AFRICA HABITAT REVIEW 14(2) (2020)

ISSN: 2524-1354 (Online), ISSN: 2519-7851 (Print)
Africa Habitat Review Journal
Volume 14 Issue 2 (July 2020)
http://uonjournals.uonbi.ac.ke/ojs/index.php/ahr

Challenges of County Government Property Taxation in Nairobi City

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Received on 30th August, 2019; Received in revised form 16th May, 2020; Accepted on 2nd June, 2020.

Abstract

This study evaluates the challenges of property taxation under the county government in Nairobi City. Property taxation, if well exploited, can be a major source of revenue at the county government level which is required in provision of urban services and infrastructure. Nairobi has not been generating adequate revenue from property taxation due to various challenges as identified in the study. The study used survey design where interviews were conducted to officials under Land Valuation directorates of Nairobi. Review of documents was also done. The study established that property taxation in Nairobi City faces many challenges that relate to policy and its administration. The legal framework for property taxation is inadequate and has not been reviewed to keep up with the increased property development in the city; Nairobi uses two systems of taxation; namely site value and area rating, which have resulted to a narrow tax base and reduced uniformity of property taxation, and there are no regular revaluations of the tax base. Property taxation also faces the challenge of lack of political good will. These challenges have resulted in low revenue generation from property taxation in Nairobi. The study recommends review of the national laws relating to property taxation, that the City use only capital value-based method of property taxation with elimination of the current area-based system, reduction of exemptions, widening of the tax base, and use of mass valuation methods.

Keywords: County government, Property tax base, Property taxation.

INTRODUCTION

Property taxation is a major source of local government finance in the world. Property taxation is a form of wealth tax where wealth consists of accumulated stock held at a certain place and time. It is a tax on land or real estate which is unmovable and comprises of land and the improvements thereon. Property taxes are levied by local governments on properties within their areas of jurisdiction. Bird (2010) defines a sub-national or local tax as a tax which the local government has the mandate to levy or not, determine the tax base and the tax rate, administer the tax in terms of assessment, collection and enforcement, and retain all the revenue collected from the tax. Most property taxes in the world do not meet all these criteria but may meet only some (Bird, 2010).

Nairobi city is the capital of Kenya and the location of international companies, embassies and organisations. The city has experienced tremendous growth both in physical extent and in population. The population of the city was estimated at 3,138,369 under the 2009 population census (Republic of Kenya (ROK), 2010(a)). The population has increased to 4,397,073 in 2019 as per the 2019 Kenya Population Census (ROK, 2019) and will rise to 7.031 million by 2030 (UN, 2018). As the city has continued to grow, so has been the increase in the pressure on the existing urban services. Urban service provision has not grown in tandem with the economic, physical, and social growth of Nairobi. The revenue generated by the local government has been inadequate to meet the growing demand for urban services. The financial capability of Nairobi is limited due to poor resource management and weak revenue collection system (UN Habitat, 2006).

Property taxation in Nairobi, as in other cities in developing countries, has been neglected (Morkan, 2010; Kelly, 1999). Political and vested interests are given as major reasons for this neglect. Shoup (1978) notes that most of the prime commercial

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and residential urban properties are owned by important government officials and influential families. They are therefore able to influence property taxation decisions in their favour and are unwilling to pay high taxes. The middle-class income housing is substantially low in these countries and does not form an adequate tax base.

Local property taxation is prone to political resistance through collusion between the taxpayers and the collectors resulting to rent seeking outcomes (Ahmad et al., 2014). This mainly occurs in the management of the cadastre where properties are deliberately left out of the tax register resulting to administrative exemption from taxation. Also, when carrying out valuation some properties may be undervalued due to political interference.

Though property taxes accounts for 30% of own source revenue in Nairobi, there is still potential of further exploiting this revenue source (Mutua and Wamalwa, 2017). The revenue can be used to enhance the provision of infrastructure services in the city.

