

**An investigation into the operations of municipalities in the
administration of the Municipal Property Rates Act in the Eastern
Cape Province**

by

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ABSTRACT

The advent of democracy in South Africa in 1994 brought new challenges in transformation including service delivery and economic development. In order to address these challenges, the new government adopted the approach of bringing government to the people through the decentralization of decision making and devolution of powers and functions. The vehicle through which this was to be done was the institution of wall to wall municipalities referred to as 'local government'. In other words, unlike in the past, all areas of South Africa including rural areas were incorporated into local government structures which were charged with the functions of service delivery and development. In order for these municipalities to carry out their mandates they were classified as 'developmental local governments' and not merely administrative units. They are also autonomous spheres of government.

It was clear from the onset that one of the major constraints faced by the newly created municipalities in achieving their developmental objectives is insufficient financial resources. In terms of the constitution of the country, the municipalities have access to equitable shares from the national coffers and conditional grants from both the national and provincial governments. These are however insufficient in the light of the inherited service delivery and developmental backlogs coupled with the high expectations and impatience of their people who had long been denied these services and developments. Consequently, local government had to find other sources of revenue. One of such sources was to charge service user fees. However considering the state of poverty and unemployment prevailing in most of these municipalities, the revenue base here is very limited. To broaden their tax bases therefore, it became necessary to implement property taxation systems. As a result, the Local Government: Municipal Property Rates Act, 2004 was promulgated.

However, the implementation of the new Act brought along its own problems for local government. Among these is either lack of or insufficient capacity in various areas of implementation. This study has identified such areas as human resource capacities, institutional and environmental capacities and capabilities. International experience has shown that property valuation and collection are the two key success factors within a Property tax administration system. It is also accepted that the administration of the various phases of property taxation rests almost entirely upon the skill and competence of municipal officials. Unfortunately most of the municipalities are incapacitated in these vital areas. To make matters worse, a lot of the municipal areas are operating in environments characterized by abject poverty and unemployment thus seriously narrowing the tax base. Another problem identified is the difficulty of identifying and assessing properties in traditional or tribal areas where communal ownership of property is dominant.

This study therefore has concluded that a lot of the municipalities are not yet sufficiently capacitated to implement the Property Act, 2004. In order for them to be able to implement it efficiently as demanded by the Act and the Constitution, they need to, among other things, design and implement appropriate training programmes for their officials, acquire the necessary technology, develop effective property management information systems, develop billing systems, pass relevant by-laws and muster the political will to assess and collect taxes on properties in their areas of jurisdiction.

The sampling type used in the study is the criterion purposive sampling. This means that only municipal officials directly involved in the administration of the Act (which was the criterion used) were selected for the sample used in the survey. A total of 117 officials made of all municipal managers, chief financial officers and the senior valuation officers of each municipality were surveyed through self administered questionnaires.

It is therefore noted that the findings are limited to the chosen sites and as such any transfer of findings to other areas require further research.

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CHAPTER 1 : NATURE AND SCOPE OF STUDY

1.1 INTRODUCTION

South Africa had its first and democratically elected government in 1994. The 1994 transition to democracy brought fundamental changes for the national, provincial and local levels of government. With the new political dispensation, greater attention is being paid to bringing government closer to the people. The national government that came to power in 1994 recognised the importance of addressing the legacy of apartheid in the urban and rural areas and began to address the concerns of these communities. Local government is the sphere of government which is tasked with addressing these concerns of communities. As a result, national government sought to restore local democracy and governance through the municipal elections of 1995/96. In 1998 the national government published the White Paper on Local Government which set out its vision for the future of Local Government. The White Paper resulted in the passage of the Local Government Demarcation Act (Act No. 27 of 1998) and the Local Government: Municipal Structures Act (Act 117 of 1998). Under the Demarcation Act, a Municipal Demarcation Board was established to assign new boundaries for the different categories of local authorities known as municipalities throughout the country. Developmental municipalities were created after the second elections in 2000 following the passage of the Local Government: Municipal Systems Act 2000 (Act No. 32 of 2000).

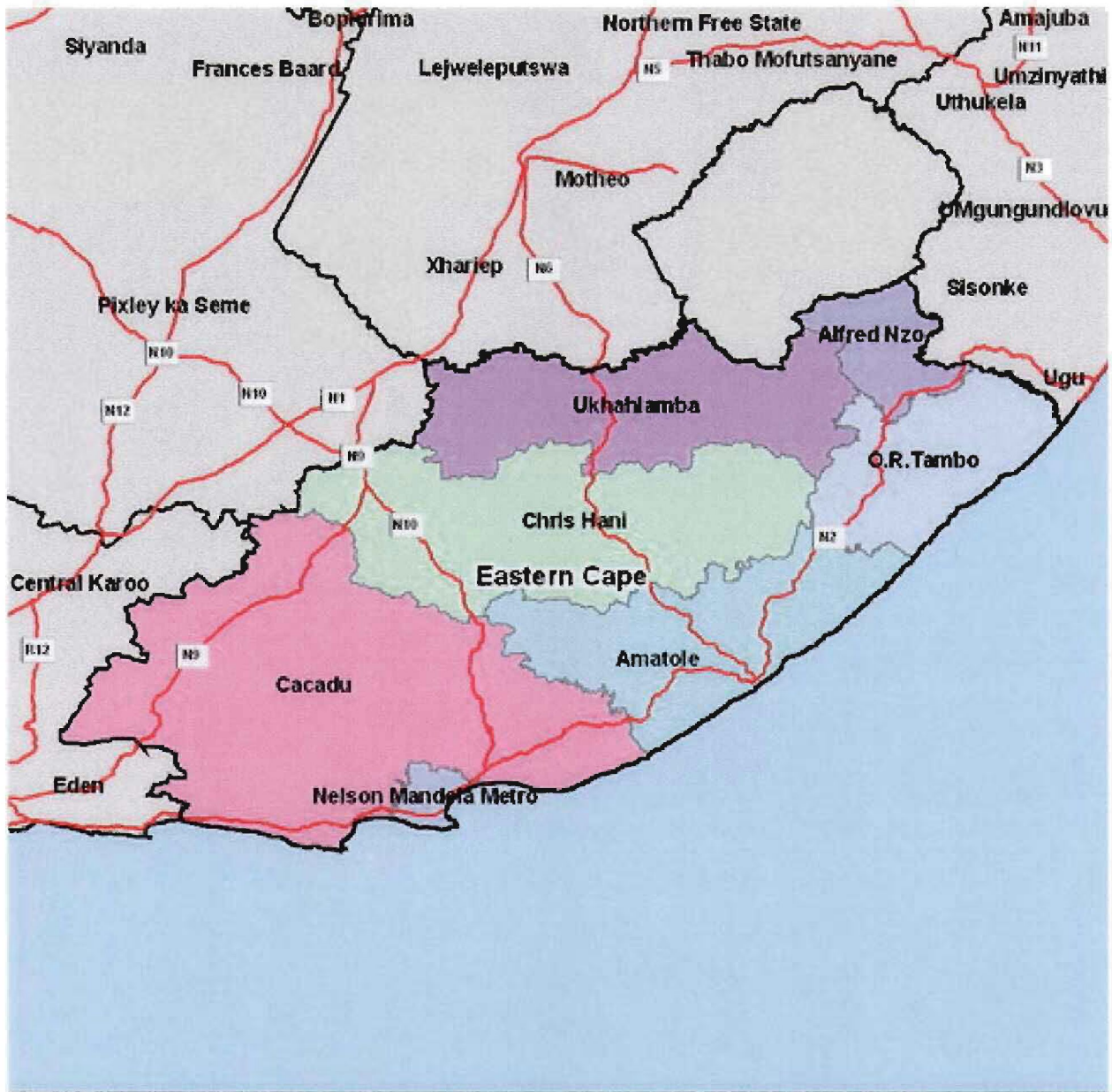
A long history of discrimination in land tenure, housing and local government amongst others was swept aside. The new demarcation involved the administrative amalgamation of existing authorities, and the creation of a new kind of municipality, responsible for several towns and extensive rural areas.

The new municipal structures cover all land areas in South Africa and include rural lands formerly outside municipal areas. This was a process to transform local government and was complete with re-demarcation of all local authority boundaries.

1.1.1 Amalgamation of municipalities

The amalgamation of municipalities in December 2000 brought both urban and rural areas into single municipalities and consequently into common property tax base. South Africa presently consists of a large number of local government jurisdictions established under the local government Act. There are 284 municipalities which are run by democratically elected councillors. This is made up of 6 metropolitan municipalities, 47 district municipalities and 231 local municipalities. There is one metropolitan municipality, six district municipalities and 38 local municipalities in the Eastern Cape (Wikipedia – Eastern Cape, 2007:3). The district municipalities in the Eastern Cape and their physical boundaries are as shown in figure 1.1 while figure 1.2 shows the local municipal boundaries.

Figure 1-1.1: District Municipality Boundaries



Source: www.demarcation.org

Municipalities in South Africa are wall to wall – i.e. they include all rural areas and there are no spaces with different jurisdiction between any two local municipalities. ‘Extending property taxation to tribal land is an area of major political concern and is fraught with practical problems’ (Frenzen, 2000:4). Furthermore, there is no uniformity in the ownership of tribal land and some tribal authorities are not reluctant to accept any form of local government within their area of jurisdiction, let alone any form of taxation of what they consider to be their land. In addition, ‘formal ownership of tribal land seldom reflects the complex system of tenure rights of the individuals entitled to the use of the land’ (Franzen, 2000:4). However, municipalities are not compelled to levy rates in the traditional authority areas. Notwithstanding this, municipalities that decide to rate properties in the traditional authority areas will have to first convert “old order

rights” to the “new order rights” in terms of the process set out in the Communal Land Rights Act, 2004, (Act 11 of 2004) and the property registered in the name of an individual or a community. Identifying the tax payer may be problematic under such circumstances. Even if it were possible to do that and establish an assessed value for tribal property, the abject poverty and inability of residents in many tribal areas to pay any tax will have to be a serious constraint. It was also noted that at present only a few tribal areas receive municipal services that could justify the introduction of a property tax (Franzsen , 2000:4).

1.1.3 Local government administration

The strategic position of the current government on the reform bid is centred on an efficient and effective local government administration as the framework for achieving rapid and sustained economic growth and poverty reduction. However, for various reasons, many of the reform programmes have not fully achieve their objectives. Several Local authorities experience financial crises because of poor financial management practices. In the 1990s property tax accounted for 40% of all sub-national taxes in developing countries (Bird and Slack 2002: 6) but less in many African countries; for instance it accounted for only 20 percent in South Africa (Bahl & Smoke, 2004). Many municipalities argue for new sources of financing, but it is doubtful whether they are, in fact, successfully exploiting and managing their current revenue sources.

Increased demands by communities for more and better services; the ever rising cost of providing services; and a number of legal and political restrictions on raising tax revenue have left many municipalities with inadequate funding sources. These revenue problems stem from structural deficiencies that pose a risk to raising revenue. These on-gong financial problems have prompted many discussions on local government finances.

With this background it is clear why for the past decade, a number of reform initiatives in local government administration to improve the efficiency and service delivery within the municipalities had been launched.

