PLASU Law Journal (PLASULJ) Vol 2, 2025
A Publication of Faculty of Law, Plateau State University, Bokkos – Nigeria
EISSN 1596-0625 (Online) http://journals.plasu.edu.ng ISSN: 2695-2661 (Print)

EXAMINATION OF THE CHALLENGES IN PROPERTY TAX ADMINISTRATION IN NIGERIA

DOGARI ILIYA JOSHUA[1]

Abstract

This article is motivated by the persistent challenges in property tax administration in Nigeria, hindering revenue generation and equitable development. The central issues explored include inadequate infrastructure and technology, inefficient tax collection and enforcement, poor taxpayer education, inaccurate property valuation, and pervasive corruption. Employing a doctrinal research method, this study analyzes existing literature, legal frameworks, and policy documents to identify the root causes of these challenges and their impact on the efficiency and fairness of property tax systems. Findings reveal that outdated practices, lack of transparency, and weak enforcement mechanisms contribute to widespread tax evasion and undervaluation of properties, undermining local government revenues. The absence of modern tools such as GIS mapping and electronic payment systems further exacerbates these inefficiencies. Based on the findings, two key recommendations are proposed: First, invest in modernizing infrastructure and technology for property tax administration, including implementing GIS mapping systems and electronic payment platforms to improve efficiency and transparency. Second, enhance taxpayer education and awareness programs to promote compliance and reduce evasion through targeted campaigns that explain the benefits of property tax payments and simplify the compliance process. Implementing these reforms can significantly improve property tax administration, boosting local revenues and promoting sustainable development in Nigeria. Keywords, Property, Tax Administration, Rental Charges, and Equitable Taxation.

I. INTRODUCTION

Property taxation in Nigeria has a complex history that reflects the country's colonial past, economic challenges, and evolving governance structures. The origins of property tax in Nigeria can be traced back to the colonial era when the British introduced various tax laws, including the Land Revenue Proclamation Law of 1904. This law marked the first comprehensive attempt at

[1] Legal practioner with prof. Alphonsus O. Alubo, SAN & partners, Jos south, Plateau state. Joashdoga@gmail.com

direct taxation on property, laying the groundwork for future tax legislation in the country[2].Following Nigeria's independence in 1960, the property tax system inherited from Britain remained largely unchanged. It was based on an outdated rating system that failed to accommodate the country's socio-economic realities. Consequently, property taxation became increasingly ineffectual and difficult to manage. In response to these challenges, reforms began in the late 1990s, particularly in Lagos State, where a new tax administration was established to improve revenue generation for public services and infrastructure[3].In Nigeria, property taxes are primarily levied on immovable property, such as land and buildings. The legal framework for property taxation includes various laws, such as the Land Use Act and state-specific regulations like the Tenement Rates Law and Neighbourhood Improvement Charge Law. These laws empower local governments to assess and collect taxes on privately owned properties[4]. However, the system is often fragmented, with multiple overlapping taxes creating confusion among property owners[5].The revenue generated from property taxes is crucial for local government financing, as it supports essential public services such as road maintenance and waste management. Despite this importance, property tax collection faces significant challenges in Nigeria, including inadequate assessment methods and widespread tax evasion. As a result, property taxes account for only about 0.5% of GDP in sub-Saharan Africa, highlighting the need for more effective tax administration and enforcement strategies[6].In recent years, there have been calls for reengineering property tax dynamics in Nigeria to enhance revenue generation and improve service delivery at local levels. This includes adopting modern assessment techniques and leveraging technology to streamline tax collection processes[7]. Overall, while property taxation has the potential to be a significant source of revenue for Nigerian governments, its effectiveness is hindered by historical legacies and contemporary administrative challenges.

Property tax revenue is a critical source of funding for local governments, as it enables them to provide essential public services and maintain infrastructure. Services such as education, public

---

[2] Isochukwu Evolution of the Nigerian Tax System and its peculiar features.,(2018) https://isochukwu.com/2018/01/18/tax-1-2a-history-and-features-of-nigerian-tax-system/#respond. Accessed on 10th Jan 2025.

[3] Nwoke. T. W, Ajah. J. O , property taxation in nigeria: an appraisa

4 Akintunde. K. O, The Land Use Act and Equity Factor in Property Taxation in Nigeria, (2017). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3010197. Accessed on 10th Jan, 2025.

[5] Taxation of Property in Lagos State: An Appraisal. Obafemi Awolowo University Law Journal, (2018). https://api-ir.unilag.edu.ng/server/api/core/bitstreams/16384e79-3a3a-4ed2-be6c-cce4d870a777/content. Accessed on 10th Jan, 2025.

[6] ibid

[7] Ankeli . I. A, Adepoju. A. S. , Ajayi. T. M. , Kemiki. A. O. , Popoola. N. I. and O. T. Alabi. O. T, Property Tax Dynamics Reengineering in Nigeria: The Alternative Infrastructure Financing Option for National Development, ATBU Journal of Environmental Technology (2021)

