
The Awareness and Attitudes of Property Owners towards Property Taxation in Nigerian Emerging Cities: The Case of Osogbo, Nigeria

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Abstract. Property taxation (P.T.) is a phenomenon that is as old as man's existence in Africa. It has been used globally as the pillar of government developmental efforts, especially in infrastructure financing and development. As a veritable revenue source visible to taxpayers and linked to improved city infrastructure and urban growth, its level of awareness among property owners and their attitudes towards achieving its goals in Nigeria remains a mirage. Property taxation is said to have failed in Nigeria, especially in states where limited revenues have been generated. The level of awareness/acceptance and property owners' attitudes toward implementing property taxation policies has been a significant barrier. Hence, the study presents a survey of property owners' awareness and attitude towards property taxation in Osogbo, an emerging state capital in Nigeria. The study, therefore, recommended the need for a rigorous public enlightenment campaign on the need for property taxation, the transparent use of proceeds from property tax, among others.

Keywords: Property Taxation, Property Owner, Emerging Cities, Awareness and Attitude

Introduction

Property taxation is an ad Valorem tax levied by a local authority on the calculated annual value of landed property within its jurisdiction payable by owners of urban residential and commercial buildings. According to Arnold and McIntyre (2002), tax is a compulsory levy imposed on the production, income, and consumption of the required goods and services by the state's relevant laws. Religiously, taxation is an obligatory duty of the believers based on their civil and social responsibility, which encourages or support wealth redistribution, and or the financing of public infrastructure for the common benefit of all (Enahoro & Olabisi, 2012; Agbetunde, 2004; Ankeli, et al., 2008).

Ayua (1996), Ankeli et al. (2008), Bariyama and Gladson (2009) argued that tax systems of most developing nations are frail due to the observable contentions and controversies either in their policy formulations, legislation or administration; especially in countries like Nigeria where there exist high-level sharp practices in the procedures and machinery for tax assessment and collection. It has in no small measure hampered the practical implementation of tax administration in the country. The lack of transparency in tax administration in Nigeria has led to the none acceptance or compliance to tax laws, unwillingness to pay tax - evasion or avoidance, record falsifications and total hostility to tax-related issues resulting in the consistent low tax revenue generation. Numerous factors often influence the inclination of property taxpayer towards property tax (P.T.) laws. Frey and Torgler (2007) opined that an individual property taxpayer could be inclined to comply with tax laws by his background or

ethnicity, attitudes, legislation, thoughts, environment and other situational factors. In Nigeria, property tax (P.T.) administration, especially in an emerging state like Osun state, is garnished with several political, social, economic and environmental problems, which have made its implementation practically difficult. There exist no robust and comprehensive literature that evaluates real property taxation awareness and taxpayers' attitude towards property tax payment in Osun state. This, ostensibly leaves a knowledge gap between taxpayers' perception of property tax and what it stands for. In light of the dearth of knowledge, the study examines the level of awareness, property owner's willingness to pay property tax, and the acceptability of the fiscal reform in an emerging city like Osogbo, the capital of Osun state.

The Review of Related Literature: Tax and Property Taxation in Nigeria

Tax is a general term for all forms of compulsory/obligatory levies imposed by a recognised authority on income, production, and the consumption of goods and services as required by the state's relevant legislation. Agbetunde (2010) sees tax system as a process of taxation that encompasses different sets of rules, procedures or processes with administrative organs that intermingle with each another to generate revenue for the government. Adesola (2004) posited that Nigeria has a tripartite tax system as her tax system comprises of tax policies, laws and administration. Every sound tax system must have multiple objectives, however, Ahmed cited in Enahoro and Olabisi (2012) argued that social functions stimulate economic growth and development, revenue generation, resource allocation, and redistribution.

Though countries in other climes might have achieved positive growth in their tax administration system, the tax system in the developing nations needs urgent attention to make it more acceptable to the taxpayers. Unfortunately, attentions of government in the developing countries seems to be tilted more towards personal income tax form where the more significant part of their revenue comes from, with less consideration given to other critical, innovative revenue generation ideas. For instance, it on record that other forms of taxes as land and property-related taxes, have facilitated the transformation of cities in another clime.

Ibadin and Eiya (2013) assessed the effect of tax evasion and avoidance on some selected states in Nigeria, using ethics, attitude, level of education, cultural belief, among other factors. The study adopted an inferential statistical tool in its analysis. The study's findings revealed that most of the respondents in the informal economies see tax evasion as an ethical and usual way of life and that a significant relationship exists between tax administration, cultural practices, the perception of the self-employed respondents, and tax avoidance or evasion. The study thus, recommended the simplification of tax laws, constant review of tax laws that should be in line with the current economic state of the taxpayers, among others. Ekankumo and Braye (2011) argued that states could generate revenue from other sources that are internal to them. The current trend of tax (personal income tax) dependence by states as the primary revenue source for developmental needs might likely be inadequate as reports from states revealed that some states in the country have huge potentials through financial resources that can be generated through Internally Generated Revenue if the proper political will and policies are provided.