Property taxation systems in the world differ depending on the tax base. The tax base can either be on the capital value of the property, including land and improvements; on the rental value of the property; on area or size of the property or on the site/land value. In Nairobi, property taxation is on two systems, site value and area rates.

THEORY

Tresch (2015); Lawton & Reed (2013) give the objectives of taxation as revenue generation, stabilization or economic efficiency and redistribution or social justice role. Under the revenue generation objective, which is the main objective of property taxation, the local government collects revenue to fund its expenditure. According to Hyman (2011), taxes reallocate resources from the private sector to the government. They reduce an individual's income for spending on goods and services. Through taxation, allocation of resources is done from the private sector to the public sector to facilitate the government in provision of public goods and services.

Under-taxation of property results to increased investment in the property sector and increased supply of property, especially housing, to meet the increased demand, leading to increase in property prices in the short run which benefit the current property owners but locks out prospective property owners (Lawton & Reed, 2013). In the long run, the increased supply will result to an oversupply leading to a glut especially in residential property and may result to a housing bubble as happened in USA in the 2000. Thus, under taxation of property affects the efficiency of the tax resulting to distortions of consumer decisions (Ulbrich, 2011). Under taxation also encourages speculative buying and hoarding of land and promotes investment in the property market at the expense of the other sectors of the economy such as industry and business.

Types of property taxation systems

i. Capital value system

Under the capital value system, the tax base is the open market value of the property, which includes the land and improvements for those properties that are developed (Norregaard, 2013). There are divergent systems with some countries having different tax rates for land and improvements, with the land element of the property taxed at higher rates. These include Botswana and some cities in Brazil. In South Africa tax assessment is on the total capital value of the property which includes the land and the improvements thereon.

According to Bahl & Linn (1992); Norregaard (2013) the system is costly to administer because of requirement for valuation of properties which includes both land and buildings. Valuers are required to carry out valuations. It is also difficult to get up to date data on market transactions which affects the validity of the assessed market values.

However, Norregaard (2013) notes that this system is more equitable because the property values reflect public investment in infrastructure provision. Therefore, capital value assessment adheres to the principle of benefit received. The value of the property is also more a reflection of the market value especially where revaluations are regular. In addition, there is more revenue collection under this system since the tax base includes both land and buildings.

ii. Annual rental value system

Under this system, the basis of taxation is the estimated annual rent that can be realised in a fair market transaction (Harvey, 1996; Norregaard, 2013). Just like the capital value system, the annual rental value system relies on the whole property, the land, and the improvements thereon. The difference is that the base is the annual rents that accrues or are estimated to accrue from the property, not the market value of the property.

The annual rental value of a property includes land and improvements thereon for a developed property (Harvey, 1996). The net rent is arrived at by establishing the gross annual rental value that the property is expected to let for in each period which is usually annual, less the expenses of running the property such as maintenance and insurance. The tax on rental value is payable even when the property is not let because the rent is hypothetical and not the actual rent, unlike tax on rental income where the tax is paid only when income is received (McCluskey et al., 2005).

According to Norregaard (2013) this system of property taxation has some disadvantages. The adjustment that are made for expenses often poses a challenge because the deductions are usually arbitrary and subjective. Rent controls by the central government places caps on rent increases, thus, affecting market rents. This in turn reduces the revenue collected.

Further, the assessment is difficult for properties that are rarely in the rental market such as owner-occupied houses, industrial properties, and vacant land. Existence of rent restriction laws remit increase in rents and affect the market rents. There is also a challenge of how to accommodate vacant land especially in developing countries (McCluskey & Franzsen, 2013).

Annual rental value is an ideal tax base where there is a vibrant rental market and required skilled valuers to carry out valuation. It provides reasonable proxy of the benefits received by a property including proximity to schools, recreational facilities, and hospitals.

