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LOCAL AUTHORITIES in many Namibian towns are constrained by limited revenues to provide the necessary services to their inhabitants. For emerging towns to become engines of growth and structural transformation in Namibia, a coordinated public policy on municipal and town financing options is imperative.

However, implementing these policies is expensive for most councils since they are underfunded. Large public investments are needed in infrastructure, public services, affordable housing and directed support for most urban development firms to fuel growth.

The problem for many towns is that the necessary public investments that enable urbanisation to become a force for sustainable economic growth are constrained by limited revenues of local authorities tasked with implementing urban development policies. These financial constraints are even a bigger problem for larger towns like Windhoek and Swakopmund.

As a result, in many towns, fast-paced urbanisation has surpassed public investment, resulting in the emergence of widespread slums, congestion, crime, contagious diseases and growing informal unemployment. Poor infrastructure and low-quality housing makes towns less attractive to foreign investment, further harming job creation in the towns. As the urban population in Namibia grows, demand on public investment will rise, unless it is addressed.

With this in mind, land and physical properties present the largest source of untapped municipal revenue, allowing most towns in Namibia to capture the collectively generated land value appreciation caused by the urbanisation and other property market forces.

For instance, in a town like Outjo, property taxes raise a little more than taxi and parking fees. Therefore, modest investments in the form of property tax systems and policies can help to dramatically expand municipal revenues, which will enhance public service and infrastructure development.

In Namibia, property taxes have the potential to become the leading source of municipal revenues for many town councils. It is estimated that at an average of 0,000949% tax rate on 60 000 erven in Windhoek, for example, could generate over N\$342 million per year under full tax compliance.

Furthermore, property taxes have a number of additional benefits to the town councils. Taxing land and improvements together is often fairer than other

forms of taxes.

When local authorities invest in building roads, schools, and parks near a property, it leads to an increase in the value of the properties in those areas. Other economic and demographic forces also play a role in the increase in property values as it places higher demand on land.

If the system is designed appropriately, the individuals who gain more from betterment can be taxed for the benefit of the wider community.

Property taxes can allow authorities to obtain returns on their investments into public services and infrastructure that raise the value of nearby properties. This means implementing these taxes provides authorities with higher projected future income stream bases on which it may be possible to finance current and future projects through the capital markets, such as the use of municipal bonds.

The fixed supply of land in towns encourages efficient land use. Taxing land and property, though less efficient than taxing land alone, is found to be less harmful to investment and growth than income and corporate taxes. One more thing, since properties are immovable and they are highly visible assets, it is easier to identify their owners since that is public information.

The Local Authorities Act No. 23 of 1992, part XV, talks of rates and taxes on rateable properties falling under all municipal, town and village councils, but this is ignored. Councils, especially in small and emerging towns and villages, have three main areas of focus in implementing property tax systems in their areas of jurisdiction, and these are broadening the tax base, valuing the tax base, and property tax appeals and collection.

Councils should try to broaden their tax base in order to develop an up-to-date physical and legal cadastre that documents information on all erven and immovable properties, as well as information on their ownership. This highlights the importance of land rights registration in implementing property taxes.

Similarly, though taxing the owners of these assets is fairer, occupiers can be easier to identify in the case of unclear rights over property, which may be used in the informal settlement areas. Exemptions to property taxes may be useful in allowing policymakers to achieve certain goals for urban development, but careful consideration is needed against the added tax burden on other citizens.

Implementing these taxes requires policymakers to make difficult decisions as in what to tax, whom to tax, what to exempt from taxation, and how to set the tax rate for property.

Experience from other successful towns that have implemented property tax successfully like Windhoek and Swakopmund suggest a number of ways in which property tax implementation can be improved. These range from technological advancements in GIS mapping that can allow for rapid expansion of the registered tax base; automation of billing and payment systems to improve tax collection; and the design of appropriate valuation processes and policies to match administrative capacity.

Crucial to the effective implementation of a property tax policy is public support for these taxes. Clear and transparent linkages between taxation and public benefits can aid in the legitimate price paid for public services (betterments) attained.

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