safety (police and fire departments), waste management, and healthcare are often financed through property taxes.[8] For example, in many jurisdictions, a significant portion of property tax revenue is allocated to public education, ensuring that schools have the resources needed to deliver quality learning experiences. Without this revenue, local governments would struggle to meet the basic needs of their communities, leading to a decline in the quality of life for residents. One of the key advantages of property tax revenue is its stability and predictability. Unlike other forms of taxation, such as income or sales taxes, which are sensitive to economic fluctuations, property taxes are based on the assessed value of real estate.[9] This makes them a more consistent source of funding over time. Local governments can rely on this steady flow of revenue to plan their budgets effectively and ensure uninterrupted delivery of critical services. This stability is particularly important during economic downturns when other revenue sources may decline. In addition to funding services, property tax revenue plays a vital role in supporting infrastructure development.[10] Local governments use these funds to build and maintain roads, bridges, water systems, and public transportation networks. These investments are essential for fostering economic growth and improving the overall livability of communities. Well-maintained infrastructure not only attracts businesses and investors but also enhances the daily lives of residents by providing reliable transportation and utilities.[11] Another important aspect of property tax revenue is that it allows for local control and accountability. Since property taxes are typically levied and spent at the local level, communities have greater influence over how these funds are used. This localized approach ensures that tax revenues address specific community needs and priorities.[12] Moreover, it fosters transparency and accountability as local governments must justify their spending decisions to residents. Property tax revenue is indispensable for local governments as it underpins essential services, provides a stable funding source, supports infrastructure development, and promotes local control over resource allocation. Its significance cannot be overstated in ensuring the sustainable development of communities and improving the well-being of residents.[13]

Despite its potential to significantly enhance local government revenue, property tax administration in Nigeria faces numerous challenges that impede its effectiveness. One of the primary issues is the lack of a comprehensive and updated database of taxable properties, which complicates assessment and collection efforts. Many local governments struggle with identifying

---

[8] Bird, R. M., & Slack, E. International Handbook of Land and Property Taxation. Edward Elgar Publishing, (2004).

9 Bahl, R., & Martinez-Vazquez, J. The Property Tax in Developing Countries: Current Practice and Prospects. Lincoln Institute of Land Policy. (2008).

10 Slack, E., & Côté, A. Municipal Finance: A Handbook for Local Governments. UN-Habitat. (2014).

11 World Bank . Property Tax Reform for Local Revenue Mobilization. World Bank Group. (2020).

[12] Ibid.

[13] Ibid.

all taxable properties, leading to substantial gaps in revenue collection. This inadequacy is often exacerbated by political interference, where certain properties may be exempted from taxation due to favoritism or corruption, further diminishing the tax base and undermining public trust in the system[14].Another significant challenge is the fragmentation of tax authority among various levels of government, which creates confusion regarding tax responsibilities and enforcement. The overlapping powers between federal, state, and local governments can lead to disputes over jurisdiction and accountability.[15] Consequently, this fragmentation results in inefficient tax administration and a lack of coherent policy direction, making it difficult for local governments to effectively implement property tax laws[16]. Inadequate funding and resources for tax authorities hinder their ability to conduct proper assessments and enforce compliance, leaving many property owners unaware of their obligations or confused about the tax process[17]. There is a widespread perception of corruption within the tax administration system, which fosters resistance among taxpayers. Many citizens feel that their tax contributions do not translate into improved public services, leading to reluctance in compliance. This distrust is compounded by instances where taxpayers are unexpectedly billed for outstanding taxes without prior notification or proper assessment procedures being followed[18]. Addressing these multifaceted challenges is crucial for revitalizing property tax administration in Nigeria and ensuring that it serves as a reliable source of revenue for local governments.

II. LEGAL FRAMEWORK FOR PROPERTY TAXATION IN NIGERIA

1. Overview of the relevant laws and regulations governing property taxation in Nigeria (e.g., Land Use Act, Taxes and Levies Act).

Property taxation in Nigeria is governed by various laws and regulations that establish the framework for assessing and collecting taxes on real estate. The primary legislation includes the Land Use Act of 1978, the Taxes and Levies (Approved List for Collection) Act, and various state-specific laws. Each of these plays a crucial role in defining property rights, tax obligations, and administrative processes.

1. The Land Use Act of 1978

---

[14] Pwc. The key issues and challenges of implementing the National Tax Policy.(2013)

[15] Yayok P. K, Sani. K. S, the potentials of property taxation as a veritable alternative for improved revenue generation in Nigeria. (2021) https://niesvnational.org.ng/conference2021/Materials/12.%20The%20Potentials%20of%20Property%20Taxation%20as%20a%20Veritable%20Alternation%20for%20Improved%20Revenue%20Generation%20in%20Nigeria-%20Full%20Paper.pdf. Accessed on 10th Jan, 2025.

[16] ibid

[17] Leyira. C. M, Chukwuma. E, Asian A. U. Tax System in Nigeria – Challenges and the Way Forward. Research Journal of Finance and Accounting . (2012) https://core.ac.uk/reader/234629280. Accessed on 10th Jan, 2025.

[18] ICIR. Issues with tax administration in Nigeria: Lagos, Taraba, Kwara, Cross River, Kano in focus. (2024). https://www.icirnigeria.org/issues-with-tax-administration-in-nigeria-lagos-taraba-kwara-cross-river-kano-in-focus/. Accessed on the 10th Jan 2025.

The Land Use Act of 1978 is a pivotal piece of legislation in Nigeria that fundamentally reshaped land administration in the country. By vesting all land in the state, the Act grants governors significant authority over land allocation and management, which has profound implications for property rights and taxation. This framework aims to streamline land ownership and ensure equitable access to land resources for all Nigerians.[19]

a. Certificates of Occupancy

One of the key provisions of the Land Use Act is the issuance of Certificates of Occupancy (C-of-O). These certificates serve as legal proof of land ownership and are essential for any formal transaction involving land. The Act establishes that all land within a state is held in trust by the governor, who has the authority to grant statutory rights of occupancy to individuals or entities. This process not only formalizes ownership but also provides a mechanism for the government to regulate land use and ensure compliance with local development plans. The requirement for a C-of-O means that any transfer, mortgage, or lease of land must receive the governor's consent, thereby centralizing control over land transactions and preventing unauthorized dealings[20].

