money from each and every tuckshop as their aggressive approach towards revenue collection". Plate 2 shows the pictures of licenced shops and unlicensed shops.



*Plate 2:* Unlicensed and Licensed Shops in Epworth; Source (Fieldwork, 2022)

The research findings on the weaknesses of property taxation and rating system in low-income neighbourhood. The figure below illustrates different sources of revenue for the Epworth Local Board.



*Figure 8:* Sources of revenue for Epworth Local Board: (Fieldwork, 2022)

Property taxes, followed by water sales, are Epworth Local Board's two main sources of income. Property tax collections accounted for more than 40% of total income from 2015 to 2018. On the same invoice as the property tax are levies for water, trash collection, sewage fees, roads, street lights, and supplemental costs. Due to the fact that they are shown on the same monthly statement, these costs are paid together at the same time and are proportionally reduced by a single payment. A person cannot pay water or property taxes without also covering the remaining service fees. The word "other income" refers to money from sources such as advertising, parking, stand sales, and bus terminal fees. Although property taxes generate the majority of income, in Epworth they are yielding less money due to, among other things, the following factors; a number of reliefs and exemptions; Inconsistencies in value and an inability to update the valuation database little administrative resources and apparatus; inadequate record-keeping and inaccurate land records; Problems with enforcement and collection, a lack of political backing, and interference from the government with revenue collection.

Fair and effective property taxation and assessment system for the long-term is the way to improve the effeteness of the property rating and taxation system in Epworth. Transparency and accountability are the foundations of a just and efficient taxes and assessment system. Taxpayers need to be aware of the services they are purchasing and the cost of those services. Additionally,

there is a need to comprehend the link between service costs and the tax rates set to fund service delivery, and the responsibilities played by the province and municipal governments in determining those rates. In a similar vein, it is important to comprehend how market values impact property assessments and how those values translate to specific property assessments.

In addition to the operation of the system for taxing and valuing real estate, there is also the matter of fairness. Perceived disparities are produced by how various property categories are treated differently within the province. The methods for paying property taxes and the appearance of property tax invoices must also be taken into consideration. Despite Epworth's complex property assessment and taxation system, a long-term plan will be developed to reduce it and achieve equality and transparency. In Local Service Districts, the imposition of taxes on different property kinds leads to perceived disparities, hinders cost-sharing and increased collaboration, and discourages community reorganisation. The system of property taxes and assessments is convoluted and challenging to comprehend.

The alternative property taxation theory provides insights of theoretical and practical arguments in favour of property tax in developing countries. Because its implementation does not change the decision to invest in and supply in the form of human and physical capital, it supports the idea that property taxation is more effective than other tax systems, such as consumption and income taxes. This is due to the fact that a wealth tax, as opposed to a tax on productive endeavours, preserves incentives for positive behaviour and could even stimulate greater productive use of land and property. According to the study's results, Epworth does not have a foundation for taxing since there is not an improved settlement or suitable titling of properties that is in line with the theory's premise that taxation must have a basis.

The idea that there should be fair property taxation that must be taken into account as a progressive tax since land and capital, in general, are owned by very rich persons is supported by the theories that are now accessible, such as public choice theory. As a result, those with moderate and high incomes will probably be responsible for paying the tax. Results in Epworth show that there is no consistent charge of property taxes since only 32% of the people

pay rates and there is no equitable property taxation in Epworth as a result of inadequate land records.

Administrative advancement demands the creation of orderly, systematic record keeping, and the collection of precise data on land and properties that may lead to broader administrative advances. Property tax is typically seen as a solid and consistent source of income for local governments since the tax base is geographically fixed and paid by residents with limited movement. Due of their physical immobility, properties are generally easy for governments to find and tax, especially in regions with little administrative capability. Property tax is advocated as a means of transparency and accountability since it is very visible to taxpayers and, in principle, relates to improved municipal services. Because of this, it has the exceptional potential to act as a framework for negotiations over taxation and public expenditure between citizens and governments, therefore raising the responsibility of decision-makers and local politicians.

The efficiency benefit of property tax resulting from the tax base's immobility only applies to land and is not often applicable to buildings, especially movable non-residential structures. Applying property to businesses who, on average, use more real estate as a production input, for instance, may have a distorting effect on how, where, and how much they spend. When structures are taxed more heavily than land, it may be less likely that buildings will be maintained, especially if improvements to buildings are seen to boost the tax base. Furthermore, taxing new and well-built structures more heavily than slums may impede new building development that might impede urbanization or city growth.

In conclusion, research findings presented that there is no proper taxation system in Epworth which records transactions, so that it will full file provisions of the alternative bas theory and public choice theory because, only 32% participants in this study revealed that they pay rates to the council sometimes as they wish to pay.