According to Ismail, Bayat and Meyer (1997:5), local government is geared towards promoting the socio-economic development of the local community and the provision of services efficiently and effectively. The suite of legislation enacted to this effect since 1994 include the Municipal Structures Act (1998), - which outlines the structures, functions and powers of municipalities so as to ensure that municipalities deliver on their mandate and the Municipal Demarcation Act (1998),- this focuses on the procedures for determining municipal boundaries in a way that will ensure financial viability. Others are the Municipal Systems Act (2000)- this ensures the establishment of the basic principles and mechanisms that will give effect to the concept of developmental governance by providing a framework of internal systems and administration of the municipality; the Municipal Finance Management Act (2003) with the objective of securing sound and sustainable management of the financial affairs of municipalities and other institutions in the local government sphere, and the Municipal Property Rates Act (2004) which aims to regulate the levying of property rates forms the foundation of the new local government system, with the objective of strengthening accountability, financial sustainability, improved planning, enhancing transparency and ultimately at improving delivery of essential service to communities.

1.1.4 Characteristics of Property Tax

Local government provides the basic fundamental services that residents demand. To be able to address the community demands, municipalities need funding to enable them to finance services to be rendered to their communities. Local authorities have various sources of income besides the grants received from national and provincial governments. Thornhill (1995:100) refers to some of the sources of income as property taxation, service charges and trading services.

The property rates are taxes based on market value of properties within the municipalities, service charges include sewage and refuse and trading services encompass the likes of electricity and water distribution. Section 4 (1) (2) (ii) of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) authorises metropolitan and local municipalities to levy and recover property rates. According to Cloette, property rating in its current form in South Africa, is not new but was introduced with the Cape Province Municipal Ordinance long time ago in 1836 (Cloette, 1997: 120).

1.1.5 The Municipal Property Rates Act of 2004 (Act No. 6 of 2004)

In June 2004 the Municipal Property Rates Act (MPRA) was promulgated as an acknowledgement that the implementation of local government reforms was critical to the government's vision of improved community living conditions. The MPRA (Act 6 of 2004) was promulgated to guide municipalities in their rights to levy rates on all property subject to regulation by national legislation. The introduction of the MPRA was to streamline the processes in the present situation where both urban and rural areas are accommodated in a single municipality. The MPRA repeals the old provincial ordinances that previously regulated municipal rating policies and establishes a national framework within which local government may adopt new rates policies.

The Act requires that a rates policy is adopted and General Valuation of all properties in a municipality be carried out with market value of properties as basis for valuation. The valuation roll prepared after valuation of properties is used as the basis to levy property rates. Municipal property rates are a cent amount in the Rand levied on the market value of immovable property (Land and Buildings) and this is imposed on property owners in the jurisdiction of a municipality. It is an ad valorem tax that depends on the value of the property.

The owners of property in municipal areas have to pay a tax based on the market value of their properties and rates determine by municipalities in order to help finance municipal services. While this tax is by no means the sole source of municipal income, it is an important source, for without it, municipalities would be unable to function effectively. The finalization of this new legislation governing property rates represents another milestone for the local sphere of government.

Before the promulgation of the MPRA property was rated in terms of the old Provincial Ordinances (of the former Cape, Natal, Orange Free State and Transvaal provinces), and especially in the urban areas. The MPRA replaces the old system of property valuation and rating based on the old Provincial Ordinances. It does not give municipalities the original power to rate municipal properties; it merely seeks to regulate an original power vested in municipalities by the Constitution.

Until the passing of the Municipal Property Rates Act (MPRA) only properties in the urban areas were subjected to property rates. Properties in the rural areas were not subjected to property taxation or rates. In terms of the act, every property within the jurisdiction of a municipality has to be identified and rated and the tax on it determined consequently paid by the owner of the property to the municipality. There are however certain exemptions. This means that in some municipalities new valuations will have to take place. The act is meant to assist municipalities to broaden their rate base to include previously-excluded property and provide transitional rules to phase in rates in these areas. Furthermore, it provides uniform national rules regarding valuation and appeals, rating policy and rates setting (MPRA No 6 of 2004).

The formation of new municipalities by bringing together several former black areas will require an entirely new tax rolls to be created.

The Act, while permitting the levying of rates, also requires that the poor are taken into account, provided that such consideration is not arbitrary or haphazard. This is clarified from section 3(6), of the Act that prohibits a municipality from granting relief to property owners on an individual basis. Rather the poor and other vulnerable sectors must be catered for in terms of a rates policy that sets out the criteria for identifying categories of property owners that may benefit from alleviation measures. Thus the alleviation must be done in a fair and structured manner. The Act requires valuation to be based on the market value of a property, namely land and improvement. Should the rate base increase substantially owing to the new market-based valuation roll, municipalities should reduce rate in the Rand levied (Franszen, 2006:5).

1.1.6 Objectives of the Municipal Property Rates Act

The Local Government: Municipal Property Rates Act, 2004 (Act No 6 of 2004) replaces several outdated provincial ordinances and provides a common basis for rating and the valuation of property.

According to the provisions of the Act, the Act is implemented to:

- regulate the power of municipalities to impose rates
- provide a uniform framework for regulating the rating of property throughout the country
- make provision for fair and equitable valuation methods of property
- make provisions for municipalities to implement a fair system of exemptions
- reduce rebates through rating policies
- assist in building economically and financially viable municipalities that are enabled to meet the service delivery priorities of their communities (MPRA No 6 of 2004).

In South Africa, just like all other democratic countries in the world, property rates are an important source of income for the municipality, to pay for general services and facilities which municipalities provide to the people of the area. Property taxation is a major resource of funds for municipalities and thus the effective implementation of its administration is of utmost importance.

1.2 PROBLEM STATEMENT

The province of Eastern Cape is situated on the South East coast of South Africa. According to Wikipedia – Eastern Cape website (2007), the province is one of the poorest in the country. It is also the second largest province having an area of 170616 square kilometres with a coast line of some 850 kilometres along the Indian Ocean.

The rapid rate of urbanization in the Eastern Cape and the need to provide employment opportunities, housing and infrastructure, social amenities and a generally acceptable urban environment, has become the most important development challenge in the province. A major question regarding the administration of the Act which is primarily responsible for this study is the issue of efficient and effective administration of the property taxation in municipalities. Municipalities in South Africa are grappling with operational problems and the efficient management of this revenue-generated activity is a cause for concern for both government officials and rate payers (Rosengard, 1998:10). The functioning of some municipalities in the Eastern Cape Province, in terms of their revenue generation and property taxation in particular, to fund projects has been below expectation. Both officials and property owners are perceived not to be very conversant with the Act and consequently its operations, and there has been much controversy and debate on its successful operation. There are indications that because of resources and capacity constraints most municipalities might not be able to fulfil the legislative requirements to implement the administration of the Act (Kelly and Masunu, 2000:8).

However, any successful income-generating operations in the form of property taxes that the municipality can raise from all people and businesses that owned fixed property in the municipal area is necessary to put the municipality in a sound financial position.

Local governments across the nation are struggling to raise revenue to pay for public services. Increased demands by citizens for more and better services have left many South African local governments in dire financial straits.

The on-going fiscal problems have prompted many discussions in recent years about the finances of local governments. Without reforms to ensure stable tax revenue local governments could be weakened to the point of irrelevance.

1.3 THE NEED FOR THE STUDY

Raising revenue through the taxation of properties is a function of municipalities and is governed by the Municipal Property Rates Act (Act No. 6 of 2004). The local Government Municipal Property Rates Act came into effect on the 1st of July 2004 and regulates the power which the municipalities have to levy rates. In essence the act seeks to expand the revenue base so as to maximise the revenue municipalities collect in order to fulfil its developmental objectives.

The poor administration of the property taxation functions at municipalities has been a long standing problem (Vander Ploeg, 2004:3) and thus, has to be thoroughly investigated to determine improvement opportunities. If municipalities adhere to the principles articulated in the Act, a more uniform and efficient property tax system will play an important role in the revenue – generation initiatives of municipalities. Facilitation, capacity building and effective administration are all vital to the successful implementation of the Act. Effective financial management can help municipalities to transform their local areas into a better place to live and work.

If the act is implemented successfully, it will generate more revenue for municipalities to fund their development initiatives. Thus the need for this study to identify the challenges pertaining to the administration of the Act and making recommendations.

1.4 OBJECTIVES OF THE STUDY

The objective of the study is broken down into primary and secondary objectives.

1.4.1 Primary objectives

The main objective of the study is to survey the municipalities in order to: (1) examine their relevant operational activities and performance in terms of the administration of the implementation of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and (2) to make recommendations for the improvement of its effectiveness.

1.4.2 Secondary objectives

This report is set to achieve the following sub-objectives: to

- examine the municipal property taxation processes
- identify the institutional capabilities of the municipalities
- determine the financial capabilities of the municipalities in property taxation
- identify the problems and challenges that would be encountered by the municipalities in the administration of the Act.
- make recommendations for the effective and efficient administration of the Act.

1.5 SCOPE OF THE STUDY

This study covers only the municipalities in the Eastern Cape and more importantly those in the eastern part of the province (O. R. Tambo and Alfred Nzo District Municipalities). This area of the State is selected because it is one of the poorest in South Africa and also has resource constraints. Furthermore, it encompasses tribal areas, where land is communally owned and the application of the Act (Act 6 of 2004) faces a lot of challenges.

1.6 RESEARCH METHODOLOGY

The research methodology as a way of obtaining information for this study was two pronged, encompassing a literature study and empirical investigation.

1.6.1 Literature study

The aim of the literature study is to obtain theoretical knowledge of the operation of the Act as a revenue generation tool. The literature study was further be used to determine and streamline the best practices in the efficient and effective administration of the Act. The knowledge gained from literature study also assisted in gathering information to identify areas that will require improvement in effectiveness in the administration of the Act. Furthermore, the information obtained was be used to develop the questionnaire for the empirical investigation. Background of taxation in municipalities was studied, but then only recent literature in the field of municipal property administration was used.

1.6.2 Empirical investigation

Empirical data was gathered from municipal managers, selected municipal staff and property valuers. The responses from these respondents ware used to review the current administration of the Act.

It was also used to determine the gap between the actual situation and the optimum or desired state in the municipal property taxation administration in the Eastern Cape Province. Furthermore, it helped to identify appropriate areas for improvement and subsequently decide on the type of intervention required to improve the processes' effectiveness. Thus, the main purpose of the empirical investigation was to gain a management perspective and in-depth comprehensive information on the administration of municipal property taxation in municipalities in the Eastern Cape Province. The involvement of property valuers will assist the study to gain insights into the Act as they were involved in the drafting of the Act.

Data gathering for empirical data - survey

Both primary and secondary data was obtained in this study to gain in-depth and comprehensive information.

Secondary data

Data for the investigation was obtained mainly from government publications, research reports, books, journals and pamphlets, World Wide Web sites and information through questionnaires. Because of insufficient information on a number of local jurisdictions, the study had to rely on the empirical studies to begin to understand how the municipalities have come to grips with the enormous task of extending property taxation into areas not formerly taxed and also harmonizing systems in formerly taxed areas now brought into a single expanded local government area.

Primary data

Municipal managers, Chief financial officers and Senior Valuation officers in all the 39 municipalities (38 local municipalities and one metropolitan municipality), were surveyed through self-administered questionnaires.

1.6.3 Development of the questionnaire

The questionnaire for the empirical study was developed from the information gathered in the literature study. The questionnaire consisted of close-format multiple-choice questions. The Municipal managers, as well as Chief financial Officers and the Senior valuation officers were asked to respond to the questionnaire to obtain their inputs on the state of the administration of the property tax Act in the Eastern Cape Province.