This property taxation system is mainly used in former British colonies including Nigeria, Malaysia and India (Norregaard, 2013). In Kenya, the annual rental value system was first introduced by the British government in Mombasa Town in 1921 but was abandoned in 1928.

iii. Land/Site value taxation system

Under this system, the tax is on the value of the vacant land excluding any improvements (McCluskey et al., 2005). In Kenya, the tax is called land rates and it is an annual payment to the local authorities within whose jurisdiction the land is located. The land rate is usually an annual payment based on certain percentage of the land value. The argument for taxing land is that land is a gift of nature and its supply is limited. Any earnings accruing to land are not because of any effort on the part of the landowner but because of the community effort (McCluskey et al., 2005).

The main disadvantage of land value taxation is that it does not tax improvements on the land. The essence of taxation is to tax wealth. Therefore, by taxing land only, wealth in terms of buildings and improvements on land is exempted. This can have distortionary effect on the economy with some wealthy people being left out of the tax bracket. It is therefore argued that land value taxation is not equitable because in urban areas with massive land developments, the tax does not adhere to the ability to pay principle on taxation (McCluskey et al., 2007). It does not generate adequate revenue especially for developed urban areas since the tax base is smaller as compared to tax on land and improvements.

For developed land, it is difficult to separate land from the development. Once land is developed with improvements, estimates of the site or bare land value can only be hypothetical and it is subjective. This cannot be market value as market value can only be established under market conditions by the forces of demand and supply.

However, it is argued that the advantages in terms of the revenue collected can far outweigh the cost of administration. This is because land taxation is the basic and simplest form of taxation. However, as urban development is achieved it is important to incorporate development in the taxation. This will also lead to increased revenue generation.

Kenya is the only country in the world that currently uses a pure site value taxation. According to McCluskey & Franzsen (2001) unimproved site value rating was introduced in Kenya to encourage land development and development for small rural towns; to discourage speculative holding of land especially by absentee property owners; easy implementation especially since there were few valuers when the rating system was introduced; and it was working in other countries such as South Africa, Australia, and New Zealand. Now most of these countries have changed to property value taxation.

McCluskey (2007) notes that there has been a change towards abandonment of pure land value taxation. This has happened in South Africa, New Zealand, and Australia. South Africa recently adapted capital value taxation which was introduced in 2011. The main objectives of the shift from land value taxation is highlighted by Dye & England (2010) as a political desire to tax wealth and improvements; aims to have more uniformity in policies; and to counter the lack of credible sales data on vacant land in urban areas.

iv. Area based system

The property tax under this system depends on the location. The tax base may be on area of vacant land irrespective of the developments or it can be based on per unit area of buildings (Norregaard, 2013).

This taxation system is inexpensive to administer and easily understood by the taxpayers, but the tax base is limited, which affects revenue collection. (Konyimbih, 2000). It however does not adhere to the ability to pay principle since the tax paid for same size of land in each geographical area is the same, irrespective of its market value. It is considered as an unfair tax because the tax is based on location not on market value of properties, which makes it regressive.

Area rating is used in many developing and Eastern European countries where there is lack of land sales data due to undeveloped land markets. It is currently in use in Kenya, especially in Nairobi City in the mainly agricultural suburbs areas of Embakasi.

From the above discussion, capital value and annual rental value can be argued to be the ideal form of property tax base because they capture the value of land and improvements and tax the property which includes land and developments.

The role of property taxation as a source of county government revenue

Bahl & Martinez-Vazquez (2007); Grover et al. (2016); Cornia & Slade (2005) address the use of property taxation as a source of local government revenue by looking at the advantages and disadvantages or challenges of local property taxation. The advantages include:-

Revenue potential and stability

Compared to other forms of taxation such as income tax and sales tax, the property tax is relatively stable. The tax base, which is the property, is immobile unlike income that can move to other jurisdictions, even internationally. Land is immobile unlike income tax and sales tax where increase in tax in one jurisdiction or country may result to taxpayers and business relocating to areas with lower tax rates. The tax is highly visible and cannot be hidden which enables the local authority to tax it.

