The Practice of Land Registration System to Support Property Taxation in Ethiopia, Case Study of Mettu Town

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Abstract: The property tax is one of the government's means of generating income for the local development project. To collect significant property taxes, the government must ensure that its land registry contain information that leads to the collection of property taxes. The objective of this study is to assess the practice of land registration system on supporting property taxation in Ethiopia. Mixed research approach has been used to collect and analyses data. Field activities were carried out that included questionnaires, interviews, and direct observation to find out the current status of the property tax system and land registry. According to the study, there are gaps in the information provided by the existing cadastre that helps to levy property tax. Inclusive land registration policies, cost effective systematic land registration and computerized land registry were suggested to improve the current deficiency of land register.

I. INTRODUCTION

Municipalities around the world are major providers of basic infrastructure such as water, health care facilities, public schools, waste treatment facilities; electricity, roads, and they are struggling to increase local revenues to facilitate the provision of services by their administration [1]. Taxation of property is one of the means of income used in many countries to fund municipalities, and has great potential to mobilize local government income. However, due to the lack of accurate and complete property information, many countries face problems when collecting revenue from property taxes [2].

Currently, land based taxes produce 0.3-0.6% of GDP in developing countries and 2-3% of GDP in developed countries [3].This data indicates that property tax revenues could increase significantly, along with increased efficiency of land registration systems, especially in developing countries, including Ethiopia. In order to make property taxes more efficient and effective, many governments have been introduced various mechanisms. According to [4], the existence of a land registration system is extremely important for increasing property tax revenue. Similarly, [5], ensures that an effective and efficient land registration system ensures that all land related data is consistently accurate and up-to-date and can also be used to collect property taxes.

According to, [6] the need to establish a land registration system in Ethiopia began by King Menelik II in 1907. The

Emperor enacted the declaration to counter the interests of foreign embassies in safe land parcels. The decree provided for the registration and transfer of land ownership, the issuance of deeds of title, property taxes, etc. Nevertheless, its implementation does not go any further and still no modern land registration system that supports property taxes in Ethiopia. Therefore, this study was conducted to show how to reorganize Ethiopia's land registration system and raise the revenues of local governments.

Statement of the Problem

Ethiopian land registration was designed to support the legal aspects of ownership security and focused on ownership registration. Although, property taxes play an important role in the overall development of local governments by producing a significant amount of income and funds for local infrastructure development, the design of the registration content and format does not take into account the need for property taxes [7]. This reality indicates that the role of the land register is limited to only tenure securities, but continues to expand to support the purpose of property taxes.

The inefficiencies of the current land registry can be seen in high land exclusion and tax evasion, where a reasonable component to property information collection does not exist in the registry or poorly registered. Consequently, this situation makes a constraint to supply urban services and undertake the necessary infrastructure development in city under this study, which needs to improvise internal

revenue generating projects to reduce dependency on federal and other funding. If the land record is not re-designed to focus on the needs of the property taxation, the role of taxation in national as well as local development and other strategic development plans of Ethiopia would be hampered.

Therefore, the absence of essential information to generate revenue from property which has been exposing the city's development to collapse inspired the researchers to undertake this study.

Significance of the Study
The output of the study will support urban centers by refining the contemporary problems on the categorizing the address of properties and the owner of property to boost their local revenue tax. The study will also help the central government as well as local governments to enact laws and modifying land registration system to boost property tax revenue in order to improve the fiscal autonomy of local governments. This will reduce the high level of funds transfer from federal and regional governments to local governments. Since there was not enough research done on the title yet, it will serve as a source and standing point for those who will be interested to conduct further and similar investigation deeply on a wider scale.

II. RELATED WORK

Land registration is a map base that combines a geodetic control network, a coordinate system and a pointed map. Certainly, for tax purposes, it is advisable to connect and update the owner information with property information [1]. Maintaining a good land registration is a basic tool for operating a rational property levy arrangement and implementing tax reforms. All taxable property must be identified and numbered in the tax jurisdiction and must include property boundaries. They must be individually cataloged and contain key elements of the assessment that are currently being needed by the tax office [8]. Taxation from a landed property is one of the resources used to finance local governments in many countries. It is about the collection of property taxes and fees from owners according to the provision of law. According to [9], the procedure of landed property taxation involves different steps such as taxable property identification, appraisal of properties, assessment, publicizing and gathering of tax payments.