---

[19] Section 1 Land Use Act of 1978

[20] 1stattorneys, Critical Analysis of the Land Use Act: Implications and Challenges in Nigeria. (2024) https://1stattorneys.com/articles/2024/11/17/critical-analysis-of-the-land-use-act-implications-and-challenges-in-nigeria/. Accessed on 10th Jan, 2025.

b. Rental Charges

The Land Use Act empowers governors to impose and review rental charges on allocated lands. This provision allows for flexibility in adjusting rents based on market conditions or policy objectives. The ability to revise rental charges is crucial for property tax assessments, as it directly influences the financial obligations of property owners.[21] Governors can demand rents at specified intervals, which can be adjusted based on changes in land use or improvements made to the property. This mechanism aims to ensure that landowners contribute fairly to public revenues while also providing an incentive for responsible land management and development[22].

c. Equitable Taxation

The Act's overarching goal is to promote equitable taxation based on property value. By centralizing land ownership under state control, the Land Use Act seeks to create a uniform approach to property taxation that reflects current market values.[23] However, critiques have emerged regarding its implementation. Many argue that while the Act aims for fairness, it often results in harsh penalties for non-compliance and lacks an effective adjudicatory system for resolving disputes related to land rights and taxation. The revocation of occupancy rights for breaches of conditions set forth in Certificates of Occupancy can lead to significant challenges for property owners, particularly when they feel unjustly treated by local authorities[24].In summary, while the Land Use Act has established a comprehensive framework for managing land resources in Nigeria, its effectiveness is often hampered by administrative challenges and criticisms regarding its impact on property rights and equitable taxation. As Nigeria continues to evolve economically and socially, ongoing reforms may be necessary to address these issues and enhance the efficacy of land administration practices across the country.[25]

2. Taxes and Levies (Approved List for Collection) Act

The Taxes and Levies (Approved List for Collection) Act, originally enacted as a decree in 1998, serves as a critical framework for tax administration in Nigeria. This Act was established to address the issues of multiple taxation faced by taxpayers, particularly businesses, by delineating the specific taxes that can be collected by the federal, state, and local governments. It aims to

21 Matthew. E. N, Impact of the Nigerian Land Use Act on Economic Development in the Country. Acta Universitatis Danubius. Administratio, Vol 8, No 2 (2016). https://journals.univ-danubius.ro/index.php/administratio/article/view/3976/3876. Accessed on 10th Jan, 2025.

22 Yusuf Y, The Land Use Act and the Nigerian Housing Sector.(2020) https://www.cbn.gov.ng/out/2020/rsd/efr%20vol%2057%20no%204%20december%202019%20the%20land%20use%20act%20and%20the%20nigerian%20housing%20sector.pdf. Accessed on 10th Jan, 2025.

23 Ibid.

24 Ibid.

25 Ibid.

standardize tax collection across the country and prevent overlapping tax obligations on the same property.[26]

I. Key Provisions of the Act

a. Types of Taxable Properties: The Act categorizes properties into various types subject to taxation, including residential, commercial, and industrial properties. Each category is taxed based on its assessed value, ensuring that property taxes reflect the market value of the assets. This categorization helps local governments effectively manage their revenue collection while providing clarity to property owners regarding their tax obligations.[27] **Assessment Procedures**: Local government councils are tasked with the responsibility of assessing property values and collecting taxes. This decentralization allows local authorities to tailor their assessment methods and tax rates according to the specific economic conditions and needs of their communities. The Act mandates that local governments must follow standardized procedures for property assessment to ensure fairness and transparency in tax collection.[28] **Schedule of Taxes**: The Act outlines a detailed schedule that specifies which taxes can be collected by each tier of government: **Federal Government**: Includes taxes such as Companies Income Tax, Petroleum Profits Tax, Value Added Tax (VAT), and Education Tax. **State Government**: Covers Personal Income Tax (including Pay-As-You-Earn), Capital Gains Tax, and various levies related to business operations. **Local Government**: Encompasses rates on shops and kiosks, tenement rates, market levies, and other local fees. **Amendment Powers**: Section 1(2) of the Act grants the Minister of Finance the authority to amend the schedule of taxes through an order published in the Gazette, based on advice from the Joint Tax Board. This provision allows for flexibility in tax administration and enables adjustments to be made in response to changing economic conditions or policy needs.[29] **Legal Framework**: Following the enactment of Nigeria's 1999 Constitution, the original decree was preserved as an existing law under Section 315 of the Constitution, transforming it into an Act. This legal status has allowed it to remain relevant in guiding tax collection practices across Nigeria despite various challenges regarding its enforcement and applicability.[30]

b. Critiques

Despite its intentions, the Taxes and Levies (Approved List for Collection) Act has faced criticisms regarding its effectiveness in curbing multiple taxation. Local governments sometimes impose additional levies that may not align with those specified in the Act, leading to confusion among taxpayers.[31] Furthermore, there have been legal challenges regarding certain amendments made under this Act, particularly concerning the authority of states to impose specific taxes like

---

[26] Central Bank of Nigeria Economic and Financial Review (2019)

[27] Acta Universitatis Danubius - Administratio (2016): loc cit.

[28] Central Bank of Nigeria Economic and Financial Review (2019)

[29] Yusuf Y, The Land Use Act and the Nigerian Housing Sector.(2020)

[30] ibid

[31] ibid

consumption tax. The Taxes and Levies (Approved List for Collection) Act plays a vital role in Nigeria's tax administration system by delineating responsibilities among different levels of government and providing a framework for property taxation.[32] While it aims to standardize tax collection and mitigate issues related to multiple taxation, ongoing reforms may be necessary to enhance its effectiveness and address emerging challenges within Nigeria's complex tax landscape.