1.6.4 Analysis of data

The data obtained from questionnaire and the responses from the interviews were analysed in relation to the objective of the study. The responses from the questionnaire were organised into appropriate format and statistically analysed. The statistical analysis of the data was done by utilizing Microsoft Windows Excel to organise the numerical data obtained from the questionnaire. The main statistical measures used in the analysis are the percentages of responses computed for each attribute within a construct and the arithmetic means of the rankings of the attributes for each construct. Responses were scrutinised to determine facts and perceptions about the successful implementation of the Act. The analysis was also used to identify the inputs and outputs to the implementation process of the Act in order to improve its effectiveness.

1.6.5 Summary of research methodology

The methodology of this study was by literature study and empirical analysis. Data gathering was by both primary and secondary data. Data analysis for the empirical study was done with Excel Statistical operations of Microsoft Windows Office.

1.7 LIMITATIONS OF THE STUDY

1.7.1 Assumptions

It was assumed that respondents had a clear picture of the capabilities of the municipalities due to their work responsibilities. Furthermore, since the respondents worked frequently with other officials in the same industry with similar responsibilities, they had a good opportunity to express their views of the municipal property taxation to other officials in the local government administration.

1.7.2 Limitations

The primary limitation of this study was time and processing resources. There was not much time to deliberate with the municipal officials. The timeframe for answering the survey was between 1st September and 15th September of 2007. More so, some of the respondents have insight in the administration of the municipal property taxation but are not property valuers, and thus are unable to have a good understanding of property valuations. It should also be noted that the findings are limited to the chosen sites and as such any transfer of findings to other areas require further research.

1.8 LAYOUT OF THE STUDY: CHAPTER OUTLINE

Chapter one of the study as indicated dealt with the statement of the problem, the objectives and why the problem was worth investigating and concluded with the chapter outline.

Chapter two of this dissertation covers the related literature. The historical overview of literature on the municipal property taxation was discussed briefly. Literature on property taxation in general and in particular through the Act 6 of 2004 was also analysed.

Chapter three dealt with the methodological issues of the study, pertaining to data collection, analysis and interpretation. It dealt also with the interviews, and questionnaires.

Chapter four presented the analysis and summary of the findings of the study.

Chapter five represented an attempt to identify the challenges and shortcomings pertaining to the administration of the Act and the factors that hindered the development of an effective administration. It assessed the policy implementation process in terms of achievements and failure against the objectives

The final chapter of the study concluded by taking a future look at the province and lessons learnt from objectives and actual administration of the Act and make recommendations.

CHAPTER 2 : LITERATURE REVIEW

2.1 INTRODUCTION

Property tax administration is a major issue in many municipalities in South Africa as they realise the importance of creating a cordial relationship with residents and property tax payers. Managing the property tax administration effectively has become a way of improving relationship by reducing the perception of unfair property assessment and enhancing better understanding between municipalities and communities (Franzsen, 2006: 8). A successful administration of a property rating system depends on the legislative environment, the processes of valuation, billing system, collection and the attitude of municipal officials among others (Plimmer, McCluskey and Connellan (2000: 19). Franzsen (2000: 4) also believes that the key to effective property tax administration is getting tax payers to be convinced of their property assessment. Misunderstanding on the part of tax payers tends to jeopardise the entire exercise. In order to gain sufficient understanding of the contemporary views on these factors in the context of this research, this chapter reviews scholarly works from various sources. The review comprises both theoretical and empirical studies on the subject. Various forms of property taxation have been used throughout history. In order to put an effective administrative system in its proper context it is helpful to first examine the recent operations of the property administration system.

2.2 THE IMPORTANCE OF PROPERTY RATES FOR MUNICIPALITIES

Local government is geared towards promoting the economic development of local communities and they (local authorities) are therefore, expected to conduct their affairs in an effective, economic and efficient manner (Municipal Systems Act, 2000). Such best practices will enable municipalities to optimise the use of their limited resources to meet their objectives. Property

taxation is the backbone of municipal finance in a number of both developing and developed countries and services they provide are partly paid for through the imposition of property rates on residents (Kitchen, 2003: 8). It is mainly accepted that property tax is favourably suited to generate revenue to finance local government infrastructure development and provision of municipal services (Kelly, 1998: 6). Local governments supply a range of services from those that exhibit mainly private characteristics (including water, sewers, solid waste collection) to those that exhibit mainly public goods characteristics (local streets, street lighting, fire and disaster management services). In this regard, note is taken of the conclusion reached by Youngman and Malme (2001: 1) as they look at property tax reform in Central and Eastern Europe. Specifically they concluded that “property taxation has taken on new importance, serving not only as revenue instrument, but also as an adjunct to decentralization and privatization”.

In 1994 when the independence of the New South Africa was restored, the resulting political and social changes invoked changes in the legal and economic framework and significantly on taxation of property as revenue resource. Property rates are an important source of revenue for municipalities and according to the Constitution of the Republic of South Africa (RSA, 1996) “there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfil its developmental objectives”. In terms of this mandate The Municipal Property Rates Act, (Act 6 of 2004) was promulgated on the 11th of May 2004 and the effective date destined to be on 2nd July 2005. This Act does not introduce a new tax system but rather consolidates the current multitude of property rating systems (MPRA, 2004). The authority of municipalities to levy property rates emanates from section 229 (1) (a) of the constitution.

2.2.1 Capacity building and capacity

The literature on property taxation has provided so far little attention to the issue of administration of the system in the municipalities. On capacity building, the same holds true for municipalities. Where municipalities lack the necessary capacity in human resources and information technology infrastructure for performing their financial administration functions, they are likely to encounter same in the administration of the property taxation system. Over the years however, the administration of the property taxation has not been without controversy. In recent years a lot of municipalities in the study area had to be supported by the National Government through Project Consolidate in financial management (DPLG, 2006) as a result of their inability to provide adequate services to their communities. Satisfactory provision of service is informed by two main factors. These are funding for projects and services, and operational activities.

The operational activities are mainly in the domain of human capital. Healy (2001: 312) contends that the role of training in building broad-based capacity within public service organizations has never been disputed. However, it is essential that the design of training programmes must meet the objectives of delivering appropriate knowledge skills that enhance the effectiveness of staff.

2.2.2 Valuation and collection of rates: Key success factors

Property valuation and collection are two key success factors within a Property tax administration system. Thus the effective administration of any property taxation depends mainly on the assessment of properties (Andelson, 1997: 5). He contends that unless it is both accurate and up-to-date, the success of the programme will be severely compromised.

The property tax process is characterised by a range of activities (namely identification and survey, valuation and assessment) and ends with the billing and collection of rates (Kelly and Masunu, 2000: 15). Beaumont (1994: 5) on consideration of optimal property taxation is of the opinion that the challenges central to property taxation administration throughout is the perceived fairness of the property valuation.

Franzsen (2006: 5) in his presentation in a seminar, focused on tax base, assessment and tax-rate related issues. The presentation provides comparative overview of the annual tax on immovable property levied in Anglophone countries in Africa. He contends that many African countries continue to use the ad valorem property tax system where assessment is based on market value of property and requiring physical inspection of the properties. Furthermore, he argues that, while problems related to property tax administration is not explored, and merely accepted as significant, it is suggested that questionable policies and outdated legislation pertaining to tax base and assessment are also important contributing factors resulting in under-performance of property tax as a revenue source for local governments in Africa.

From the above it is noted that for any property tax system to achieve the desired outcome, there is the need for an appropriate policy and legislative environment. In fact, all the links in the process needs to be properly maintained (Kelly & Masunu, 2000: 8). Of possible tax alternatives for local governments, the property tax meets the requirement better than any other tax. This includes amongst others: stability and predictability over time, the incidence is on tax payers in the taxing jurisdiction, visibility to ensure accountability and it is transparent and easy to administer. It has the potential to generate significant levels of revenue, but it can also consume significant resources in its administration. Rosengard (1998: 10), comments that property taxation is an appealing revenue generating option but it continues to be plagued by technical, administrative and procedural problems.

Kelly (1998: 3) suggests that a comprehensive billing and collection system needs to rely on a combination of incentives which focuses on the ability of local government to raise revenue and how any shortfall in revenue can be bridged. The property tax system is comprised of two distinct processes – calculating the assessments, and setting the tax rate. The valuer calculates the value of the property and the municipal council is responsible for completing the second process.

The administration of the various phases of property taxation rests almost entirely upon municipal officials. For example (Franzsen, 2006: 12) in his study identified skilled municipal officials as one of the major resources for effective administration of property taxation. It involves the development and adoption of rating policy, the identification of properties to be taxed, their valuations, application of appropriate tax rate and collection. Studies such as Kitchen's (2003: 3) provide a useful, albeit broad quick rough capture to document the process on identification, assessment of properties and collection of rates as important factors for vital organizational outcomes such as adequate consultation with communities and their willingness to pay rates. The importance of property taxation as a tool of revenue generation has been recognised by a number of authors. But then, much as a lot has been written about local government finance and property tax, the situation is not the same when it comes to the reforms in property taxation in the municipalities in South Africa.

2.3 INTERNATIONAL EXPERIENCE: PROPERTY TAXATION SYSTEM IN DEVELOPED COUNTRIES

It is a widely held belief that simplicity and fairness should lead to an efficient system, and if assessment, billing and collection is straight forward then administrative cost can be kept at a minimum (McCluskey et al., 2003: 10).

If the tax payers perceive their bills to be fair, the expensive appeals would be minimized. With this in mind many countries have embarked upon valuation work and mapping projects to ensure effective administration of the property tax. The tax is applied differently in different areas and a number of approaches to property taxation have been taken by municipalities around the world. In the United Kingdom the system of local government finance is no new phenomenon. There has been a steady stream of official studies for property rates reform since the end of the Second World War (Smith and Squire, 1987: 20). The disadvantages of the system have tended to include the arbitrary nature and lack of uniformity in valuations according to O'Brien (1988: 349). Trotman-Dickenson (1996: 20) is of the view that property taxation is a disincentive for property owners to improve their property. This is due to the fact that rating assessment on similar properties varies among different rating areas. This argument however did not stop the British government and their municipalities from collecting property rates. In the United Kingdom, a number of alternatives have been suggested as possible replacements including local income tax and local sales tax (DOE, 1998a), but none of the possibilities has reigned over property tax as municipalities' own revenue source. The rating system in the United Kingdom according to Mallett (1995: 15) has proven to be a success story in terms of administration.

In the United States, property tax is assessed by local governments at municipal level and it provides a stable and longstanding revenue source that serves as a mainstay of autonomous local government finance (Youngman, 1994: 1). However, local governments across the United States are struggling to raise revenue to pay for public services. These revenue problems are not the result of economic downturn. Rather the problems arise from structural deficiencies that pose a risk to raising revenue (Youngman, 1994: 60-77). According to Youngman (1994: 60-77), the on-going fiscal problems have prompted discussion in the recent about the future of local government finance.

In line with this, a wide variety of organizations have been debating how local government will continue to pay for public services provided to communities (Bird, 1990: 278).

According to Mallet (1995: 1), "Canada is the world champion of property taxation." In Canada a number of provinces levy property tax on properties based on current use and the value of property (Mallett, 1995: 15). There is no gainsaying the fact that property taxation systems in South Africa may be benchmarked against that of Canada for continuous quality improvement in its administration.