The assembling of an inventory on all taxable property units is the very first step in identifying and describing properties. The tax cannot be collected if those properties are not located. This task is achievable if the property registry has up-to-date information on these data. Information on property transfer and other data are received from other sources. Permit issuing agency, title registry or surveying and mapping agency aid in providing needed information to improve the completeness and quality of this record. Authorities also issue public calls, publish in daily newspapers, print brochures and use other

communication channels, like the Internet to gather information for the completeness of the property records. The aim of these actions is to target citizens as property owners to fulfill their legal obligation to declare their properties.

However, relying on property owners to declare willing is a mirage and thus requires a system to trace and capture individual taxpayer from the tax base. In identifying these properties, a complete and quality assessment record must be produced and should include information at least; parcel identification number, address and classification of property usage, zoning code, legal status, size and shape of parcel, improvement details, building perimeter drawing and owner's details. The excellence and amount of the data used correlates with the accuracy of the resulting assessments, so collecting information on properties requires accuracy and uniqueness to ensure correctness. Data quality refers to the currency, completeness and accuracy of the data collected while data quantity simply refers to the amount of data available or that needs to be collected. Once the property data has been sourced and sorted, it is used to determine market values.

Property tax system comprises of different elements, which are well thought out in achieving the overall success of its goal (maximize collection). These elements include people, policies, technologies, data, and process. Policies and processes required legitimacy through legislation or provided in legal code. The statutory process of the tax system sets out policy choices clearly, provide the enabling environment for their achievement, and assign responsibilities. Laws, regulations, and court decisions establish the legal framework. Matters requiring legal support include organizational responsibilities, power to tax, liability for tax, defining tax rate and base, tax payer's right and responsibilities, tax jurisdiction and extent [10].
There are three basic functions, which a system of property tax tends to fulfill. These functions include identifying and establishing links between ratable properties and their owners (discovery), conducting assessment and addressing appeals, and collecting the taxes and addressing arrears. These principal functions are interdependent. Inefficiency or absence in one potentially causes complete failure. Thus, the successful implementation of tax from property requires the completion of these functions to ensure the success of the whole process.

A property tax system does not exist in isolation of other systems. Because an up-to-date information is required for the completeness of a secured system, linkages between agencies responsible for the landed property tax administration and those of title records, mapping, soil classification, building permit, business and population registers need to be established and maintained so that data needed in the landed property tax implementation flow regularly and efficiently. Similarly, property tax agencies need to establish similar linkages with their clients and stakeholders. However, there is considerable international variation in how functions related to property tax

administration are organized. While it is administratively prudent to consolidate some functions (title-registration combined with surveying and mapping) to simplify institutional linkages, it is fiscally expedient to keep the legal cadaster distinct from the fiscal cadaster.

Property buyers will soon tend to evade registration or cancel the true nature of the transaction, knowing that one of the costs of title registration is property taxation [10]. [11] Argue that productive property taxation is not possible if all land and improvements are not well identified. It is necessary to establish an inventory of all properties and to provide for each property a unique identifier. When real property registration is established they provide information needed by tax authorities in the collection of property taxes and fees. Information needed here is about the identification of parcel and the owners, size, location, land use, category and value of the property to be taxed. The unique property identifier helps taxing officials in tracking all parcels, in assessment, in billing and property transfer records [4]. In one way or the other, having and using effective land registration system will contribute to improvement of the taxation system and consequently will strengthen the state's financial capacity resulting from the increase of revenue for public finances [5].

III. METHODOLOGY

In order to realize the research objectives and to answer the research question mixed research approach, both qualitative and quantitative were employed and explanatory and descriptive design were carried out. The information was gathered through survey method. The required data was collected from property owners, officials, land and property taxation experts, existing rules and regulations, reports, publications, archival records and guidelines. The study was also assesses and reviewed different countries real property registration systems to gain best practice which are appropriate for Ethiopia.

IV. RESULTS AND DISCUSSION

To carry out the study, 165 respondents were systematically selected from three different stratums (title registered property holders, untitled old occupancy possessors, and informal settlers) for the questionnaires. Accordingly, 28 questionnaires were distributed to the owners having title registration, 111 questionnaires to old occupiers which haven't title registration and 26 questionnaires to informal settlers. The questionnaires were distributed and collected by supporters and also help those who cannot read and write through reading the question to them and fill the answer carefully and honestly. Additionally, 12 key informants were selected purposively from Municipality, ULDMA, Construction Office, Public Council Office, Finance and Economic Development Office and Revenue Authority of the town.

In order to assess the suitability of current land registration practice for taxation from landed property in the area of this study, issues like completeness, correctness, and availability of updated property information's are illustrated. Completeness is defined as the presence or absence of real property features and its attributes. The information provided by land registration must be complete in content with full coverage of the area of interest.