3. State-Specific Regulations

Property tax laws in Nigeria are governed by both federal and state regulations, which vary significantly across different regions. This document examines two prominent property tax regimes: the Lagos State Land Use Charge Law and the Federal Capital Territory (FCT) Property Tax Regime.[33]

1. Lagos State Land Use Charge Law

The Lagos State Land Use Charge Law was enacted to consolidate various property-related charges, including ground rent and tenement rates. This law categorizes properties into three main types: residential, commercial, and industrial, each with distinct tax rates:[34]

i. Residential Properties:

Fully owner-occupied: 0.0394%

Partially occupied (owner and tenants): 0.132%

Fully tenant-occupied (investment properties): 0.394%

Commercial Properties: Taxed at a rate of 0.394% of the assessed value.

Industrial Properties: Taxed at a lower rate of 0.132%[35].

ii. Assessment and Compliance

Property assessments are conducted by government assessors based on various factors, including the property's physical condition, usage, and market value. Property owners are required to pay

---

[32] ibid

[33] Mixtafrica, Demystifying Land Use Charges in Nigeria: Meaning, Payment and Recent Trends.(2023). https://mixtafrica.com/land-use-charges/. Accessed on 11th Jan 2025.

[34] ibid

[35] Taiwo. O, More taxes on the horizon: A look at the proposed property tax in the FCT. https://www.pwc.com/ng/en/pdf/nigeria-property-tax-in-federal-capital-territory.pdf. Accessed on 10th Jan,2025.

the Land Use Charge annually, with penalties for non-compliance potentially including fines or property seizure[36].

iii. Exemptions

Certain categories of properties are exempt from the Land Use Charge, such as:

Properties owned and used exclusively by religious organizations.

Iv. Public cemeteries.

Non-profit educational institutions certified by the Commissioner for Finance[37].

2. Federal Capital Territory (FCT) Property Tax Regime

The proposed property tax regime for the FCT introduces a different framework with varying rates based on property type:

Recreational Properties: 0.3%

Residential Properties: 0.4%

Commercial Properties: 0.6%

Other Properties: Up to 0.7%[38].

a. Appraisal Requirements

Under this regime, properties must be appraised every five years, with strict compliance requirements for delivering demand notices to property owners. Notices must be issued by March 31st each year, and failure to pay within 30 days results in penalties[39].

b. Implications of the Proposed Bill

If passed in its current form, the FCT's property tax could result in significantly higher taxes for residential properties compared to those in Lagos State, potentially exceeding tenfold

---

36 Araoluwa , Property Tax in Nigeria. (2023) https://propsult.com/property-tax-in-nigeria/. Accessed on 10th J an, 2025.

37 Banwo-ighodalo, A critique of the land use charge law of lagos state. (2018) https://www.banwo-ighodalo.com/assets/grey-matter/919d8d2946872d3684911c8348d43991.pdf. Accessed on 10th Jan, 2025.

38 Taiwo O, More taxes on the horizon: A look at the proposed property tax in the FCT. https://www.pwc.com/ng/en/pdf/nigeria-property-tax-in-federal-capital-territory.pdf. Accessed on 10th Jan,2025.

39 Mixtafrica, Demystifying Land Use Charges in Nigeria: Meaning, Payment and Recent Trends. (2023) https://mixtafrica.com/land-use-charges/. Accessed on 11th Jan 2025.

increases[40]. The bill also aims to eliminate double taxation by replacing existing local taxes on property ownership within the FCT. Both Lagos State and the FCT have established unique property tax frameworks that reflect their economic environments and governance strategies. While Lagos focuses on a structured classification system with relatively lower rates for residential properties, the FCT's proposed regulations could lead to higher taxation levels with stringent appraisal requirements.[41] These differences highlight the importance of understanding local regulations when navigating property ownership in Nigeria.

4. Administrative Framework

The administration of property taxes in Nigeria involves several key bodies, primarily the Local Government Councils and the FCT Property Tax Agency. Each plays a distinct role in assessing property values, collecting taxes, and enforcing compliance.

A. Local Government Councils

i. Responsibilities:

Assessment and Collection: Local Government Councils are primarily responsible for assessing property values within their jurisdiction and collecting property taxes. They conduct surveys to determine the market value of properties and issue tax bills accordingly[42].

Legal Enforcement: These councils have the authority to impose penalties on property owners who fail to pay their taxes. This may include initiating legal actions to recover unpaid taxes[43].

ii. Operational Framework:

Local governments operate under guidelines set by state governments, which oversee their activities to ensure compliance with property tax laws.

They also provide a platform for taxpayers to appeal assessments if they believe their property has been overvalued.

B. FCT Property Tax Agency

---

[40] Ibid.

[41] Ibid.

42 Personalfinance, Property Taxes in Nigeria: What Homeowners Need to Know. https://personalfinance.ng/property-taxes-in-nigeria/. Accessed on 10th Jan, 2025.

[43] Ibid.

The FCT Property Tax Agency specifically manages property taxation in the Federal Capital Territory (FCT). It was established to streamline tax administration and ensure effective compliance with property tax regulations. Key Functions:

Appraisal and Assessment: The agency is responsible for appraising all taxable real properties at least once every five years, determining their market value as of January 1st of the appraisal year. This process involves revising appraisals to reflect current market conditions, including inflation adjustments[44].

Tax Collection: The agency issues demand notices for property taxes, which must be delivered by March 31st each year. If taxes remain unpaid after 30 days, interest penalties accrue, and the agency can initiate enforcement actions[45].

i. **Enforcement Actions:**

If property taxes are overdue for more than 36 months, the agency is empowered to sell the property to recover owed taxes. This includes capital gains tax and any other associated fees[46].

The agency also handles objections from taxpayers regarding assessments, requiring a deposit of 50% of the disputed amount pending resolution[47]. The administration of property taxes in Nigeria is a decentralized process involving local government councils and specialized agencies like the FCT Property Tax Agency. Local councils focus on assessment and collection within their areas, while the FCT agency manages tax processes in the capital territory with specific appraisal and enforcement responsibilities.[48] Understanding these roles is crucial for property owners to navigate their obligations effectively and avoid penalties.

