

## CHAPTER 5: The Legislative, Property Taxation and Rating Systems in Zimbabwe

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The legal frameworks that are now in place for Epworth's property taxation and rating system are presented in this chapter. Additionally, it offers suggestions for potential legislation and suggests measures to increase the transparency of tax collection, both of which will be advantageous to the citizens of all seven wards of Epworth and the local government.

Epworth Local Board is guided by Urban Council Act when it comes to the property rating system as discussed in Chapter 5. Hence this act of parliament coupled with the Valuers Act provides guidance on how to value properties. According to the research findings several households are substandard and the largest population in Epworth are living in poverty. Therefore, property taxes should be modified based on income, including exemptions for the very poor. Additionally, doing so would reduce the assembly's transaction expenses for taxes that it ultimately won't be able to collect. Epworth Local Board ZIMRA and the Ministry of Local Government may all play a leading role in this initiative to demystify governmental offices and make them accessible to everyone.

Increasing the capacity of field technicians and the amount of valuer research findings also highlighted that there were Epworth Local Board they are only one skilled and qualified valuer, and the public sector finds it difficult to recruit and retain these in-demand professionals. Estate valuation services provided by private organisations with improved service conditions are in increasing demand in Zimbabwe. Valuers Council of Zimbabwe should finance recent graduates for additional training in rating valuation, and technicians should get internal training on cutting-edge valuation techniques to broaden their perspectives and develop their abilities. According to Urban Councils Act (Chapter 29:15), and council property valuers might also work with companies from the private sector to determine property values, set rates, and gather taxes on their behalf.

When all properties are subject to the same legal tax rate, the only factors that affect the property tax obligation are variations in the value of the

individual properties. Therefore, a high value residential property would cost the same as a business or agricultural property of comparable value. The tax would be really "ad valorem," meaning that it would be based simply on the value of the property, not on the many land uses or types of ownership. Any differences brought about by factors like location, size, property use, and ownership rights would be reflected in the property value itself.

An administratively more manageable rate is one that reduces discretion in the process of assessing tax payable and simplifies administration. In many developing countries with loose zoning and land use rules, tax officials must exercise discretion to categorise and select the appropriate tax rate for each property use when properties have multiple uses, such as a residential property that also functions as a medical clinic. Discretion can lead to the erroneous application of the anticipated tax rate policy that can lead to lost revenues, equity concerns, and ineffective operations in the absence of clear accountability supervision systems. Therefore, if possible, it is advocated that emerging countries use a consistent tax rate.

The property tax rate can, however, change depending on the use and tenure of the property in many nations that employ a categorised system. Although there may be sound policy justifications, it seems that the implementation of unequal tax rates frequently may be motivated by political considerations. For instance, lower tax rates on agricultural land give agriculture a subsidy, relieving pressure on agricultural properties on the periphery of cities to be converted from agricultural to urban land use. Increased tax rates on commercial and industrial properties are frequently justified as "fair" based on the business's "ability to pay" as a cash-generating enterprise and with the justification that the business properties are not fully reimbursing the government for the benefits they received.

The selection of the tax rate structure is the second crucial policy decision. Again, there is variability throughout the world. Chirisa (2013) has observed that some governments impose a single, uniform tax rate (either on a percentage basis or as a unit rate), while others impose varying rates on various property categories or uses (a classified tax rate structure). Others still impose the tax at a graduated rate, charging properties with higher values at a higher marginal percentage rate. Other nations mandate the use of

a uniform tax rate but permit valuation assessment ratios to differ according to the category of property, therefore allowing for a categorised effective tax rate structure. Epworth residents have a duty to comprehend the connection between the stated statutory tax rate structure and the underlying effective tax rate structure given the frequently complicated structure of the tax obligation assessment process.