The consequential effect of tax evasion in Kano state were studied by Kofar-Wambai and Hanga (2013) and found that vigorous public enlightenment campaign on the use of tax revenue and the need for taxpayers' compliance to tax laws and sample tax laws could help in remedy the situation in the state. The unstable international market prices of oil that is gradually crippling the Nigerian economy was however, x-rayed in 2015 by the then Nigeria Governors Forum. To unveil the national fiscal realities and to address the challenges of national infrastructure decay in the country, the forum likened the situation at hand then to the 1978/1979 economic crisis. It concluded that more revenue could be generated through internal sources, for which property tax is one of such. Adeogun et al. (2020) examined the variation

of property tax liability and value of rateable hereditaments trend in some selected states in Nigeria using multiple case designs, structured questionnaire survey and documentary source for data collection. The study found that income from hereditaments, educational level of taxpayers and availability of community services are the most significant determining factors. In Lagos state however, the variations in property tax liabilities were significantly influenced by economic, institutional, socio-economic factor. Total overhauling of the institutional framework in the country's property tax system was recommended to address issues of factors that could positively influence total compliance to property tax liability. Hence, the current volatility in the international oil market that has resulted in the recessionary trend in the national economy, infrastructure decay, insecurity, and hyper-inflationary trend are some of the factors that has necessitated the urgent need for a study of this nature.

Methodology

The study is structured on experimental design as the study is quantitative, help in the determination of taxpayer's level of awareness of property tax and their attitude towards its implementation in the state through the analysis of factors obtained from the field. Data used for the study were collected through both primary and secondary data sources. The tools for data collection for the study are structured questionnaires, oral interview, internet database and participant observation. Six hundred and fifty (650) questionnaires were administered on the respondents using a systematic random sampling technique as every tenth (10th) building along each arterial roads in the selected location (in Osogbo) for the study were pick. The selected areas are Alekwudo, Okefia, part of Gbangon road and Obafemi Awolowo way. The reasons for selecting these areas are for the possibility of picking literate and illiterate respondents, reasonable property value consideration, and the ease of accessing respondents. 90% response rate was achieved as 585 questionnaires were adequately filled and returned for analysis. 60% (351) of the properties sampled are used for commercial purposes, 27% (158) are mixed-use, and the remaining 13% (76) are purely used for residential purposes. Properties that are exempted by law are purposefully excluded from the list of identified properties.

Property owners' awareness of and attitude towards property tax in the study area were grouped into the knowledge of tax administration and the associated limitations, taxpayer or property owners' attitude or willingness to pay property tax, their level of satisfaction with the provision of public infrastructure the proceeds from the tax was used for and justification of the tax system.

To adequately determine the level of awareness and knowledge of property owners and their attitude towards property taxation in the study area, the Likert type scale was used, while the Relative Importance Index (R.I.I.) was used to rank the variables. The formula that was adopted for the calculation of R.I.I is:

$$R.I.I. = \frac{\sum W}{A*N} = \frac{5n_5 + 4n_4 + 3n_3 + 2n_2 + 1n_1}{5N}$$

Where;

W = weight given to each statement by the respondents' ranges from 1 to 5;

n₅ = strongly agreed; n₄ = agreed; n₃ = undecided; n₂ = disagreed; n₁ = strongly disagreed

A = Highest response integer (5) and

N = Total number of respondents.

Data Presentation, Analysis and Discussion

This section attempted at presenting the data obtained from the field on the awareness and attitude of property owners towards property taxation in Osogbo, Osun State, Nigeria, analyse and discuss its findings. Solutions to the research problem were proffered to achieve the aim of the research through deductions made from the respondents' opinions.

Socio-Demographic Characteristics of Respondents

The educational qualification of the property owners and their occupation were examined to determine the rationality of the respondents' thought. Table 1 shows that out of the five hundred and eighty-five questionnaires retrieved, 63.25% of the respondents are graduate with Masters Degree (6.84) or Bachelors/Higher National Diploma certificates (56.41), with about 10.25% holding certificates below National Diploma. It thus implies that the respondents can understand the questions asked and are better positioned to answer each of the questions appropriately. It further helped in the reliability of the quality of the answers provided by the respondents.

More so, 91.45% of the total properties sample belong to either civil servants (45.30%), retirees (29.06%) or self-employed/businessmen (17.09%), which shows the calibre of property owners in the study area. It further proved that the property owners are experienced, mature and know the implication of not providing reliable answers for a study of this nature.

Table 1. Socio-demographic characteristics of respondents

Parameter	Option	Frequency	Percentage
Academic Qualification	PhD	-	-
	M.Sc	40	6.84
	B. Sc/HND	330	56.41
	National Diploma	155	26.50
	School Certificate	40	6.84
	Primary Certificate	15	2.56
	No Formal Education	05	0.85
Total		585	100
Occupation	Civil Servant	265	45.30
	Self-Employ	100	17.09
	Artisan	50	8.55
	Retiree	170	29.06
	Total		585

Source: Authors (2021)

Analysis of the Knowledge and Attitude of Property Owners towards Property Tax

Property owners in the study area are examined to determine their knowledge and attitude towards property taxation. To achieve this, the exercise was done under the following headings:

Tax Administrative Constraints and the Awareness of Property Taxation

Respondents were asked if they are aware of property taxation and the administration limitations or constriction of the tax system. Their responses are as presented in Table 2.