In a comprehensive comparative analysis (Vander Ploeg, 2004: 3) conducted on municipal property taxes in the big six western cities (Vancouver, Edmonton, Calgary, Saskatoon, Regina and Winnipeg) in Canada in 2000, it was found that local government taxes (of which 90% come from the property tax) have actually fallen as a percentage of GDP. Local government taxes were 4.2% of GDP in 1961 but only 3.16% in 2000. If local taxes were collected at 4.2% of GDP in 2000 instead of the 3.1% another 10,6 billion Canadian dollars would have been collected in that year alone. This study highlights the possibility of inherent problems in the administration of the property taxation (Vander Ploeg, 2004: 3). Plimmer, McCluskey and Connellan (2000: 19) contends that a low property tax burden that is declining relative to historical levels implies that there is more room today for municipalities to employ the tax as one means of addressing any under-funding of municipal services. This must be implemented effectively with the understanding and acceptance of tax payers. In property taxation system it is the acceptance of the process and its underlying basis by those who are taxed which is vital to ensure any kind of success, including the achievement of an acceptable level of revenue compared to cost involved in administering the tax (Plimmer et al., 2000: 50).

In 1995, the Municipal Government Act of Canada was adopted by the Government of Alberta.

The Act consolidated a number of acts governing municipalities, including the Municipal Taxation Act and other valuation for assessment related legislation (Guide to Property Assessment and Taxation, 1995: 4). The Municipal Government Act gives direction to municipalities to prepare assessments every year. This Act compared to the Municipal Property Rates Act (MPRA 2004) of South Africa shows a lot of similarities in the administration of the MPRA. For example assessment of properties is based on market value in both legislations.

2.4 INTERNATIONAL EXPERIENCE: PROPERTY TAXATION IN SOME DEVELOPING COUNTRIES

De Cesare's (1999: 2) paper on property taxation in Brazil covers legislation, practices and attitudes of municipal officials. The political, legal and practical obstacles that have been responsible for the maintenance of inequities and inefficiencies in property taxes in many local authorities in Brazil are discussed. In the study it came out that factors contributing to the ineffective administration of the property tax included the following:

- Transfers from the national government discouraged the municipalities to rely on their own taxes,
- Lack of transparency in the assessment of properties, and
- Inability of property valuers to take advantage of new technologies for data gathering and property valuations to ensure efficiency and effectiveness of the administration.

A study by Paderanga (1984: 6) reviews real property taxation in Philippines with explanations of the basis of assessment of property taxation, tax rate, tax computation and the collection process. Preliminary analysis of the incidence allocation effect of real property tax is discussed in the paper.

The study shared light on the pressing issues plaguing the administration of property taxation. These include limited taxing capacity of local authorities due to the effects of other special levies, limited capacity of assessors due to lack of adequate tools such as tax maps and adequate training and difficulty of determining ownership of property. Kelly's (1998: 3) paper on property taxation addresses problems that are involved in introducing property tax system in Sub-Saharan Africa. In this report in addition to pointing out the possible problems, the author quite clearly sets out the historic solutions and establishes what he determines to be the critical factor. The important but often ignored element, namely collection and its relevance to the overall process is not sufficiently dealt with by the administering authorities.

Empirical studies on efficient administration of property taxation can be found in (McCluskey et al. 2003: 6). In their study, the researchers examined the implementation of property taxation in some municipalities in Tanzania. Their report is based on extensive site and field work in that country. It highlights the difficulties faced by municipalities in introducing a property tax system. Some of these are:

- Inadequate skills and negative attitudes of municipal valuers who were also overburdened,
- Inadequate physical capacity in terms of extending the valuation roll to cover such areas as informal settlements,
- The reluctance of municipalities to allocate adequate funding towards the administration of the property tax, and
- The politically sensitive nature of property taxes affects the willingness of some municipalities to enforce collection.

In addition, a strategic framework of property taxation reform that should be of assistance to other developing countries is provided. It discussed issues on property identification, valuation, assessment, billing, collection and enforcement.

The researchers believe that the administration of these elements proved to be major challenges for most of the municipalities (McCluskey et al, 2003: 7). Given the experience, there are a number of lessons that can be important to other developing countries. Such lessons include:

- Merely having a property rates system in place does not guarantee its success if it is not properly administered,
- An effective supporting tax management information system needs to be put in place,
- Valuation processes should be simple,
- Councillors need adequate training to enable them to fruitfully partake in the various processes of the property tax system,
- More and appropriately skilled municipal valuers are needed,
- Municipalities need to formulate property tax policies that can generate enough returns, and
- The factors inhibiting property tax collection include, lack of taxpayer understanding of the tax process and how it is collected, the enforcement procedure in place, and transparency in the disbursement of the revenue generated from the tax.

2.5 EXPERIENCE IN OTHER PROVINCES OF SOUTH AFRICA

An article by Lehohla (Government Statistician -General) in the Business Report (2006) reveals that assessment rates showed an increase of 16.6% over the two years between 2004 and 2005 in all provinces. Limpopo reflected the highest increase with 39% followed by North-West with 27%. The Eastern Cape was the lowest with 11.7% followed by Gauteng with 12.5%. (Lehohla, 2006: 1). This goes to confirm the need for a drastic analysis in the administration of property taxation in the Eastern Cape Province. A study by Bell & Bowman (2002: 9) on the extension of property tax into previously un-taxed areas in South Africa was conducted in 2002.

In the study, a systematic examination of how areas previously outside the property tax base were brought into it following the municipal amalgamation in 1995 and 2000 was undertaken. In this study the authors found out and concluded that for equity and the long term acceptance of the property tax as legitimate revenue source for local government, each of the newly created local governments must move as quickly as possible to create a uniform system of property taxation within its boundaries. Notwithstanding this finding, the effective and efficient administration of the taxation in most municipalities still stands to be addressed.

The majority of literature on property taxation in post-apartheid South Africa has dealt with general property assessment issues. However, the issue of direct human and processes factors in the operations of municipalities in the administration of property tax has not been adequately highlighted and since it is an important revenue resource of local government, there is a need for their efficient administration. The property tax process is characterised by a range of dynamic activities overtime rather than a singular event (Keith, 1993: 5) and more often municipalities face several operational difficulties in the administration of the scheme. Data collection must be valid and property valuers should be perceived to be people of integrity. The growth of Africa's towns and cities has outpaced local authority capacity for service delivery in terms of management and financing (Mccluskey et al. 2003: 3).

The municipalities that have recently been instituted have not been restructured to cope with the fast growing urban population (Beall 2000: 2). Slater, (1997: 3) contends that they consequently, find themselves struggling to cope with the required operations to manage the cities and towns. Insufficient qualified staff, inappropriate and inaccurate property information and supporting information systems are documented as some of the problems encountered. The majority of literature on property taxation in post-apartheid South Africa has dealt with general property assessment issues.

These issues include:

- the existing revenue collection administration is generally inefficient,
- poor work ethics of tax administrators, and
- low skills and satisfaction on the part of municipal staff.

2.6 SUMMARY

The literature reviewed has revealed that for local governments to meet their increasing mandates of service delivery and other municipal functions they need other sources of revenue apart from service user fees. One such source is the property rates tax. It has also come out that the property tax system has many advantages over many revenue source alternatives. Such advantages include predictability, accountability and responsibility which all have to do with administration of the system. This chapter went on to examine the various processes involved in the planning, development and implementation of an efficient property taxation system. In addition to these various factors which contribute to acceptable standards of the property taxation system were discussed from practices in other Provinces of South Africa and internationally.

A number of studies analysed have contributed to this chapter. As must therefore be expected, the literature exhibits considerable variety. Some concentrate narrowly upon the bare facts of property taxation policy and legislation often with statistics but little evaluative comment of administration. This paper demonstrates from an analysis of some different property tax systems that a number of important issues can be isolated to develop a theory of best practices. The success and failure stories of identified municipalities are an indication that the potential of the property tax to meet fund requirements and operational needs of local units has not been fully exploited. Opportunities for improving property taxation include many aspects of its administration.

These include the development of a support information system that is effective enough to handle the tax database. This will enable tax administrators to be current with issues relating to billing taxpayers, tax defaulters, accrual of penalties and which enforcement mechanisms have been employed. Another lesson learnt relate to the problems of tax collection which include, lack of taxpayer understanding of the tax process and how it is collected, the enforcement procedure, and transparency in the disbursement of the revenue generated from the tax. Achievement in other places demonstrates that assessment can be done in higher standards than are being tolerated in the province. It appears that effective administration of property taxation is imperative for communities to accept the taxation and effect payments.

One thing which is suggested from the reviews above is that assessment of properties is highly important to shape effective property taxation programme. Observations from these discussions indicate that to be successful, strategies to support local government finances must be started with an analysis of the current situation and then determine the desired state. The whole picture of the operations needs to be considered and planned. From the discussions above, it is apparent that the most efficient, uniform, accountable and transparent municipal taxation system around the world exists where the following conditions among others are met.

- All taxable properties are identified, described and recorded on the assessment roll
- Assessment is updated as frequently as possible, ideally on an annual basis, so that the tax base is current, uniform, consistent and fair.
- Tax billing and collection is an administrative function administered on regional basis.

Operations of the municipalities in the local government setup as regards the Municipal Property Rates Act, is concerned with management of the processes by the municipalities to create and deliver value in their service delivery to their customers. These processes are the assessment of property values and the rating on property values. Effective process management is crucial in transforming from old to a desired new way of processing things.

The physical and information flows associated with these processes are of a major focus in the administration of the taxation. In summary, the studies reviewed above indicate that effective administration of property taxation all over the world have inherent problems that have to be identified and corrective measures implemented. The Canadian practices and those of some of the developed countries are some of the practices that can be emulated.

The next chapter discusses the empirical research design and methodology.

CHAPTER 3 : RESEARCH METHODOLOGY

3.1 INTRODUCTION

Current policies of the national government highlight the need to improve the quality of service in generating revenue through municipal property taxation. Recognising municipalities' expectations and performance in the administration of the MPRA is a method of proactively dealing with service shortcomings. The purpose of this study is to survey property taxation authorities (metro and local municipalities) to elicit their perceptions and operations regarding the administration of the property tax in terms of the Municipal Property Rates Act (Act No 6 2004). Municipalities' views and attitudes towards property taxation operations are important to determine whether the administration meets the expectation and to judge service satisfaction. One way to begin the process of evaluating the process of the municipalities is to gather information from the municipalities. Questions about the important activities culminating in the payments of property taxes could yield responses offering insights regarding best practices for effective administration of the scheme. This chapter describes the study methodology, empirical framework, design, and the target population of the study. Furthermore, the constructs for the analysis were explained to eliminate misunderstandings. In addition, instrumentation research controls, and data analysis were discussed.

3.2 DEFINITION OF AND MEASUREMENT OF CONSTRUCTS

From the review of the literature, it has been observed that for the effective execution of the scheme, the following constructs (rating policy, identification of properties, valuation, billing and collection) must be effectively and efficiently managed to the satisfaction of tax payers in communities.

Thus these constructs were used to develop statements (which are also referred to in this document as ‘attributes’) to explore the system further. Below are the definitions of the constructs based on the MPRA (Act No 6 of 2004)

Rating Policy

A document indicating municipalities’ categorization of areas and rate payers, and the criteria to be applied in creating the categories of areas subjected to exemptions, reductions and payments of rates.