Promotes decentralisation

Property tax enhances the objective of decentralisation by promoting fiscal and political autonomy for decentralised local governments. Where local governments are financially autonomous from the central government, they can make independent decision, thus, promoting accountability in their administration.

Fairness and equity

Property taxation can be fair and equitable where the quality of property valuation is improved. Regular revaluation of the property tax base ensures that the property tax is related to the market value.

Property taxation does not result to tax exporting

The property tax is mainly borne by the residents who benefit from the public service provisions in the taxing jurisdiction. The taxing authority is not able to export the tax burden in the form of cost of service provision to other jurisdictions.

Compliance cost

The compliance cost of property tax to the property owner who is the taxpayer is minimal. The assessment of the tax is often the responsibility of the taxing authority, which bears the bulk of the cost. This is unlike other self-assessed taxes such as the income tax and the value added taxes.

Challenges/disadvantages of property taxation in developing countries

Low revenue generation

Kenya, just like most developing counties have faced challenges in the administration of property taxation which has resulted to low revenue collection. **Table 1** indicates that property taxation accounts for only 15% of local government revenue in Kenya and only 4% in Tanzania against 53.3% in Canada and 37.7% in Australia.

TABLE 1: Reliance on property taxation by local governments

Country	Property tax as a % of local government revenue
Australia	37.7
Canada	53.3
United Kingdom	33
Philippines	13.4
South Africa	21
Tanzania	4
Kenya	15

Source: Adopted from Kitchen 2013

As noted by Kelly (2003) and Olima (2005) the challenges of property taxation in Kenya include incomplete revenue base; low collection; poor enforcements by only relying on withholding of rate clearance certificates to clear outstanding debts, lack of political will, and poor administration especially on valuation rolls. These problems have persisted for many years and there has been little effort to address them. These issues can easily be addressed if there is political will.

Political and vested interests

Bahl et al. (1992) notes that most of the prime urban properties are owned by influential government officials and the families who can influence property taxation decisions in their favour and are unwilling to pay high taxes. Most of the developing countries also rely on the central government for most public services. The rich can afford these services in the private market and abroad and are not really concerned when there is neglect in provision of these services by the Government. Therefore, the local services are left for the low-income groups who are not able to influence political decisions.

Tax records may be identified by the taxpayer not by the property owner

This means that not all the properties in the taxing jurisdiction are captured in the tax register, resulting in incomplete taxation registers.

High administration cost

The property tax has high administration costs resulting in low assessment and collection ratios in the developing countries. This affects fairness in treatment of taxpayers. The costs are mainly associated with high cost of appeal process, requirement for detailed information in the administration process and shortage of assessors in most developing countries.

Difficulty in enforcement

This is due to taxpayers' attitude and the fact that the tax base is inelastic. The property tax is unpopular with voters making it prone to influence by politicians seeking political mileage. This is mainly because property tax is a wealth tax which is subject to taxation irrespective of whether it is yielding any income. This is unlike other forms of wealth taxes such as stocks and capital gain which are taxed after realization of the sales proceeds. The tax is also highly visible because it is paid as an annual lump sum. The property assessment or valuation methods are subjective and not easily understood by the public. There are usually long appeal processes that are expensive and affect tax enforcement.

Infrequent revaluations

The property tax is not income elastic as compared to income tax. For there to be increase in the tax, revaluations are required, which are often expensive.

'*When revaluation is too infrequent, say every 5 or 10 years, it leads to large one-time increases in tax liability and to voter uproar from the shock. As a result, countries use various means to cushion the shock, but these many times end up reducing the effective rate of property tax,*' (Bahl & Martinez-Vazquez, 2007).

Challenges in property identification as discussed below under identification of tax base

These challenges result to the property tax being underutilised in Kenya and other developing countries leading to inequities and low revenue generation (Morkan, 2010; Kelly, 1999; Brautigam et al., 2008).