5. Compliance and Penalties

Failure to comply with property tax regulations in Nigeria can lead to significant penalties and repercussions for property owners. The framework governing these penalties is influenced by both federal legislation and state-specific laws, creating a complex landscape for taxpayers.

A. Penalties for Non-Payment

i. **Interest on Unpaid Taxes:** Tax authorities impose interest on overdue property taxes. This interest accumulates over time, increasing the total amount owed. For instance,

---

[44] See footnote 38

[45] Yayok P. K, Sani K. S. the potentials of property taxation as a veritable alternative for improved revenue generation in nigeria.(2021) https://niesvnational.org.ng/conference2021/Materials/12.%20The%20Potentials%20of%20Property%20Taxation%20as%20a%20Veritable%20Alternation%20for%20Improved%20Revenue%20Generation%20in%20Nigeria-%20Full%20Paper.pdf. Accessed on 11th Jan, 2025.

[46] Ibid.

[47] Ibid.

[48] Ibid.

penalties can be calculated as a percentage of the unpaid tax amount, typically around 5% per month, capped at a maximum of 25%[49].

ii. Legal Action:

If property taxes remain unpaid, tax authorities may initiate legal proceedings to recover the owed amounts. This can include obtaining court judgments against defaulters[50]. In severe cases, the government has the authority to seize properties after a specified period of non-payment, often exceeding 36 months[51].

iii. Sale Restrictions:

Properties with outstanding taxes may face restrictions on sales or transfers until the debts are settled. This can hinder property owners from liquidating assets or transferring ownership[52].

B. Right to Appeal Assessments

Taxpayers have the right to appeal property tax assessments if they believe their properties have been overvalued. However, this appeal must be lodged within a defined timeframe, and taxpayers may be required to pay a deposit equivalent to 50% of the disputed amount pending resolution[53]. This deposit acts as a safeguard for tax authorities while allowing taxpayers to contest their assessments.

C. Legal Framework and Ongoing Reforms

Property taxation in Nigeria is primarily governed by the Land Use Act, which provides a foundational legal framework for property taxes. However, critiques of this act highlight its inequities and harsh penalties imposed on defaulters, suggesting that reforms are necessary to improve compliance mechanisms and ensure fair treatment of taxpayers[54].

---

49 Aelex. when does penalty and interest apply to unpaid tax. https://www.aelex.com/when-does-penalty-and-interest-apply-to-unpaid-tax/. Accessed on 11th Jan, 2025.

50 Olagoke. O. Imposition of Fines by taxing Authorities in Nigeria: An Overview. Gravitas review of Business and Property Law, Journal vol.10N2(2019). https://gravitasreview.com.ng/product/imposition-of-fines-by-taxing-authorities/. Accessed on 11th Jan, 2025.

51 ibid

52 ibid

53 ibid

54 Akintunde . K. O, The Land Use Act and Equity Factor in Property Taxation in Nigeria. (2017). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3010197. Accessed on 11th Jan, 2025.

D. Balancing Revenue Generation and Equity

The interplay between federal legislation and state-specific laws reflects Nigeria's ongoing efforts to balance revenue generation with equitable treatment of its citizens in land ownership and taxation practices. Understanding these laws is crucial for property owners to navigate their tax obligations effectively and avoid severe penalties.[55] Non-compliance with property tax regulations in Nigeria can result in substantial financial penalties, legal actions, and restrictions on property transactions. Taxpayers are encouraged to familiarize themselves with their rights and obligations under the law, including the appeals process for contested assessments.[56] Ongoing reforms are essential to address existing inequities in the system and enhance compliance among property owners.

2. Analysis of the roles and responsibilities of the three tiers of government in property tax administration

Property tax administration in Nigeria is a multi-tiered process involving the Federal, State, and Local Government levels. Each tier has distinct roles and responsibilities that contribute to the overall effectiveness of property taxation, influenced by the constitutional framework and specific laws governing taxation.[57]

1. Federal Government

a. Responsibilities:

The Federal Government, through the Federal Inland Revenue Service (FIRS), is primarily responsible for administering taxes that fall under its jurisdiction, such as corporate taxes and capital gains tax. While it does not directly manage property taxes, it sets the legislative framework that influences property taxation at state and local levels.[58] The federal framework provides guidelines for property tax regulations, ensuring consistency across states while allowing local adaptations.

b. Legislative Authority:

The Federal Government derives its taxing powers from the 1999 Constitution of Nigeria, which delineates areas where it can levy taxes. This includes taxes on income and profits from businesses operating within its jurisdiction[59].

---

55 Ibid.

56 Ibid.

57 Atoyebi , O.M. The Concept of Taxation and Taxing Power in Nigeria. (2024). https://omaplex.com.ng/the-concept-of-taxation-and-taxing-power-in-nigeria/. Accessed on Jan, 2025.

58 ibid

59 ibid

2. State Governments

a. Responsibilities:

State governments are responsible for enacting laws related to property taxation within their territories. They establish specific tax rates and regulations that govern how property taxes are assessed and collected. Each state has a Board of Internal Revenue that oversees property tax administration, ensuring compliance with state laws and managing local assessments.[60]

c. Tax Collection:

States typically impose property taxes based on assessed values determined through local assessments. The rates can vary significantly from one state to another, reflecting local economic conditions and policy priorities[61]. States also have the authority to grant exemptions or reductions in property taxes for certain categories of properties or owners, such as low-income households or non-profit organizations.[62]

3. Local Governments

a. Responsibilities:

Local governments play a crucial role in the direct administration of property taxes. They are responsible for assessing property values and collecting taxes from property owners within their jurisdictions. Local councils conduct regular assessments to determine property values based on various factors such as location, size, and usage type[63].

b. Revenue Generation:

Property tax is a significant source of revenue for local governments, funding essential public services such as infrastructure maintenance, education, health services, and community development projects. This reliance on property tax underscores the importance of effective administration at this level[64].