Property Identification

The act requires all taxable properties to be identified and described on the assessment roll. Assessment roll should include the address of the property, its owner, building and erf size.

Valuation

Uniformity in the determination of the market value of the property. Market value is the price that is determined between a willing buyer and a willing seller in an arms length deal. Neither of them is supposed to be under any form of pressure.

Billing

Preparation of tax roll, establishing tax liability for each property and ensuring that tax bills are mailed to all property owners.

Collection

Collection of the specified tax and the enforcement of the policy

Each of the defined constructs was measured using a five-point Likert scale questionnaire. The scale ranges from 1 to 5 with the former representing 'irrelevant/strongly disagree' and the latter representing 'critical/strongly agree'. This means that as all the questions were described positively, a high agree score (i.e. 4 or above) indicates the respondent's satisfaction or good performance of the municipality. Where scores fall below 2.5, this suggests the municipality as a whole has under-performed. Similarly, a high 'importance' score (4 or above) suggest that municipalities believe that the item refers was an important in the administration of the Act. In this study 'quality' was referred to as the conformance to requirements rather than goodness. The 30 statements (attributes) employed to assess the property taxation administration capability were all related to one of the 5 constructs.

3.3 RESEARCH DESIGN

The information for this study was based on survey, since its objective is to undertake a broad overview of the population of all municipalities who are involved in the administration property taxation in the Eastern Cape Province. The survey was in the form of questionnaires submitted to municipal managers, chief financial officers and valuation officers of the metropolitan and each local municipality. It is necessary to elicit response from the municipal staff as they are responsible for the effective operation of the property taxation system. The constructs measured in the questionnaire are as follows: rating policy, identification, valuation, billing and collection. Each construct consisted of 6 questions which are referred to in this study as 'attributes'.

3.4 TARGET POPULATION

The population for the study consists of 38 local municipalities and one metropolitan municipality of the Eastern Cape Province.

3.5 SAMPLING

3.5.1 Sampling Procedure

The sampling type used in the study is the criterion purposive sampling. According to Patton (1990: 20), in purposive sampling, a set of criteria are pre-determined and all cases that satisfy those criteria are picked. Patton (1990:20) also alleges that this sampling procedure is ‘very strong in quality assurance’. The choice of this method for the study is justified by the fact that only a particular group of municipal staff are directly involved in the implementation of the MPRA, 2004. As such the criterion used in the selection of the respondents in the study is, ‘municipal officials involved in the implementation of the Local Government Municipal Property Rates Act, 2004 (Act No 6 of 2004)’. The criterion used is also in conformity with the Local Government Municipal Finance Management Act, 2003 (Act No 56 of 2003, Section 78) which charges specific municipal officials with the collection of all rates due to the municipality (Section 78 (1) (e)).

3.5.2 Sample size and composition

A sample size of 117 drawn from 38 local municipalities and one metropolitan municipality in the Eastern Cape Province was used in the study. This was made up of:

- 39 municipal managers who are also the Chief Accounting officers of their various municipalities,
- 39 Chief Financial officers – one from each municipality and
- 39 Senior Valuation officers – one from each municipality.

These are the municipal officials responsible for the implementation of the Act (MPRA, 2004) and as such satisfy the criterion used for the sampling procedure. The sample type is based on the judgement of the researcher based on his knowledge of the functional areas of municipal officials.

It also involved total sampling since all the relevant officials were included in the sample. It follows therefore that the information required for analysing the ‘importance – performance’ gap was obtained from the municipalities by capturing the knowledge and opinions of relevant participants through a structured questionnaire.

3.6 DATA COLLECTION METHODS AND INSTRUMENTS

Data was collected by means of a self administered questionnaire employing a 5-point Likert scale designed to measure the operations and capability of the municipalities in the administration of the Municipal Property Rates Act. Data was collected during the months of August and September 2007. The questionnaires were delivered at the respective workplaces of the respondents by hand following prior appointments by telephone calls and personal contacts. The questionnaire consisted of 30 questions divided into 5 sections with each section measuring the constructs defined earlier in this chapter.

The questionnaire was designed to measure the operations and capability of the municipalities in the administration of the Municipal Property Rates Act. Section A presented 6 statements (attributes) with each one related to the construct (Local rating policy). Section B composed of a similar number of attributes related to the construct ‘identification’. Similarly, sections C, D and E consisted of system construct of ‘valuation’, ‘billing’ and ‘collection’ respectively. Respondents were asked to respond to a form questionnaire on two bases. First the respondents rated the questions in terms of the relevance and importance in the administration of the Act (rating of importance), and secondly on the performance of municipalities on each system construct (rating of performance) on a five-point Likert scale. Each section consisted of 6 closed ended questions and respondents were asked to indicate on a 5 – point scale their preferred answers. On performance, the scale ranges from ‘strongly disagree’ to ‘strongly agree’.

The same questions were then answered on another 5 point scale to indicate importance or conformity from “irrelevant” to “Critical”. The scales are as shown in table 3.1 below:

Table 3-1: Scale for evaluating the system’s attribute

	Importance				
Scale-Point	1	2	3	4	5
Description	Irrelevant	Not Important	Don’t Know	Important	Critical

	Performance				
Scale-Point	1	2	3	4	5
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree

This means that each statement was used twice, first to capture respondents’ ratings of importance or conformance and second, to measure respondents’ rating of performance. Each respondent was asked to circle the number that represents his/her point of view. The questionnaire was anonymous as the name of the municipality was not identified to ensure confidentiality.

3.7 PRE-TESTING THE SURVEY

The questionnaire was initially piloted to a small group of persons involved in the administration of property taxation before being distributed for data collection. The quality of the questionnaire was determined by pre-testing on the selected municipal property rating related persons who are familiar with the issues of property taxation and the workings of the municipalities. Three property valuers practising in the Province were also included in the pre-testing phase.

Their views represent the range of conditions likely to influence the evaluation results. This was done to ensure that the questionnaire actually communicates what it was intended to communicate; that it is standardised and will be uniformly interpreted by the respondents.

3.8 RELIABILITY ANALYSIS

The quality of data that was produced was used in assessing the reliability of the measures. Test-retest was used to assess the reliability of data. The useful responses from the participants were tested to examine the validity and reliability of the scale to ensure statistically proven identification of requirements of the respondents. The internal consistency of the actual survey data was also tested by test-retest.

3.9 DATA CAPTURING AND EDITING

The data collected from the questionnaires were captured using MS Microsoft Excel software programme. Before capture, each questionnaire was carefully examined to ensure that not more than one answer was returned for each category of statement and that a response was returned for each statement.

3.10 METHODS OF DATA ANALYSIS

Effective Property taxation administration can be measured by comparing the level of conformance to requirements against the perception of the actual level of performance on the part of the municipality. The difference between the two situations is referred to as the 'operations gap'. Gap analysis is an instrument used to assess customer perceptions on quality and depicts a model as a framework to be used for the achievement of the objectives of the study.

The data collected was analyzed quantitatively using MS Excel spreadsheet. It was used to analyse the gap between the requirement in terms of the Act and the performance of the municipality. The absolute gap was calculated followed by appropriate charts (line graphs, simple and composite bar charts – refer to chapter 4) to graphically illustrate the situation. With gap analysis, when there is a positive gap, performance has exceeded the perceived importance or requirement of the individual elements of the system, and it could be said that performance was above expectation. When there is a negative gap, the performance of the different elements of the system does not meet the perceived needs. These can be identified as areas for improvement and development. For this reason it is a reliable method of assessment of the operations of the property taxation system, as it is able to identify the areas where the system is failing.

The next chapter deals with the presentation and analysis of the data collected.

CHAPTER 4 : FINDINGS OF THE STUDY

4.1 INTRODUCTION

In this chapter, the data collected is presented and analysed. It seeks to describe and analyse the main trends and patterns in the data in terms of the constructs defined in chapter 3. These constructs are reiterated as follows:

rating policy;

identification;

valuation;

billing; and

collection.

Tables 4.1 to 4.5 show the mean percentage scores of importance and performance for the attributes in each construct.

4.2 SUMMARY OF THE RESPONSES TO THE QUESTIONNAIRE.

4.2.1 Responses regarding Rating Policy

The table below depicts the ‘performance’ and ‘importance’ ratings of the respondents on the construct, ‘rating policy’.

Table 4-1: Response ratings of Rating Policy

Rating Policy							
Attributes	1	2	3	4	5	6	
	Developing marketing systems for tax payers to understand rating policy	Adherence of property valuation to the rates policy is strictly monitored	Adequate community participation in the preparation of rates policy	Capacity to enable municipalities to involve communities in the preparation of draft rating policy	By-law on rating policy to give effect on the effective date of valuation	Funding for community participation program	Average
Importance	%	%	%	%	%	%	%
Irrelevant	0	0	0	0	0	0	0
Not Important	0	0	0	0	0	0	0
Don't Know	0	0	0	0	5	0	3
Important	14	21	19	50	2	74	28
Critical	86	79	81	50	93	26	69
Performance	%	%	%	%	%	%	%
Strongly Disagree	50	50	50	50	50	0	42
Disagree	0	2	0	10	10	21	7
Undecided	5	7	10	0	7	12	7
Agree	21	31	36	33	33	60	36
Strongly Agree	24	10	10	7	0	7	9

All the attributes making up this construct (rating policy) have been rated very highly in 'importance' with an average of 28 % considering it to be 'important' and 69% considering it as being 'critical' to the implementation of the Act.

However, the level of performance on this construct was rather considered to be relatively low in view of the fact that the responses were mixed - about 49% of respondents either strongly disagree or disagree with the performance level as against 45% who were found to be satisfied. The highest importance rating of 93% was for bye-laws to give effect to the effective date of valuation as critical to the effective administration of the Act but only 33% were satisfied with the level of performance for this attribute. This also goes for the respondents' views on the capacity of municipalities to involve communities in the preparation of their rating policies. While all agree that community participation is either important or critical, about 60% of them believe the municipalities lack the necessary capacity for effective engagement of their communities in this regard. In the area of developing the necessary system to explain the rating policy to taxpayers, about 50% disagree that enough has been done despite the fact that all rate that performance area as being important. It is also observed that while the monitoring of the adherence of property valuation to the rates policy is considered as being important, not much is being done in that respect. The table however indicates that almost 70% of the respondents are satisfied with the funding made available for community participation programmes in the preparation of the rating policies. This rating is almost at par with the importance attached to the attribute by the respondents. The table also shows that there is more consensus on the poor performance rating than with the importance rating. Considering the fact that the respondents believe that enough funds had been made available for community participation in the preparation of the rating policy while at the same time indicating that the municipalities lack the necessary capacity to adequately engage communities in this regard, it may be inferred that the funding was either not used or underused.

4.2.2 Responses for Identification of properties

The responses to this construct are shown in Table 4.2 below.