Identification of the tax base

The tax base, as per the legal definition of the tax, should be identified for taxation (Kelly, 2013). This is followed by assessment and compilation of the assessment roll with the property details (Kitchen, 2013). The roll number serves as the link between the tax assessment information, tax billing and property transfer records. The property coverage ratio should be up to date and close to a hundred percent (Kelly, 1999). This is important to ensure equity and adequacy in revenue generation.

Most developing countries face challenges in property identification process (Bahl & Linn, 1992; Bird & Slack, 2002; McCluskey et al., 2013). These include:-

- Poor updating of the property base. They note that in Kenya the fiscal cadastre and valuation rolls include only between 20% and 70% of the total taxable land.
- The information that is used to support the fiscal cadastre is poorly coordinated between the various departments that deal with properties in the central and the local governments.
- Poor monitoring and recording of the property transfers data including sale prices, change in ownership and new construction. There is also under declaration of property values as property owners try to evade paying transfer tax.
- The property records are not computerised, and manual systems are used affecting accuracy of records which erodes the fairness of the property taxation system.
- The problem of informal settlements hinders the development of a fiscal cadastre.
- Inadequacy of maps for proper property identification.

Exemption and preferential tax treatment of properties

Exemption from taxation is an important component of property taxation whose objective is to promote social justice, reduce administrative and collection costs by exempting low yielding properties and exempting properties that provide, either directly or indirectly, services that are considered public goods (Prakash et al., 2009). Exemptions are based on property ownership, use and characteristic of the property owner such as properties used for religious and education purposes.

Exemptions are either legally provided or given through administrative discretion (Franzsen & McCluskey, 2013). Exemptions result to a narrow tax base; it is a discriminatory and unfair practice that can promote land uses that would be different were all the properties treated equally. They affect revenue adequacy, they have an impact on property tax equity and efficiency leading to distortion in location and economic decisions of firms (Kitchen, 2013; Kelly, 2013).

Property tax experts recommend that all exempt properties should be included in the tax register together with their full assessment value. This will indicate to the taxing authority the full extent of the exemptions in monetary value (Kitchen, 2013).

RESEARCH METHODS

The study used descriptive research design with case study approach as the research strategy. The research was carried out within the period of January to June 2017. The study area was Nairobi City with the study population comprising of residential properties to enhance homogeneity in the study population. The case study areas were Buruburu and Kilimani areas which were under site value rating and Riruta area which was under area rating. Primary data was obtained through key informant interviews with the officials in the Land Valuation Directorate, Nairobi County. Data was gathered from Nairobi on the property tax base used, how it is updated, the legal and administrative exemptions, valuation of the tax base and the tax rate used. On the completeness of the property tax register, data of registered land reference numbers for the study areas was used. A sample of 50 properties for Buruburu and Riruta areas each and 70 properties for Kilimani areas was compiled through data from Ministry of Land and Physical Planning (MLPP) which has records of land in Kenya, including the size and ownership. The sampled properties were then cross-checked against the property register held by the Directorate of Land Valuation, Nairobi County to ascertain whether the properties were in the tax register.

Secondary data was obtained through review of documents in the Directorate of Land Valuation, Nairobi County, and on the laws relating to property taxation under the county governments in Kenya. For Buruburu and Kilimani areas data on the site value for each plot, which is the basis of charging land rates, was obtained while for Riruta, the land rates chargeable per plot were obtained. The research aimed at establishing the challenges in administration of property taxation in Nairobi that impact on revenue adequacy of the city.

Thematic analysis was used to analyse data. The data was summarised under occurring themes or patterns (Braun, 2006).