3. Interplay Between Tiers

The interaction between these three tiers of government creates a comprehensive framework for property tax administration:

---

[60] Propsult, Property Tax in Nigeria, (2023) https://propsult.com/property-tax-in-nigeria/. Accessed on 11th Jan, 2025.

61 Hawawu. L. A. overview of taxes collectibles by the three tiers of government under nigerian tax law. (2024) https://www.researchgate.net/publication/384876488_OVERVIEW_OF_TAXES_COLLECTIBLES_BY_THE_THREE_TIERS_OF_GOVERNMENT_UNDER_NIGERIAN_TAX_LAW. Accessed on 11th Jan,2025.

[62] Ibid.

[63] Ibid.

[64] ibid

a. Coordination: Effective coordination among federal, state, and local governments is essential for ensuring compliance with tax laws and optimizing revenue collection.
b. Legislative Framework: The federal government provides a legislative foundation that states can build upon, while local governments implement these laws at the community level.[65]

Despite this structured approach, challenges such as overlapping jurisdictions, inconsistent assessment methods, and varying compliance levels can complicate property tax administration across different regions[66]. The roles and responsibilities of the three tiers of government in Nigeria's property tax administration are clearly defined yet interconnected. The Federal Government establishes the legislative framework; state governments create specific regulations and rates; and local governments execute assessments and collections.[67] Understanding these roles is crucial for property owners to navigate their obligations effectively while also highlighting the need for ongoing reforms to address existing challenges in the system.

III. CHALLENGES IN PROPERTY TAX ADMINISTRATION

1. Inadequate Infrastructure and Technology

One of the primary challenges in property tax administration in Nigeria is the inadequate infrastructure and technology. Many local governments lack modern tools and systems necessary for efficient tax collection and management. The absence of Geographic Information Systems (GIS) mapping hampers the ability to accurately identify and assess properties, which is essential for effective taxation. Furthermore, the reliance on outdated manual processes leads to inefficiencies, errors, and delays in tax collection. Electronic payment systems are also underdeveloped, making it difficult for taxpayers to comply with their obligations conveniently. This technological gap not only affects the efficiency of tax administration but also contributes to low revenue generation from property taxes, as many potential taxpayers may evade their responsibilities due to the cumbersome processes involved in compliance [68].

2. Inefficient Tax Collection and Enforcement

The challenge of inefficient tax collection and enforcement is prevalent in Nigeria's property tax system. Tax collectors often face significant obstacles, including inadequate training and resources, which limit their effectiveness in enforcing compliance. Corruption further exacerbates this issue, as some tax officials may engage in corrupt practices that undermine the integrity of the tax system. Additionally, local governments frequently lack adequate enforcement powers to compel compliance from delinquent taxpayers. This combination of factors results in widespread

---

[65] Ibid.
[66] ibid
[67] ibid
[68] Damilola. J. A, & 4 others, An Examination of Property Tax within the Context of Fiscal Federalism in Nigeria. NIU, Nexus International University ISSN: 3007-1704; 9(2): 39-50 Journal of Humanities Copyright©2024.

tax evasion and avoidance, significantly reducing the potential revenue that could be generated from property taxes [69]. The lack of a robust legal framework to support enforcement actions also contributes to this inefficiency.

3. Poor Taxpayer Education and Awareness

Another critical challenge is the poor taxpayer education and awareness regarding property tax obligations. Many property owners are unaware of their responsibilities or the processes involved in property taxation, leading to high levels of non-compliance. The absence of effective education programs means that taxpayers often lack clarity on how property taxes are assessed, calculated, and collected. This ignorance creates an environment ripe for evasion, as individuals may not understand the importance of contributing to local government revenues through property taxes. Improving taxpayer education is vital for fostering a culture of compliance and ensuring that citizens recognize the benefits of paying taxes, such as improved public services and infrastructure [70].

4. Inadequate Valuation and Assessment

The challenge of inadequate valuation and assessment of properties significantly undermines the effectiveness of property tax administration in Nigeria. Many local governments struggle with outdated valuation methods that do not accurately reflect current market conditions or property values. The lack of qualified valuers further complicates this issue, as there are insufficient skilled professionals available to conduct thorough assessments. Consequently, many properties remain undervalued or overvalued, leading to inequitable taxation outcomes where some taxpayers pay less than their fair share while others bear an excessive burden [71]. This inconsistency erodes public trust in the tax system and can lead to disputes over assessments.

5. Corruption and Lack of Transparency

Finally, corruption and lack of transparency are pervasive challenges that significantly impact property tax administration in Nigeria. Corrupt practices among tax officials can lead to favoritism, bribery, and manipulation of assessments, undermining the integrity of the entire system. The lack of transparency in how property taxes are assessed, collected, and utilized further erodes public confidence in local governments' ability to manage tax revenues effectively. Without mechanisms for accountability and oversight, taxpayers may feel disillusioned about contributing to a system

[69] Yayok P. K, Sani K. S. the potentials of property taxation as a veritable alternative for improved revenue generation in nigeria.(2021) https://niesvnational.org.ng/conference2021/Materials/12.%20The%20Potentials%20of%20Property%20Taxation%20as%20a%20Veritable%20Alternation%20for%20Improved%20Revenue%20Generation%20in%20Nigeria-%20Full%20Paper.pdf. Accessed on 11th Jan, 2025.

[70] ibid

[71] ibid

they perceive as corrupt or inefficient [72]. Addressing these issues is crucial for restoring trust in property taxation as a legitimate means for funding public services.