Whereas, the secondary data obtained from the urban land development and management agency of Metu town (2019), depicted that out of the total 14,709 properties in the town, only 2503 (17.02%) of properties were registered and have title certificate of land. While 9851 (66.97%) of properties was untitled old occupancy and the rest 2355 (16.01%) properties were categorized under the informal settlement. This data indicated that the spatial and non-spatial information of most properties (82.98%) are unknown in Mettu town.

With similar to the result from secondary data, the interview carried out with key informants in the study area indicated that most of the properties in the town were unregistered and it's difficult to identify who owns what and how much as well as where the properties existed. Furthermore, they indicated that the content of properties recorded both in title registration as well as in deed registration was incomplete for the property taxation purposes.

This study find out that the current land registration practice in the town was inappropriate to perform property taxation activities. The results revealed that presently there is incomplete land registration in terms of its attribute and cadastral coverage, which described as extremely low title registered properties (17.02%) with the absence of essential information for property taxation in both title certificate formats as well as deed documents.

As a result a significant number of properties are excluded from the tax system. Alike with this finding, the result of a research conducted by [12], notified that the absence of features and its attributes of real property in property records have unconstructive to property tax collection activities. In addition to this [13], indicated that the land registry that haven't property value and address of owner were not support property taxes.

To be suitable for taxation purposes a land register repository should be provide essential property information needed by tax authorities. However, the present land registry format in the town only register name of owner, land grade, plot area, land use, Kebele of where the plot is found. Whereas, as indicated by [14], to support property taxation property registration should provide at least information of owners address, property address, property and land unique identifier number, improves on land and etc. Therefore, the existing land record content in the study area was not support property taxation.

Concerning the correctness of land records, results have revealed that existing land information was incorrect. This incorrectness notice in land records is related to size, land use, and land grade. The interview carried out with key informants confirmed that the existing property records

were not indicated the real size of land on the ground because of most of properties size on the deed documents were not measured and approximately recorded based on application of the owners and also most of the area of land on title registration was incorrect because the measurement was done by traditional equipment as well as unskilled persons. Because land size, information were wrongly recorded there are parcel areas excluded from paying tax.

As a result, the town administration under this study loses a significant amount of revenue. With supporting this result, [15], indicated that correctness is the associations between the situation in reality and the content of real property registry and incorrect property information records affects the collection of revenue from property tax. In the same way, [16] indicated that to collect revenue as its potential, correct information about the value of taxable property is essential. Therefore, the result of the present study was identical with previous researchers.

In addition to this, the other measurement criteria used to assess the current land registration suitability for taxation were the availability of updated real property registration. Accordingly, the results from key informants all changes in spatial and non-spatial property information are not recorded in the town under this study.

There is no mechanism to capture changes in real property. Therefore, as indicated by [17], a property register loses its value when the property information it stores is not updated, the current real property documents in urban land development and management agency of the town are outdated and don't provide the actual information of the properties.

With regard to the availability of property information for property taxation in the town, due to the manual handling of property information, there is no quick and easy system of retrieval of information and there is no quick reference point to check an earlier registration and whether property taxes were paid or not. This is the cause for incorrect valuation, delayed and loses of property based revenue. This result is similar to the finding of [6], who describes the deficiency of land registration system is the cause for bulky and expensive procedures for property information availability. Similar to this, [18], has highlighted this issue by stressing the establishment of the landed property registration system is vital for ensuring cost-effective and well-functioning property information sharing that supports property taxation. Therefore, failure to have a digitized property information management system was affected property records availability.

V. CONCLUSION AND FUTURE SCOPE

The results of this study indicate that the present land record in Mettu town is not suitable to collect property based revenues. The existing land records are incomplete in spatial coverage and its attribute. The contents of property registration such as the value of properties, types of building or improvements on the land, tax amount, ownership address and other essential property information are not recorded and

updated in the present land registration system. Moreover, the existing property records do not indicate the real size of the land on the ground because most of the properties sizes on the deed documents as well as title registering are not correctly measured. With the lack of a mechanism used to capture information about the changes in properties the prevailing properties data is outdated and most of them not provide the actual data of the properties.

Besides, due to the manual handling of property information, there is no speedy system of information sharing among urban land development and management agency and revenue authority of the town. Therefore, the government should realize cost effective participatory systematic real property registration strategy and computerized property information system to put all real properties in registration system repository and the contents should include property owner's information, real property information and charge or tax information.

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