RESULTS AND DISCUSSION

The study identified the following as the challenges in property taxation in Nairobi city which have resulted in the city not fully utilising its revenue potential. The challenges are discussed under the themes of property tax base and property valuation.

a) The property tax base

i. Use of dual system as property tax base

The property tax base, according to the existing legislation, is on the value of land, improvement value or a flat rate based on location or use. Nairobi relies on a dual system of unimproved site value and area rates. Kilimani and Buruburu areas were under site value rating and the base year of the land valuation is 1982. Site value only considers the value of unimproved land. Riruta area is under area rating system which is based on the size of land and does not consider the developments on the land and the value of the land. By adopting site value and area rating systems, the developments are therefore omitted from property taxation resulting to loss of revenue potential.

The use of the two systems of taxation in the city has increased inequity in property taxation. Under the site value system, two adjacent properties of land having the same site value but where one has high density development and the other one vacant will pay the same amount of tax. The market value of the two properties will be different while the developed properties receives more benefits from urban services provided by the local governments. There is incomplete tax base.

ii. Many legal exemptions and administrative omissions from taxation

The Rating Act (ROK, 2012) and Valuation for Rating Act (ROK, 2015) provide for many exemptions of properties which reduces the tax base and increases inequities. The laws provide for blanket exemption of properties used as education institutions, public religious worship, hospitals, outdoor sports, national parks, and reserves provided they are not used for profit or residential purposes. Properties under religious worship and education institutions are excluded from this provision. Nairobi has many high cost international schools including Brookhouse School, Hillcrest, International School of Kenya, Gems Cambridge, and others which charge very high school fees. Exempting these properties from property taxation denies the city the potential to collect revenue from then.

Many properties are omitted from the tax register through administrative practices. The Nairobi County does not tax land that has informal ownership documents. These practices narrow the tax base and hinders the ability of the city to raise revenue.

iii. Incomplete tax register

From the data collected from Nairobi County the research indicated that there are many properties omitted from the tax register as depicted in **Table 2**. For the sampled properties, all 50 properties in Buruburu were included in the tax register, 54% were included in Kilimani while Riruta had 30%.

iv. Failure to adopt capital value bases of taxation

The legal provision on property taxation allows for the city to adopt land improvement as the basis of taxation. The city has however not adopted this basis resulting to exemptions of development on land from taxation as was gathered from the interview of the officers in Nairobi City.

b) Inadequate legal framework

Property taxation in Nairobi relies on old national legislations that have not kept pace with the changes in urbanisation and the devolution of power to the county governments. The Valuations for Rating Act and the Rating Act were both enacted in the 1960s and have only undergone minor adjustments over time.

Kenya underwent devolution in 2010 and adopted a new constitution (ROK, 2010(b)). The property taxation laws, namely the Rating Act (ROK, 2012) and the Valuation for Rating Act (ROK, 2015) have not been amended to reflect this dispensation. The laws still require the local authorities to get approval from the minister for local government. These positions are non-existent in the current dispensation. County governments are empowered to levy property taxes under the constitution and do not therefore require approval from high levels of government.

On valuation of the tax base, the existing laws do not clearly specify that the local authorities can use mass valuation techniques. They provide that any technique can be used which has led to local authorities adopting parcel-based valuation method of valuation. The time frame between revaluation is given as ten years and can be extended. Nairobi County has used this provision and uses outdated property valuation registers that were prepared in 1982 and are over thirty-five years old. This result to use historical property values that have minimal relationship with the

TABLE 2: Percentage of properties that are excluded from the tax register

Study area	Sample size	Properties in NCC register	Excluded properties	% of excluded properties	Coverage (%)
Buruburu	50	50	0	0	100
Kilimani	70	49	21	30	70
Riruta	50	23	27	54	46

Source: Authors construct 2020

current market value, further affecting the revenue adequacy of the city.