IV. CASE STUDIES AND EXAMPLES

Several case studies illustrate the challenges facing property tax administration in Nigeria, particularly in Lagos State and the broader context of local government revenue collection.

The Lagos State Land Use Charge Law (LUCL) of 2018, which replaced the 2001 law, aimed to increase revenue by raising rates on all properties and closing loopholes[73]. However, the LUCL 2018 generated significant controversy. Critics argued that basing the charge rate on market value increased rates by 200-500%, potentially driving up rent and inflation[74]. Stakeholder engagement in the law-making process was also deemed inadequate1. Despite rate reductions by the Lagos State Government, the outcry persisted[75]. The legality of the LUCL 2018 was questioned because the responsibility to assess and collect the Land Use Charge (LUC) is constitutionally vested in the Local Government Councils (LGC), not the state government. It was suggested that Section 5 of the LUCL 2018 be amended to reflect this constitutional mandate[76].

Lagos State Internal Revenue Service faces challenges, including a lack of education among tax officials regarding tax laws and regulations[77]. Tax evasion stems from both a lack of voluntary compliance by taxpayers and the misappropriation of collected taxes by some officials. Discrepancies between expected and actual tax collection hinder the smooth operation of the Lagos State Internal Revenue Service[78]. These challenges highlight the complexities in property tax administration in Nigeria, necessitating comprehensive reforms to enhance revenue generation and ensure equitable taxation.

In Abuja, several initiatives and challenges shape property tax administration: Ongoing Reforms and Implementation:

[72] Leyira C. M, Tax System in Nigeria – Challenges and the Way Forward. (Paper) ISSN 2222-2847 (Online) Vol 3, No 5, Research Journal of Finance and Accounting,(2012). https://core.ac.uk/reader/234629280. Accessed on 11th Jan,2025

[73] Taxation of Property in Lagos State: An Appraisal, Obafemi Awolowo University Law Journal. https://api-ir.unilag.edu.ng/server/api/core/bitstreams/16384e79-3a3a-4ed2-be6c-cce4d870a777/content. Accessed on 11th Jan 2025.

[74] ibid

[75] ibid

[76] ibid

[77] Folarin, O. T, property tax reforms: a tool for boosting internally generated revenue for infrastructure development (a case study of lagos state).(2021). https://niesvnational.org.ng/conference2021/Materials/9.%20Property%20tax%20reforms-Full%20Paper.pdf. Accessed on 11th Jan 2025.

[78] ibid

Property Tax Regulation Approval: The Minister of the Federal Capital Territory (FCT), Nyesom Wike, has approved a draft property tax regulation for Abuja, signaling a move to have property owners start paying taxes on their properties[79].

Capital Gains Tax Implementation: The FCT-Internal Revenue Service (FCT-IRS) has commenced the implementation of Capital Gains Tax (CGT) in Abuja, as stipulated in the Capital Gains Tax Act 2004. The CGT imposes a 10% tax on chargeable gains from disposing of chargeable assets[80].

Revenue Growth Expectations: The FCT-IRS anticipates a significant increase in Internally Generated Revenue (IGR) due to these measures, potentially exceeding 50% of the current levels[81].

Requirements for Permits: Tax clearance certificates (TCC) will be mandatory for obtaining building permits, ensuring tax compliance before development projects can proceed[82].

Advocacy for Property Tax Reforms:

Call for Prioritization: Housing experts have advocated for property tax reforms in Abuja to address housing affordability and reduce unoccupied buildings[83].

Taxation Over Demolition: Instead of demolishing properties, experts suggest implementing property taxes on empty houses in areas like Maitama and Asokoro. Heavy taxation could encourage owners to put these properties back into circulation, addressing the housing deficit[84].

Addressing Unoccupied Buildings: Unoccupied buildings in Abuja have been linked to corruption and money laundering, with calls for the government to either confiscate or heavily tax such properties[85]. Revenue collection faces political challenges, requiring the Minister's political will to overcome them. Support from the Minister has lessened the burden, indicating its importance[86]. Stakeholder Challenges: The FCT faces challenges from stakeholders, requiring the agency to address various concerns and issues[87]. Operational Issues and Information: General operational

79Punch, Abuja property owners to start paying tax.2023. https://punchng.com/abuja-property-owners-to-start-paying-tax/. Accessed on 11th Jan 2025.

80 Ibid.
81 Ibid.
82 Ibid.
83 Ibid.
84 Ibid.
85 Ibid.
86 Thisday, Wike Approves Draft Proposal on Property Tax Regulation in Abuja. 2023. https://www.thisdaylive.com/index.php/2023/11/14/wike-approves-draft-proposal-on-property-tax-regulation-in-abuja/. Accessed on 11th Jan 2025.

87 Ibid.

issues and a lack of clear information hinder effective tax collection[88].These points showcase Abuja's efforts to enhance property tax administration, alongside the obstacles it faces. The focus on political support, stakeholder engagement, and addressing operational challenges is crucial for effective implementation.

V. POLICY AND REFORMS

Nigeria's property tax administration faces numerous challenges, but ongoing and proposed policy reforms aim to address these issues through various strategies:

1. Modernizing Infrastructure and Technology:

Digitization of Property Records: Digitizing property records by the state property registrar and streamlining the registration and transfer of properties are crucial steps[89].

Technological Tools: Implementing Geographic Information Systems (GIS) mapping and electronic payment platforms can significantly enhance efficiency and transparency. Investment in these technologies is essential for accurate property identification and assessment, as well as for facilitating convenient tax payments[90].

2. Improving Taxpayer Education and Awareness:

Education Programs: Enhancing taxpayer education and awareness programs helps promote compliance and reduce evasion. Targeted campaigns explaining the benefits of property tax payments and simplifying the compliance process are vital[91].