The suggested changes are listed below. There is need to stop political meddling in property ratings. Property rating is politically sensitive because it affects political elites, sympathisers, and voters in addition to property owners. Politicians may not like tax increases because the taxpaying public frequently threatens to remove them from office. This demonstrates how reluctant politicians have historically been to review taxes. The government appoints metropolitan, municipal, and district chief executives. To shield devoted followers from having to pay taxes in exchange for political favours and they have interfered with municipal taxation. The fact that all municipal taxes are politically established should also be noted. However, for local taxes to be recoverable, they must enjoy broad popular support.

Use information and communication technology (ICT) for property grading, the property rating industry would benefit greatly from computer-based rate administration, though a top-notch paper-based backup system is still advised in case of power outages. The use of CT would make it simple to collect, save, update, and query data. It may also be used to check for corruption and the theft of rating income. By utilising computerised assessment and satellite-assisted mapping software, it would also permit rapid and affordable revaluations and valuation list updates (Bird and Slack, 2003). The benefits outweigh the initial installation costs, and by using computer-assisted mass appraisal techniques (FAO 2002), a large portion of the work can be completed by individuals with only the most fundamental IT and statistical skills. The burden would be reduced while efficiency, accountability, and openness would all rise. Additionally, since a valuation list is a very large database, another advantage of ICT is that it will enable data to be replicated in a variety of formats. The FAO (2002: 35) emphasises that ICT by itself cannot assure data quality or serve as a replacement for organisational and valuation capabilities. Additional local financial resources

are required for the purchase of computers, networks, storage, and staff training.

Send the tax payer's payment locations closer; property owners who admitted to having paid property taxes at some point in the past grumbled that while paying at the municipal revenue office was more convenient, paying to the rate collectors was riskier. This study suggests decentralised rate collection in response to their request for payment locations closer to them that will decrease default and increase realised revenues. This service might be advertised by frequent radio announcements, mobile van reminders, and neighbourhood volunteer teams. Property owners feel more comfortable making payments to people they know and trust. Initiatives to promote self-reporting would be advantageous, such as making sure that the money raised is allocated for certain public goods and services in the neighbourhoods where the property tax was collected.

In developing countries where commercial properties may not be fully covering the costs of the local services received through user fees and local level income and consumption taxes, the case for levying a higher property tax rate on commercial properties as a "benefit tax" for locally provided public services may be stronger. Some countries have chosen to apply progressive tax rates depending on the value of each property, including Colombia, Bolivia, Chile, Guatemala, Peru, Brazil, Egypt, and India. To shift the cost of paying property taxes to those properties with a higher "ability to pay," progressive rates are justifiable. However, there is minimal connection between a property's value and taxpayer income, raising doubts about this argument's viability. That example, many low-value properties are held by affluent taxpayers, but higher-value properties are owned by taxpayers who are "asset rich but cash poor."

The majority of nations reserve the use of progressive tax rate systems for their income taxes and do not utilise them for property taxes. The Republic of Korea is the only nation to have implemented its national-level Comprehensive Real Estate Holding Tax that is levied in addition to the standard property tax, successfully on the comprehensive value of all land and residential properties (Chirisa 2013). The Korean government is able to correlate property ownership data with family registration records to

aggregate total property holdings for progressive taxation. To gradually tax immovable property in a comprehensive way, however, is administratively unfeasible in the majority of countries since it is practically impossible to fully link assets to individual owners. In reality, the Korean government announced in 2008 that it will progressively replace the Comprehensive Real Estate Tax with a tax on the rich, with immediate administrative changes starting in 2012. (Chirisa, 2013).

To provide transparent and accountable revenues, most nations seek to use simpler property tax rate systems rather than taxing properties under a progressive rate structure. Even nations that used complicated progressive rates in the past are switching to simpler tax rate systems. For instance, Jamaica changed its annual property tax from having a complicated progressive rate structure to a straightforward flat rate structure in 2005 to simplify the tax rate and increase tax payment compliance (Chirisa, 2013). Getting rid of a progressive rate structure can offer the following benefits: First off, it might make it less appealing to divide up a piece of property for tax reasons alone. Second, it may reduce the tax burden on properties with high value that might promote higher levels of tax compliance. Thirdly, it can solve the issue of "bracket creep," which occurs when properties inevitably move into higher tax categories as their values rise on their own, unless the brackets are linked to the overall rise in property values. Fourthly, it may be simpler to change the pace over time (Sjoquist, 2004).