The laws provide for many exemptions to property taxation that have impacted on the revenue potential of the city.

c) Inadequate land information systems

There is a challenge of land information system both at the national and the county levels. In Kenya, land registration and survey is a function of the national government under the Ministry of Lands and Physical Planning (MLPP). The city relies on information from the MLPP on property registration and survey maps. The MLPP has not modernised its land information systems and largely rely on analogue systems. These are prone to errors and loss of data. This in turn affects the credibility of information that Nairobi city uses. Interview of officers of Nairobi City indicated that the city has a draft GIS based valuation roll that was prepared in 2016 by a private consultant under funding from the World Bank. The draft valuation roll has 118, 000 properties. However out of this total the County has not been able to obtain and verify title search for 36,000 properties from MLPP.

There is a challenge of un-surveyed land in the city that has affected property taxation. Most of the city's owned land which has been allocated to private individuals has not been surveyed and therefore does not have title deeds. There are other major properties in the city such as Nyayo House is which are not surveyed and only have allotment letters from the defunct office of Commissioner of Lands under MLPP. The land which is not surveyed is not included in the tax register reducing the potential of the city.

The county uses manual systems for land information. There is no GIS system to link the survey data to the land registration details. The data gathering is therefore cumbersome and prone to omission. Most countries in the world rely on GIS based valuation systems for property taxation because the land data is already in GIS form.

d) Valuation of the tax base

The county has been relying on parcel-based valuation method which is time consuming and expensive. The existing law, the Valuation for Rating Act provides that supplementary valuation rolls be prepared at least annually to capture any changes in properties (ROK, 2015). Nairobi County has however not been preparing annual supplementary valuation rolls with the last one prepared 2011. There is inadequacy of sales data which are used as sales comparison basis in valuation of the tax base. The practise has been to rely on sales values declared under stamp duty tax in the MLPP which are often underdeclared, affecting the property taxation.

e) Over reliance of revenue transfer from the national government

Nairobi city relies heavily on revenue transfer from the national government. There is no motivation to collect own source revenue. In the financial year 2016/2017, Nairobi raised about Kshs. 10.93 billion from own source revenue and received about Kshs. 14.596 billion as revenue transfer from the national government (ROK, 2017). This comprised of about 57% of the total city budget.

f) Lack of political will and political interference

There is lack of political will to change the status quo in property taxation in Nairobi. This is highlighted in the use of outdated tax registers. In 2017, which was an election year, the then Governor of Nairobi reviewed the land rates from 34% to 25% of the site value. Such interference affects property taxation in the city.

Nairobi prepared a draft Nairobi City County Valuation and Rating Bill in 2015 which has not been approved by the County Assembly four years since its preparation. This indicates lack of political will to enhance the property taxation process in the city.

CONCLUSION AND RECOMMENDATIONS

The study set to establish the challenges faced with property taxation in Nairobi. The study has established that property taxation faces many challenges which steam from issues with policy and practise of property tax administration. The legal framework, namely the Valuation for Rating Act and Rating Act which are national laws are inadequate to ensure that the potential in property taxation is fully utilised to enhance revenue generation for the city. The administration of property taxation at Nairobi City is inadequate. This is in the areas of widening the tax base, and regular valuation of the tax base. The failure to use capital-based valuations has narrowed the tax base. There is low political will to reform the property tax with low land rates being applied and many administrative exemptions given for property taxation. The National government should ensure that the MLPP has all the land surveyed especially in urban areas and to use modern method of land survey such as geographical information systems which will also facilitate property taxation.

The study therefore recommends that the legal framework for property taxation in Nairobi, which is based on the national laws in Kenya, should be overhauled to reflect the current dispensation, provide for use of capital value as base of valuation in urban areas, reduce exemptions and provide for use of mass valuations. The administration of the property taxation process should also ensure that the tax base is widened, there are regular property revaluations and that all the properties are included in the tax register. There is need to adopt computer-based mass appraisal techniques to improve the accuracy of valuations and capture all the property within the city's jurisdiction. There is need for sensitization of the politicians, Nairobi residents, county officials and other stakeholders on the importance of property taxation as a source of own source revenue for the City and the need to put measures to ensure that the revenue is well exploited.

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