Clarity and Information: Addressing a lack of clear information hinders effective tax collection.

3. Enhancing Valuation and Assessment Methods:

Accurate Valuation: Employing up-to-date valuation methods that accurately reflect current market conditions is necessary.

---

88 Ibid.

89 Asaolu, T., Dopemu , S., & Monday, J., . Impact of Tax Reforms on Revenue Generation in Lagos State: ATime Series Approach. Research Journal of Finance and Accounting, (2015).

90 Adams, P., State(s) of Crisis: Subnational Government of Nigeria. Africa Research Institutute, Briefing Note 1602. (2016).

91 Bird, R. & Smart, M., Intergovernmental fiscal transfers: International lessons for developing countries. World Development, (2002).

Qualified Valuers: Ensuring there are sufficient skilled professionals to conduct thorough assessments addresses inconsistencies in property valuation[92].

4. Strengthening Enforcement and Compliance Mechanisms:

Addressing Enforcement: Improving enforcement mechanisms to reduce non-compliance and increase revenue collection1.

Addressing property owner location: Making occupants or users taxable when the owner is unknown has been suggested as a solution.

Tax bill procedures: Publishing the tax roll should be sufficient to establish liability for the tax.

Payment methods: Allowing payments through intermediaries, checks, credit cards, or online platforms, limits convenience.

5. Promoting Transparency and Accountability:

Harmonizing Taxes: Harmonizing taxes at every governmental level can reduce administrative burdens for real estate players[93].

Nigeria Revenue Service (NRS): The Nigeria Tax Bill aims to streamline Nigeria's tax landscape to make compliance easier for businesses, replacing the FIRS and performing a broader role of revenue administration in Nigeria[94].

Tax Ombudsman: The Joint Revenue Board Establishment Bill (JRBEB) introduces a Tax Ombudsman to advocate for an improved tax system and protect vulnerable taxpayers[95].

Consolidating Tax Provisions: Consolidating tax provisions and addressing multiple taxation issues benefits the real estate sector, allowing more resources to flow into actual property development[96]. These reforms collectively aim to create a more efficient, equitable, and transparent property tax system in Nigeria, fostering economic growth and improving tax compliance.

---

[92] Ibid.

[93] Ibid.

[94] Bird, R., Subnational taxation in developing countries: A review of the literature. Policy Research Working Paper. Washington DC: World Bank, ., (2010).

95 Nigeria: Navigating the Future - Key Tax Reforms in Nigeria for 2024 and Beyond.(2024). https://wts.com/global/publishing-article/20250102-nigeria-navigating-the-future-key-tax-reforms-in-nigeria-for-2024-and-beyond~publishing-article. Accessed 11th Jan 2025.

[96] Ibid.

VI. CONCLUSION

In conclusion, this analysis has underscored several key findings regarding the challenges facing property tax administration in Nigeria. The persistent issues of inadequate infrastructure and technology, inefficient collection and enforcement mechanisms, poor taxpayer education, inaccurate property valuation methods, and pervasive corruption have been identified as significant impediments to effective revenue generation. These challenges not only limit the financial capacity of local governments but also contribute to inequities in property taxation, eroding public trust and hindering sustainable development. Reiterating the central thesis, addressing these challenges is paramount to unlocking the potential of property tax as a reliable and substantial source of revenue for local government financing in Nigeria. The lack of modernized infrastructure and technology, such as GIS mapping and electronic payment systems, hampers the ability to accurately identify and assess properties, while outdated valuation methods and a shortage of qualified valuers result in inaccurate assessments. Furthermore, the absence of effective enforcement and compliance mechanisms, compounded by corruption, leads to widespread tax evasion and avoidance. Tackling these systemic issues through targeted policy reforms is essential for enhancing revenue collection and promoting fair taxation. Ultimately, the importance of addressing the challenges facing property tax administration in Nigeria cannot be overstated. By implementing modernized infrastructure, improving taxpayer education, enhancing valuation and assessment methods, strengthening enforcement and compliance mechanisms, and promoting transparency and accountability, Nigeria can create a more efficient, equitable, and sustainable property tax system. This, in turn, will enhance local government financing, enabling them to deliver essential public services, foster economic growth, and improve the overall quality of life for their citizens. The path forward requires sustained commitment from policymakers, administrators, and communities to prioritize and implement these reforms effectively, unlocking the full potential of property tax as a tool for development and progress in Nigeria.

VII. RECOMMENDATIONS.

Based on the challenges in property tax administration in Nigeria, here are five recommendations:

1.Modernize Infrastructure and Technology: Invest in and implement modern technologies such as GIS mapping systems and electronic payment platforms to improve property identification, valuation, and tax collection efficiency. This includes digitizing property records to streamline registration and transfer processes.

2.Improve Taxpayer Education and Awareness: Launch comprehensive taxpayer education programs to increase awareness of property tax obligations and the benefits of compliance. These programs should clarify assessment methods, payment procedures, and the utilization of tax revenues for community development.

3.Enhance Valuation and Assessment Methods: Employ up-to-date valuation methods that accurately reflect current market conditions. Ensure there are sufficient, qualified valuers to conduct thorough and consistent property assessments, reducing discrepancies and promoting fair taxation. Regular revaluation of properties is also essential.

4.Strengthen Enforcement and Compliance Mechanisms: Enhance enforcement mechanisms to reduce non-compliance and increase revenue collection. Explore making property occupants liable for taxes when owners cannot be located, and streamline tax bill procedures.

5.Promote Transparency and Accountability: Promote transparency and accountability in property tax administration to build public trust and reduce corruption. This includes clearly defining the roles and responsibilities of coordinating agencies and ensuring accountability for tax revenue and its expenditure.