Table 4-2: Response ratings of Identification of properties

Identification of properties							
Attributes	7	8	9	10	11	12	
	Land audit of all properties falling within their jurisdiction	Ownership details of all rateable properties within the municipality	Maps to assist in identification of properties	Municipal valuers having the necessary competence	Capacity to identify rateable properties in rural areas	Impact of community involvement in property taxation	Average
Importance	%	%	%	%	%	%	%
Irrelevant	0	0	0	0	0	0	0
Not Important	0	0	0	0	0	0	0
Don't Know	10	0	0	0	12	12	5.7
Important	2	0	5	0	24	45	12.7
Critical	88	100	95	100	64	43	81.7
Performance							
Performance	%	%	%	%	%	%	%
Strongly Disagree	0	0	0	0	55	0	9.2
Disagree	62	71	64	17	19	67	50
Undecided	12	10	7	57	12	17	19.2
Agree	12	5	14	7	7	17	10.3
Strongly Agree	14	14	14	19	7	0	11.3

On the average, over 94% of the respondents consider this construct as being necessary for the implementation of the Act with nearly 82% rating it as 'critical'. Unfortunately, only 21% think enough is being done to properly identify properties for assessment and rating.

In terms of the attributes making the construct, all are rated by over 85% of respondents as being either important or critical. Contrary to these ratings, there is general dissatisfaction with the performances in all the attributes with none scoring more than 28% in this regard. The least area of performance satisfaction is the capacity of municipalities to identify rateable property in rural areas (14%) even though about 88% of respondents consider it to be important. Another area of great disparity in the 'importance' and 'performance' ratings is that of the role of maps in the identification of properties. While all consider it to be important or critical, only 28% agreed with the notion of effective performance of the municipalities as regards the availability and provision of such maps. All respondents agreed that the availability of ownership details was very critical in the identification of properties (attribute 8). However, 71% were not satisfied with the performance of the municipalities in this regard. This might be due to the non existence of systems to assist municipalities to obtain records from the Surveyor-Generals and the Deeds Offices. On the question of competence of valuers (attribute 10), 57% of respondents were not sure of the competence level of the municipal valuers even though they all reckon the competency of the valuers is critical in the identification of properties. This might be due to the fact that these officials are not very conversant with what is entailed in the training of valuers and the skills and competencies that is required for one to qualify as a professional property valuers. Other attributes such as land audit of properties and the impact of community involvement in property taxation are rated very high in importance but given poor ratings in performance.

4.2.3 Responses to Valuation

The responses to this construct are shown in Table 4.3 below.

Table 4-3: Response rating of valuation

Valuation							
Attributes	13	14	15	16	17	18	
	Involvement and education of communities in the property valuation process	Internal capacity to conduct property valuations	Funding constraints in the preparation of valuation rolls	Preparation of general municipal valuations	Submission of certified valuation roll	Public inspection of valuation roll by February of the year of implementation	Average
Importance	%	%	%	%	%	%	Average
Irrelevant	0	0	0	0	0	0	0
Not Important	0	0	14	0	0	0	2.3
Don't Know	0	19	0	0	19	4	7.0
Important	76	57	21	2	17	10	30.5
Critical	24	24	64	98	64	86	60.0
Performance							
Performance	%	%	%	%	%	%	%
Strongly Disagree	0	50	0	0	50	50	25
Disagree	52	17	50	50	7	7	30.5
Undecided	24	0	17	19	24	12	16.0
Agree	7	31	10	14	2	14	16.3
Strongly Agree	17	2	24	17	17	17	15.7

Once again an overwhelming majority of respondents (over 90%) consider the construct 'valuation' as being important in the implementation of the Act but only a few (32%) are satisfied with work being done in that area. Although a high percentage of respondents found the education and involvement of communities important in the effective administration of the Act, only 17% of respondents were satisfied with the performance of municipalities in this regard. The preparation of general municipal valuation also received a low performance rating from respondents. As with other attributes, the respondents were unanimous in the low performance rating of the individual attributes. In addition to these, the internal capacity of municipalities to conduct property valuation was considered to be inadequate even though the function itself was rated as being necessary. Coupled with this is the submission that the issues of the preparation of general municipal valuations and the submission of certified valuation rolls have not been adequately addressed relative to their importance. Consequently, only a few (31%) agreed that valuation rolls would be available for public inspection by February of the year of implementation as required by legislation.

4.2.4 Responses for Billing

Table 4-4: Response rating for Billing

Billing							
Attributes	19	20	21	22	23	24	
	Sound fiscal capacity of the municipality to address the issue of billing	Adequately trained staff to deal with billing of accounts	Compatibility of billing system with the valuation system used by the valuer	Billing is adequately understood by taxpayers	Financial reporting procedures should minimize opportunities for corruption and malpractices	Established reporting systems that provides useful information to tax payers	Average
Importance	%	%	%	%	%	%	Average
Irrelevant	0	0	0	0	0	0	0
Not Important	0	0	0	0	0	0	0
Don't Know	2	0	2	5	0	0	1.5
Important	14	2	12	19	5	7	9.8
Critical	83	98	86	76	95	93	88.5
Performance	%	%	%	%	%	%	%
Strongly Disagree	0	0	0	0	2	0	0
Disagree	10	10	0	10	0	12	7.0
Undecided	79	52	80	67	55	62	65.8
Agree	5	12	10	10	19	12	11.3
Strongly Agree	7	26	10	13	24	14	15.7

The functional area of billing has, on the average, been rated very high (over 98%) in terms of importance but once again seen to be inadequately performed (27%) with regard to all attributes within the construct even though the ratings of the individual attributes were considered to be 'critical'. The highest performance rating (43%) was in the area of financial reporting procedures meant to minimize opportunities for corruption and malpractices (attribute 23) but even this was relative to an importance rating of 95%. Adequately trained staff to deal with the billing of accounts (attribute 20) was indicated by respondents (98%) to be critical in the effective administration of the Act. Respondents (52%) however, were undecided as far as the satisfaction of performance of municipalities was concerned. 80% of the respondents were not sure of the compatibility of billing systems with the valuation system used by the valuer (attribute 21). On the contrary 86% indicated that it was critical in the administration of the Act. The table also shows that taxpayers do not adequately understand the billing systems used by the municipalities. Another area rated almost unanimously as of critical importance but of low performance is the issue of the fiscal capacity of municipalities to address the issue of billing. Here, about 98% of respondents consider it as being important with only 12% being satisfied with performance.

4.2.5 Responses to Collection

Table 4-5: Response rating for Collection

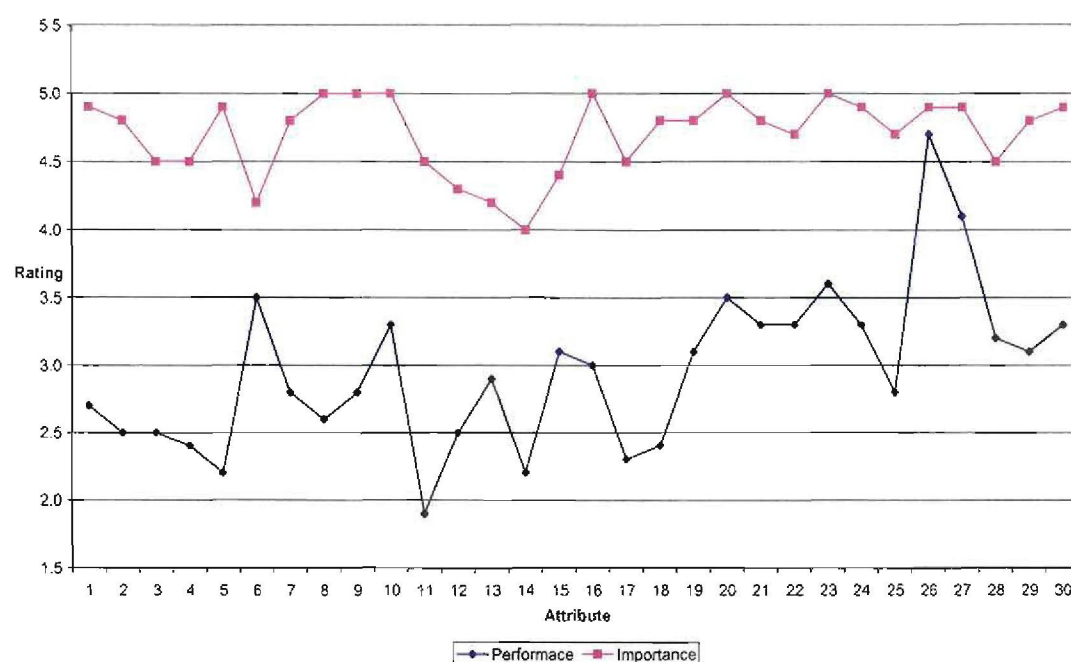
Collection of property taxes							
Attributes	25	26	27	28	29	30	
	Information on tax collection performance by regions	Furnishing persons liable for payment with written accounts specifying amount	Developed billing systems to ensure tax payer satisfaction	Community expectation on tax collection is well communicated	Access of municipality information on accounts through more reliable information systems	Adequate internal control systems to support effective collection of municipal taxes	Average
Importance	%	%	%	%	%	%	Average
Irrelevant	0	0	0	0	0	0	0
Not Important	0	0	0	0	2	0	0
Don't Know	2	0	0	14	0	0	2.7
Important	21	10	12	17	17	14	15.2
Critical	76	90	88	69	81	86	81.7
Performance	%	%	%	%	%	%	%
Strongly Disagree	0	0	0	0	0	0	0
Disagree	64	0	14	14	12	10	19
Undecided	7	0	14	62	69	64	36
Agree	14	33	14	17	12	17	17.8
Strongly Agree	14	67	58	7	7	10	27.2

On the issue of collection of property taxes, about 99% of respondents on the average returned a high importance rating while only 45% are satisfied generally. The ratings for the individual attributes however differ with respect to the levels of ‘performance’ and ‘importance’. The table indicates that furnishing persons liable for payments with written account specifying amount is of utmost importance to the respondents and that they are equally satisfied with the performance of municipalities in that area. Respondents also agree that the billing system developed by the municipalities is to their satisfaction and also rated the function as being important. However, while respondents rated the other attributes as being important, the performances in these areas were seen to be inadequate. For example, access to municipalities’ information on accounts through more reliable information systems received less than a rating of 20% in performance. The need for adequate internal control systems to support effective collection of municipal property taxes was also expressed in the high percentage by respondents. It however received a low performance rating from them. The same relative ratings go for information on tax collection performance by regions and the communication of community expectation on tax collection. It may also be concluded from the low ranking of the performance concerning adequacy in the internal control systems to support tax collection (attribute no 30) that municipalities are unlikely to realize their projected revenue from such sources (tax including property rates).

4.3 GAP ANALYSIS

Figure 4.1 depicts the operating gaps for the various attributes making up the 5 constructs. The operating gap is the difference between the rating of ‘importance’ of a statement and its rating in terms of ‘performance’.

Figure 4-1: Performance rating versus Importance Rating



The figure shows that the operating gaps differ among the individual attributes making up the various constructs. The least gap is for ‘furnishing persons liable for payment with written account specifying amount’. Another area of low gap is ‘funding for community participation program’ and the development of billing systems to ensure tax payer satisfaction. This means that in these areas of low operating gaps, the respondents perceive the municipalities to be doing enough in terms of performance. On the other hand, municipalities are perceived to be underperforming in most of the other areas. The least confidence in their performances are in areas such as, ‘bye-law on rating policy to effect the effective date of valuation’ and the competence of municipal valuers. Figures 4.2 and 4.3 below show the relative ratings and operating gaps of the constructs about respondents’ perceptions in terms of importance and performance.