Table 2. Awareness and constriction of property tax

Variables	Yes	*%	*Und	*%	No	*%
Are you aware of property tax	505	86.32	10	1.71	70	11.97
Has your property been assessed for tax	158	27.01	320	54.70	107	18.29
Are you willing to pay tax on your property	40	6.84	10	1.71	535	91.45
Are you sure of equitable use of tax proceed	105	17.95	40	6.84	440	75.21
Are you comfortable with property tax in the state	97	16.58	88	15.04	400	68.38
Do you know the procedure used for assessment	6	1.02	20	3.42	559	95.56
Is the state tax system transparent	88	15.04	40	6.84	457	78.12
Do you know who to contact when you have issues on tax	10	1.71	70	11.97	505	86.32

Source: Author (2021) *Note: % = Percentage, Und = Undecided

Table 2 revealed the awareness and constriction of property taxation among the respondents in the study area. 86.32% of the respondents are aware and know about property taxation, but those not willing to pay property tax constitute about 91.45%. However, 78.12% of the respondents felt that the state tax system lack transparency and thus not comfortable with its operation in the state (68.38%). The submission is in line with Enahoro and Olabisi (2012)

The Attitude of Property Owners towards Property Tax

Assessment of the respondent's attitude towards the payment of property tax in the state is not encouraging. Table 2 presents the position of the property owners who are the taxpayers on property taxation in the state.

Table 3. Attitude of property owners towards property tax

Variables	Yes	*%	*Und	*%	No	*%
Do you see property tax as political means to deal with political enemies	400	68.38	88	15.04	97	16.58
Is property tax a welcome development in the state	158	27.01	107	18.29	320	54.70
Are you willing to pay tax on your property	40	6.84	10	1.71	535	91.45
Will you be hostile to property tax collectors when they come to you	88	15.04	40	6.84	457	78.12
Is it due to inadequate infrastructural services from government	559	95.56	6	1.02	20	3.42

Source: Author (2021) *Note: % = Percentage, Und = Undecided

Table 3 revealed that, taxpayers who are property owners, in this case, see the imposition of property tax in the state as a political power play/guise to deal with perceived enemies especially, those in the opposition political parties (68.38). Again, despite the numerous advantages of property tax, most respondents (91.45) are unwilling to pay property tax and did not see it as a novel and welcome innovative (54.70) in the state. The study's finding is congruent with Ali et al., (2018) in Tanzania, where it was discovered that the unfair, high and unaffordable tax rate and poor perception of the property tax system are significant reasons for taxpayers' non-compliance.

Perception of Property Owners on the Fairness or Otherwise of Property Tax

Variables obtained from literature on the probable causes of unfairness in property tax in line with the thought of property owners were tested and ranked using Likert type scale to calculate Relative Importance Index (R.I.I.) to see if the same factors are responsible for tax unfairness in the study area. The Likert type scale adopted Strongly Agreed = 5; Agreed =4; Undecided = 3; Disagree = 2 and Strongly Disagree = 1.

Table 4. Relative Importance Index (RII) of property owners perception on fairness of property tax

Causative factors	5	4	3	2	1	ΣW	R.I.I	Ranking
High property tax rate	20	30	40	490	5	1,325	0.45	4 th
Not getting adequate local services	350	170	20	30	15	2,565	0.89*	2 nd
Lack of uniform tax rate	10	15	40	500	20	1,250	0.43	5 th
Double taxation	250	240	10	80	5	2,405	0.82*	3 rd
Corruption	420	150	5	10	0	2,735	0.94*	1 st

Source: Field Survey (2021) Note: Significant @ 0.5

Table 4 presents the respondents' perceptions of the unfairness of property tax (P.T.), impacting the taxpayers' attitude (property owners) in the study area. From the table, corruption

of tax officials (0.94) ranked first, not getting adequate local services (0.89) ranked second, while cases of double taxation (0.82) ranked third most impactful factors. The study's findings negate the findings of Ali et al. (2018), as high property tax rate ranked the most impactful and critical factor for unfairness in property tax in Tanzania.

Conclusion and Policy Implications

The need to extend property tax coverage through rigorous public enlightenment will broaden property owners' knowledge and enhance transparent tax administration and implementation procedures. Awareness and transparency could positively change the taxpayer's perception and attitude towards property tax payment. The study revealed high level unwillingness to pay property tax and total non-compliance to property tax. Corruption, the failure of the authority to provide adequate infrastructural facilities, and the payment of double taxes are the most critical factors for tax unfairness and the causes of negative attitude of property owners towards tax compliance. The creation of an efficient and transparent tax payment platform and the utilisation of tax proceeds on viable and visible infrastructure (service delivery) could help restore taxpayers' trust and voluntary compliance. Further research is needed to analyse taxpayers' attitude towards a specific type of property tax and their level of fulfilment with the public service delivery system in the state.

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