To be effective, government policies regarding the tax base and tax rates must be applied consistently, responsibly, and openly. Success in the implementation is based on the effectiveness of tax administration that is covered in more detail in the next section. Examining Coverage, Valuation, and Collection of Taxes The phrase "Tax Administration is Tax Policy" is now widely known and emphasises the significance of tax administration in achieving tax policy goals. Although choosing a tax policy is undoubtedly important, putting that policy into practice is always more difficult, especially in developing countries with limited administrative capacity. Present key finding from Epworth, then compare it with literature.

The administration of property taxes is particularly labour-intensive and needs proactive, purposeful tax base identification, tax base valuation, tax

obligation assessment, tax billing and collection, tax enforcement, taxpayer service, and taxpayer dispute settlement (Mikesell, 2007). These many administrative tasks must work together to promote the fulfilment of the income, equality, and efficiency goals. The collection function is what turns potential tax revenue into actual revenue, even though all administrative functions play a role in defining that potential. When creating administrative priorities and sequencing property tax reform implementation strategies, reformers need to be aware of this crucial role of the collection function. Present key Epworth finding and compare it.

To improve administration efficiency, property tax offices throughout the world are arranging themselves along functional tasks. Specialization is made possible, and chances for collaboration and conflicts of interest are diminished. Treasury operations are distinct from fiscal cadastre tasks that include identifying and valuing tax bases (such as tax liability assessment, tax billing collection, and tax enforcement).

In addition to taxpayers reporting on their own property information, countries often require third party public and private sector institutions and persons to timely disclose their property-related information to the tax department. These third-party organisations and individuals would include the Ministry of Public Works, Ministry of Public Housing, Ministry of Lands, Surveyor General, Titles Registry, and all private sector businesses like utilities, real estate agents, rental agencies, notaries, lawyers, banks, and others.

If this information is not provided, penalties ought to be implemented. The initial phase of this partnership approach entails determining the minimal amount of property-related data that is necessary, designing the data collection mechanism (either manual or digital), and putting into practice a methodical collection, processing, and analysis of the information from taxpayers and third parties, along with the necessary awareness-raising, information-sharing, and support campaigns. The property declaration/reporting form need to be straightforward, easy to use, and strictly confined to the data required to create and maintain the fiscal cadastre. It is exceedingly expensive to acquire information that is not used to increase coverage, value, and collection ratios.

The government must also take a proactive stance when creating a tax registry from scratch, updating one that hasn't been updated in a while, and/or when performing a significant reassessment of a property's value. Simple, field-based procedures are increasingly being used, as demonstrated, among other places, in the Philippines (Dillinger, 1991), Indonesia (Kelly, 1996), and most recently, Somaliland. There are compelling reasons to include the central government in fiscal cadastre maintenance tasks, such as property valuation, to benefit from economies of scale, assure fair treatment in application, and get around capacity issues (Mikesell, 2007). Many nations rely heavily on either the federal government (Colombia, Jamaica, the Bahamas, Kenya, and Uganda) or state or provincial governments (the US states of Maryland and Hawaii, Canada's British Columbia and Ontario, Mexico, and India) to directly support the property tax cadastre and valuation. Other nations (including the US, Mexico, New Zealand, and Malaysia) rely on central and state governments to establish and oversee the fiscal cadastre and value standards (UN-HABITAT, 2011; De Cesare, 2012). According to the subsidiarity concept, each nation should "unbundle" its tax administration operations and delegate pertinent duties to the appropriate level of government.

This chapter presented the legislative framework that governs Epworth Local Board and possible recommendations that has to be one by responsible authorities such as ZIMRA, Ministry of Local government to improve housing standards in Epworth as they are hindering the process of successful property taxation system implementation in Epworth. Urban Councils Act (Chapter 2019:15) and Valuers Act (Chapter 2017:18) are there to govern and provide the professionals when conducting property valuation for taxation.