Figure 4-2: Relative ratings of the constructs

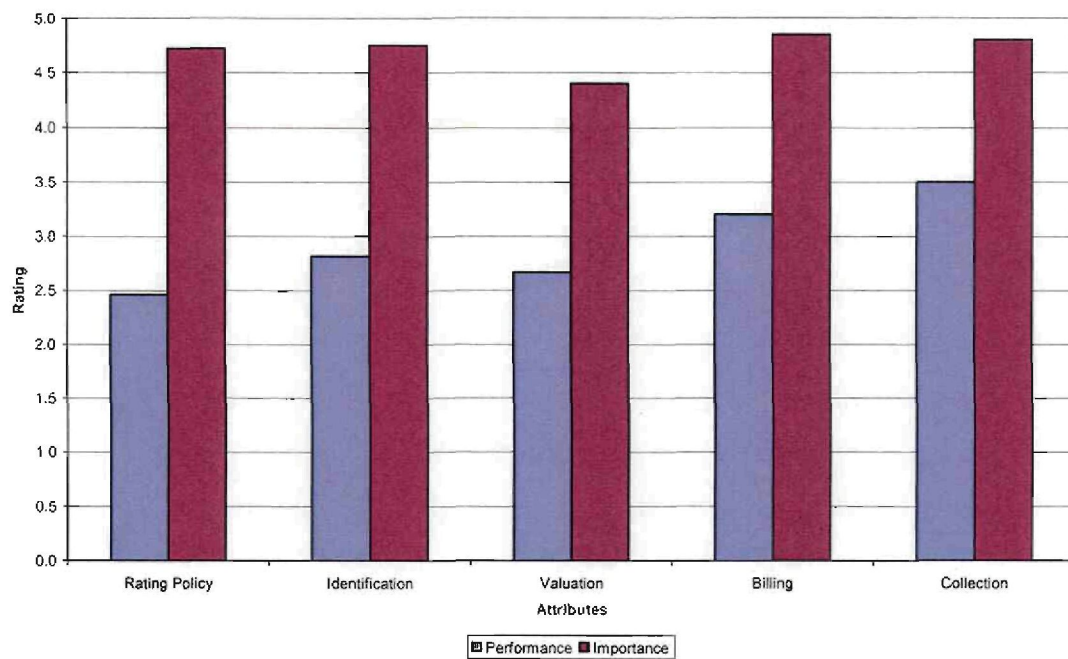
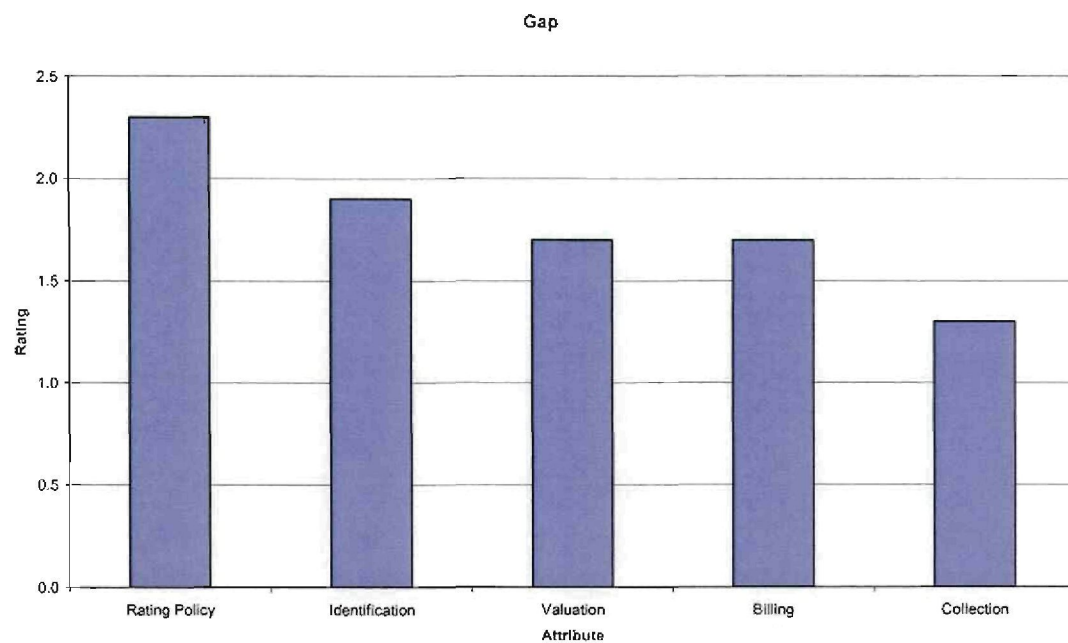


Figure 4.3: Rating gaps between Importance and Performance



It is clear that respondents rated the municipalities' performances below the importance for all the constructs. The largest gap is in the construct, 'rating policy' and the least is in 'collection'.

Within the constructs however, the gaps differ with respect to the individual attributes. These variations are shown in figures 4.1 to 4.3 above.

4.4 SUMMARY OF FINDINGS

The overall responses suggest that respondents are less satisfied with the performances and consequently the capabilities of the municipalities in the administration of the Act. The respondents seem to unanimously agree on the importance of the constructs in the effective administration of the Act. While there were differences of opinion over the performance of municipalities regarding the individual attributes, it is noted that the general agreement is ‘under performance’. The findings of the study are discussed in this section in the context of the following themes:

- Institutional capacitation
- Financial capabilities, and
- Problems and challenges likely to be encountered by municipalities in the administration on the Act.

Institutional Capacitation

Respondents generally believe that their municipalities are not institutionally capacitated enough to implement the Act efficiently. The analysis shows that municipalities are yet to:

- Develop appropriate systems to explain the rating policy to taxpayers,
- Formulate efficient bye-laws on rating policy to give effect to the effective date of valuation,
- Build enough capacity to enable community participation in the implementation of the Act,
- Build enough capacity to identify rateable properties in rural areas,

- Compile a land audit and ownership details of rateable properties within their municipalities,
- Enough internal capacity to conduct property valuations, and
- Capacitate staff enough to deal with billing of accounts.

Financial capabilities

The financial capability discussed here refers to the financial ability of municipalities to implement the property rating system. The study has not revealed any explicit conclusions on this except that respondents agree that enough funding had been set aside for community participation in the process.

Problems and challenges

It is evident from the study that majority of the municipalities face various problems and challenges when the Act becomes fully operational. One of the problems faced is that the Act is still new and not well understood by both municipal staff and community members. Another problem that needs addressing is the of formulation of appropriate strategies for the evaluation of rural properties in light of the present communal property ownership systems and other land tenure issues relating to the country's apartheid past. As pointed out earlier, there are also internal and community capacitation problems relating to the formulation of policies, institutional arrangements and participation. As a result of the foregoing problems the municipalities face the challenges of designing and implementing appropriate training programmes for their officials, acquiring the necessary technology, developing billing systems, passing relevant by-laws and mustering the political will to assess and collect taxes on properties in their areas of jurisdiction.

In general, the 'importance' ratings of all the attributes exceeded their 'performance' ratings which indicate that respondents have an overall negative perception towards the administration of the Municipal Property taxation system.

CHAPTER 5 : CONCLUSION & RECOMMENDATIONS

5.1 CONCLUSION

5.1.1 Introduction

This chapter presents the conclusions drawn from the study and subsequent recommendations. The conclusions are based on the findings from the data analysis of the previous chapter and are related to the objective of the study and the literature that was reviewed earlier. The chapter concludes with recommendations that would help municipalities in the effective administration of the Municipal Property Rates Act, No 6 of 2004. These recommendations are concentrated in areas of the study where there are huge gaps between the ‘performance’ ratings of the activities related to the administration of the act and their ‘importance’ ratings.

This study sought to investigate the operations of the administration of Municipal Property Rates Act, in its current form in the Eastern Cape Province. The aim of the study was to look into the operations of the system and the performance of the municipalities in the administration of the Act. This study was initiated with a view to assisting the municipalities to realize the gaps and find ways to better manage and institute corrective measures to improve the administration of the Act.

The research started by studying the available means for assessing performance of an operation to determine its effectiveness. Perceptions of municipal staff (municipal managers, chief financial officers and senior valuation officers) on the effectiveness of the operations of the municipalities were sought in this regard to assist the study. These officials play a significant role in the administration of the property tax system in terms of policies, structure and the effective implementation of plans.

The object of investigation in this study was the administration of the Municipal Property Rates Act (Act 6 of 2004) and how it contributes to effective property taxation. Municipalities' capabilities are combinations of collective social-related skills and abilities of employees that are reinforced by values and operating practices of the municipality. This capability audit provides a high level picture of the strengths and weaknesses and gives managers information for identifying the areas for improvement.

The Eastern Cape Province is unique in a few aspects of the property related environment that set it apart from the other provinces. The amalgamation of former homelands resulted in a minefield of pieces of legislation and valuation systems which are not easily compatible with the centrally driven administration of the Act through the Municipal Property Rates Act (Act 6 of 2004). Cadastral surveys and cadastre are required for proper assessment of properties for property rating. Unfortunately, land tenure systems had not been uniform within the province and thus making it difficult for adequate information on land to be acquired.

5.1.2 General conclusions

5.1.2.1 Functional areas of adequate performance

Respondents seem to be relatively satisfied with the performances in the following functional areas:

- furnishing persons liable for payment with written account specifying amount to be paid;
- providing funding for community participation programmes; and
- the development of billing systems to ensure tax payer satisfaction.

This means that these areas are not immediate constraints for the implementation of the Act and can be ignored in the short term.

However, since the performance ratings are not 100%, continuous performance assessments in these areas need to be carried out with the objective of improving performance in the long run.

5.1.2.2 Perceptions on the Act

The results from the questionnaire clearly support the proposition that the administration of the Act in the eastern side of the province has operational problems. Indications are that most municipalities in this area might not be able to implement the Act on schedule. In terms of the Municipal Rates Act, municipalities have to implement the Act by 1 July 2009.

5.1.2.3 Revenue collection

The study revealed that one major administrative problem for the municipalities is their inability to collect fully the revenue due to them. This assertion can probably be deduced from the responses to questionnaire number 30a & b which show that municipalities do not have adequate internal control systems in place to support rate collection. Consequently, there is bound to be huge gaps between reported and projected revenues in the various municipalities. This is due to poor administrative capacity to assess the revenue base, poor administrative capacity and political will to enforce the payment of taxes and explicit and intentional tax evasion and resistance from taxpayers. In the study the highest mean ‘importance’ scores were for measures that are required to enhance tax payers’ compliance and to improve the accountability of revenue collectors and elected councilors.

5.1.2.4 Rates Policy

The Act requires municipalities to adopt a rates policy and then levy rates accordingly. This policy should significantly enhance the transparency, efficiency and accountability of municipalities and perhaps encourage compliance.

However, perceptions from the respondents give a gloomy picture of the performance of some municipalities in this regard. On the rating policy, 60% of respondents disagree that their municipalities have the capacity to enable the involvement of communities in the preparation of rates policy. While the Act was not deemed difficult to use by all participants, some indicated problems which they felt were the result of inadequate training in property valuation processes. Training and the lack thereof is cited as a reason most of the work is done by property valuers in private practice.

5.1.2.5 Extension of property tax to tribal land

Extension of the property taxation scheme to communal land is an area of major political concern and also has a lot of practical problems. The survey of tribal land has been slow and some tribal authorities have not made matters easier for surveying of such land to take place. The survey of tribal land is a pre-requisite for assessment of rural properties to take place. Responses from participants indicate that capacity to identify rate-able properties in rural areas is not encouraging. This is shown as the biggest gap in the responses.

5.1.2.6 Summary

Overall, the responses to the survey regarding the administration of the Act was very positive. Generally speaking, the results confirmed that there is a significant gap between the performance of the municipalities and the requirement of the provisions of the Act. Responses however, indicated that municipalities know of the importance of the attributes but lack the competences required for their effective administration. In most cases the performance was below expectation but on other occasions the reality is better than required at this stage. The significant result of 25.1 average responses for the collection construct suggests a lot has to be done in all spheres of the constructs to achieve effective administration.

5.2 RECOMMENDATIONS

To assist municipalities in implementing the Municipal Property Rates Act, 2004 more effectively, the following recommendations are made:

5.2.1 Institutional development

The survey showed that a lot of the capacity needs of the municipalities have to do with viable institutional arrangements. It is clear that a lot of them lack proper billing systems. It is also clear that in some cases, the required by-laws to give effect to the property taxation system are yet to be legislated and passed. In view of these, necessary institutional arrangements need to be put in place to among others:

- pass the required by-laws that will enable the municipalities to enforce compliance with the Act;
- formulate appropriate billing systems;
- survey tribal land to enable proper assessment of rural properties and
- muster the political will to collect rates in the face of massive poverty and unemployment in most of their areas of jurisdiction.

The survey of tribal land and the consequent assessment of rural properties would require active mobilization and involvement of tribal authorities.

5.2.2 Education and training

Problems with administration of the Act are centered on the skills and competencies of municipal personnel. These competencies are very important in areas such as the familiarity with and the implementation of the various rating policies of the municipalities and the development of efficient billing systems. Another competency area rated highly is the capacity of municipal valuers.

Unfortunately such skills are identified from the survey as lacking in some of the municipalities. It is therefore necessary for such municipalities to design appropriate training programmes to capacitate relevant officials in the identified areas. In the short term however, it may be necessary for the provincial and national governments to place technical expertise in under-capacitated municipalities to empower local officials.

5.2.3 Revenue collection

Municipalities need to put information systems in place that will disseminate information to taxpayers on the workings of the tax system including the method of property assessment. It is equally necessary for municipalities to make their billing systems more user- friendly since it was alleged that taxpayers find it difficult to understand it. Since this study did not investigate the actual reasons for the poor collection of revenue, it is further recommended that various municipalities thoroughly research the major factors inhibiting revenue collection with the objective of addressing them. One of the likely inhibiting factors is lack of/or inadequate service delivery to the taxpaying community since satisfactory service delivery can serve as a reward for taxpayers and therefore increase compliance with tax legislation.

5.2.4 Capacity development

It was pointed out earlier that adequate capacity in terms of human resources and information technology in financial administration of a municipality are essential for the effective implementation of a property taxation system. Since most of the municipalities lack these capacities, it is necessary that immediate steps are taken to acquire the necessary technology through internal budgetary allocations or the allocation of grants and donor funding. One way of doing this is to access the assistance offered to municipalities by the National government through the programme of 'Project Consolidate'.

5.2.5 Stakeholder participation and mobilization of resources

Successful property taxation depends on the combined efforts of many stakeholders with combined responsibilities. The national government with general policy and oversight, the provincial government with mandate to support municipalities, the local valuation department for the identification of properties and valuations and the local treasury department for collection and enforcement, must coordinate their activities to ensure the successful implementation of the taxation scheme. In addition, local politicians play a major role in allocating sufficient resources for effective administration, providing political support for collection and enforcement. One area of partnership that has been exposed as being weak by the study is municipal-community participation in the planning and administration of the various property taxation systems in the various municipalities. Since all these stakeholders influence the ability of the municipalities to raise revenue from property taxation, proper mobilization of their effort is vital. It is particularly important to involve the taxpaying community in the implementation of the Act because this, among others, creates awareness, generates interest and elicits commitment to the property taxation systems.

5.2.6 Limitations of the study

In this work certain limitations did exist, in that the research was based on a survey which was concentrated only on the perceptions of municipal managers, chief finance officers and the chief valuation officers from each municipality. In addition, the study did not investigate the reasons for the answers provided by respondents. Clearly it is not possible to generalize these results to all municipalities within the country or even to all municipalities in the province without further research. What this study does do is provide an understanding of the operations of the Municipal Property Rates Act (Act No 6 of 2004) with a view to developing more salient support services to municipalities.

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APPENDIX A: SURVEY QUESTIONNAIRE

The Survey Questionnaire



PART 1: STATEMENTS REFER TO RELEVANCE TO THE ADMINISTRATION OF THE ACT.

Please indicate the extent to which you consider the importance of this statement in the effective administration of the property taxation system of the municipality. Your choice of responses ranges from “1” (which means it’s less important) to “5” (which means that it’s critical). Please select any of the numbers from 1 to 5 , so as to provide a fine-tuned response to each statement.

PART B: OPINION ON PERFORMANCE OF MUNICIPALITIES IN THE ADMINISTRATION OF THE ACT.

With regards to the statement in B, please indicate the extent to which you agree or disagree to this statement on the performance of the municipality in the effective administration of the property taxation system. Your choice of responses ranges from “1” (which means you strongly disagree) to “5” (which means you strongly agree). Please select any of the numbers from 1 to 5 , so as to provide a fine-tuned response to each statement.

SECTION A

Local Rating Policy

1a. Developing systems to explain the rating policy to tax payers

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

1b. Municipality has developed systems to explain the rating policy to tax payers

1- strongly disagree 2 - disagree 3 - undecided 4 - agree 5 - strongly agree

2a. Adherence of property valuation to the rates policy is strictly monitored

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

2b. Municipality's adherence of property valuation to the rates policy is strictly monitored

1- strongly disagree 2- disagree 3 - undecided 4- agree 5 - strongly agree

3a. Adequate community participation in the preparation of rates policy

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

3b. Community participation in the preparation of rates policy is adequate

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

4a. Capacity to enable municipalities to involve communities in the preparation of draft rating policy

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

4b. Municipalities has the capacity to involve communities in the preparation of draft rating policy

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

5a. By-law of rating policy to give effect on the effective date of valuation

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

5b. Municipality is in a position to enact By-law on rating policy to give effect on the effective date of valuation

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

6a. Funding for community participation program

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

6b. Funding for community participation program is adequate

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

SECTION B

Identification of Properties

7a. Land audit of all properties falling within your municipality's jurisdiction.

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

7b. Municipality has land audit of all properties falling within your municipality's jurisdiction.

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

8a. Ownership details of all rateable properties within the municipality

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

8b. Municipality has ownership details of all rateable properties within the municipality

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

9a. Maps to assist in identification of properties

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

9b. Municipalities have available maps to assist in identification of properties

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

10a. Municipal valuers having the necessary competence

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

10b. Municipality has ensured that municipal valuers appointed have the necessary skills

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

11a. Capacity to identify rateable properties in rural areas

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

11b. Municipality has the capacity to identify rateable properties in rural areas

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

12a. Impact of community involvement in property taxation

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

12b. Municipality has assessed Impact of community involvement in property taxation

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

SECTION C

Valuation

13a. Involvement and education of communities in the property valuation process

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

13b. The municipality involves and educate communities in the property valuation process

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

14a. Internal capacity to conduct property valuations

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

14b Municipality has internal capacity to conduct property valuations

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

15a. Funding constraints in the preparation of valuation rolls.

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

15b. Municipality has funding constraints in the preparation of valuation rolls.

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

16a. Preparation of general municipal valuation

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

16b. Preparation of general municipal valuation is in progress

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

17a. Submission of Certified valuation roll

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

17b. Submission of certified valuation roll is on schedule

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

18a. Public inspection of valuation roll by February of the year of implementation

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

18b. Public inspection of valuation roll by February of the year of implementation

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

SECTION D

Billing

19a. Sound fiscal capacity of the municipality to address the issue of billing

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

19b. The fiscal capacity of the municipality is sound to address the issue of billing

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

20a. Adequately trained staff to deal with billing of accounts

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

20b. Municipality has adequately trained staff to deal with billing of accounts

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

21a. Compatibility of billing system with the valuation system used by the valuer.

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

21b Compatibility of billing system with the valuation system used by the valuer

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

22a. Understanding of billing systems by tax payers.

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

22b. Municipality billing system is adequately understood by tax payers.

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

23a. Financial reporting procedures should minimise opportunities for corruption and malpractices.

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

23b. Municipal financial reporting procedures minimise opportunities for corruption and malpractices.

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

24a. Established reporting systems that provides useful information to tax payers

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

24b. Municipality has established reporting systems that provides useful information to tax payers

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

SECTION E

Collection

25a. Information on tax collection performance by regions

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

25b. Municipality has information on tax collection performance by regions

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

26a. Furnishing persons liable for payment with written account specifying amount

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

26b. Municipality furnishes persons liable for payment with written account specifying amount

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

27a. Developed billing systems to ensure tax payer satisfaction

1- Irrelevant 2 - Not important 3 - Not sure 4 - Important 5- Critical

27b. Municipality has a developed billing systems that ensure tax payer satisfaction

1 - strongly disagree 2 - disagree 3 - undecided 4 -agree 5 - strongly agree

28a. Community expectation on tax collection is well communicated

1 - Irrelevant 2 - Not important 3 - Not sure 4 - Important 5 - Critical

28b. Municipality communicates community expectation on tax collection adequately

1 - strongly disagree 2 - disagree 3 - undecided 4 - agree 5 - strongly agree

29a. Access of municipality's information on account through more reliable information systems.

1 - Irrelevant 2 - Not important 3 - Not sure 4 - Important 5 - Critical

29b. Taxpayers have access to municipality's information on account through more reliable information systems.

1 - strongly disagree 2 - disagree 3 - undecided 4 - agree 5 - strongly agree

30a. Adequate internal control systems to support effective collection of municipal taxes.

1 - Irrelevant 2 - Not important 3 - Not sure 4 - Important 5 - Critical

30b. Adequate internal control systems to support collection of municipal taxes are in place

1 - strongly disagree 2 - disagree 3 - undecided 4 - agree 5 - strongly agree

THANK YOU.

APPENDIX B: INTRODUCTION LETTER TO PARTICIPANTS

**14 Fox Avenue
King Williams Town
5600
20th August, 2007
Tel: 082 495 3173**

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TO WHOM IT MAY CONCERN

Dear Sir/Madam

Re: Operational analysis of property taxation administration.

I am recently involved in a research study to examine the operations of municipalities in the administration of the Municipal Property Rates Act. The exercise is part of my study for a Master of Business Administration (MBA) research study at the Potchefstroom Business School at the University of North West, in Potchefstroom. This exercise is restricted to Municipalities in the Eastern Cape Province.

The research aims to find out the critical issues in the administration of property taxation in the municipalities. The survey is conducted by obtaining information from Municipal Managers/Chief Financial Officers from the municipalities who will fill out and turn in a questionnaire.

The purpose of this correspondence is to invite you to assist with your opinions and perceptions on the administration of the Act. This exercise is intended to gather information for the study.

You are requested to complete the questionnaire and turn it in by 15th of September 2007.

You are not required to put in your name and anonymity of respondents is guaranteed.

Your cooperation in this regard will be very much appreciated.

Yours sincerely

.....
Oliver A Twum