DECLARATION

I declare that the dissertation on “An Assessment of Municipal sources of revenue: A case study City of Johannesburg” is my own work and that it has not been submitted for any degree at any university.

F.R Mathang

Signature………………………

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I would also like to thank the City of Johannesburg for sponsoring part of my studies during my junior degree and thanks to many in the ANC who believed in me.

Dedication

This work is dedicated to my Family…….

I would like to thank my Family their understanding and patience while I was busy with this study.

ABSTRACT

The purpose of the thesis is to assess municipal own sources of revenue in the Johannesburg Metropolitan Municipality. Section 229 of the Constitution of South Africa states that municipalities may impose rates on property and surcharges on fees for services provided by the municipality or on behalf of the municipality.

The primary data obtained from the City of Johannesburg facilitated the assessment of property tax and user fees revenue performance of the municipality as well as the challenges in the administration of revenue. A case study approach was used and the data required was on assessment of property tax and user fees revenue performance of the municipality as well as the challenges in the administration of revenue. Data was therefore collected from the primary data sources.This research shed the light on challenges that the City of Johannesburg Metropolitan Municipality encounter in the process of tax rate and charges administration in order to raise enough revenue to cover the cost of service delivery.

Findings in relation to revenue collection were based on the information obtained from a user's survey, the department of revenue, head of property unit, MMC finance and the executive mayor. Amongst other challenges that affect the CoJ own source of revenue, is the issue of property valuation and billing system which is to allow the city to charges tax payers according to property market value. In addition, there is no proper line of communication between the city and the community about the necessity of property tax rates and fee charges. Hence, some members of local community are not fulfilling their property tax obligations because of poverty or by preference.

Observations from the study indicates that practical difficulties related to tax base identification and the lack of human capacity contribute significantly to the underperformance of the property tax administration system across South Africa as a whole. The inadequate records on property information have contributed to the inefficiency of the property tax system since many taxable units are not known, and therefore, it becomes difficult for the taxing authorities to collect property tax. Consequently, the City of Johannesburg Metropolitan Municipality is unable to collect enough revenue to cover the cost of service delivery. In order to rectify these problems some of the measures recommended include the need to improve human capacity and the communication/collaboration between local community and the municipality.

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CHAPTER ONE

1.1 Introduction

According to UN-Habitat's Guide to Municipal Finance (UN Habitat, 2009), the sources of revenue of municipal governments vary from country to country but they generally include taxes, user fees, and intergovernmental transfers. Sources of local government revenue fall mainly under two broad categories: (a) own-source revenue, being the revenue raised by the local government bodies themselves; and (b) external revenue, being revenue received from other governments - which include revenue from intergovernmental transfers, grants and money from borrowing (UN Habitat, 2010).

The focus of this research is to assess municipal own-sources of revenue through property taxes, rates, and user fees. Bahl, Smoke, and Solomon (2003) argue that taxes are not the best mechanism for matching demand and supply of public services. Better links can be achieved through cost-recovery charging systems which tie the amount paid directly to the amount consumed. By providing a more direct link between citizen contributions and service delivery, such mechanisms may become effective means to recover the costs of service provision, and to promote efficiency in the consumption of the service. The authors argue that user fees should play a prominent role in local government finance.

A state law, according to Comrie (2012), determines the revenue raising authority and it grants a municipality's capacity to generate revenue. In accordance with its assigned fiscal power, according to USAID (2010), local government has a legal right to impose property taxes, fees and user charges, so as to recover adequate revenues to cover spending responsibilities.

Section 229 of the Constitution of South Africa provides that municipalities may impose rates on property and surcharges on fees for services provided by the municipality or on behalf of the municipality. It also provides that a municipality may impose other taxes, levies and duties, if authorised by national legislation. In addition, municipalities may charge for the services they provide (service charges and administration fees) (Financial and Fiscal Commission Technical Report, 2011).

The Local Government Municipal Systems Act 32 of (2000), Section 75A, establishes the right of municipal councils to levy and recover fees, charges or tariffs in respect of any function or service of the municipality and recover collection charges and interest on any outstanding amount. In terms of Section 74 of the Systems Act, the Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by or on behalf of the municipal council (Municipality Revenue Management Act, 2012).

The Local Government: Municipal Property Rates Act (2004) requires municipalities to develop and adopt rates policies in line with the Act on the levying of rates on rateable property within the jurisdiction of the municipality. Metros and local municipalities may raise revenue through property rates, and they should have and maintain a property valuation roll. The valuation roll must comply with the 'horizontal equity principle,' which reflects similarities in valuations for similar properties (Local Government Budgets and Expenditure Review, 2011).

1.2 Problem Statement

The Property Rating System currently applied in South Africa, according to Financial and Fiscal Commission Technical Report (2011), presents challenges in serving as a balancing tool for local government budgets in provision of the bulk of local government revenue to supplement their expenditures. This is due to a lack of consistency in the rating system. The report further indicates that municipal contributions to total operating revenues evidenced slower growth between 2003/04 and 2008/09 financial years. In addition, the contribution of key municipal revenue drivers to total operating revenue, service charges and property rates have both declined significantly over the same period. The report also indicates that part of this decline can be explained by non-payment for services rendered. Non-payment and its causes have received significant coverage in the literature and different arguments are used to explain the extensive and increasing non-compliance of payment. Botes and Pelser (2001) refer to non-payment as primarily an issue of the inability to pay. They argue that the poverty of many households makes them unable - rather than unwilling - to pay; hence they concluded that there is a need for free basic services to the poorer segments of the population and/or a lowering of the rates.

Fjelstad, (2004), however, argues that non-payment cannot be explained by 'inability to pay' and 'entitlement', but by the community's perception about local government's capacity to act in their interest. Such perceptions include whether local government uses collected revenues to provide expected services, and establishes fair procedures for revenue collection and distribution of services.

Billing and collection of rates as indicated in the Financial and Fiscal Commission Technical Report (2011) have shown that the public is dissatisfied with the poor billing practices of the City of Johannesburg – which has a proven history of poor billing/collection of monies. The report makes reference to a Phakama Project, whereby the City of Johannesburg spent R580 million to upgrade the billing system that, according to Mungoshi (2010), will result in greater functionality in the areas of metered services, billing, collections, customers service options and payment processes.

Another problem raised in the Financial and Fiscal Commission Technical Report (2011) is that municipalities are not sensitive to the affordability level on households that fall below the threshold or are close to the lower income margin when increasing tariffs related to basic services (water, electricity, sanitation, and refuse removal).The report referred to Eskom's multi-year price determination for the period 2010/11 to 2012/13, whereby the cost of electricity was set to increase annually by less than 26%. Municipalities often have little choice but to pass these increases on to their consumers.

Improvements in billing and collection have the potential of establishing immediate improvements to the revenue bases of municipalities. The status quo, as households, businesses and government confirm, is that incorrect billing continues to negatively affect the integrity of local authorities. Poor performance can result in paying customers being categorised as defaulters and can, in certain instances, "exacerbate unwillingness to pay" (World Bank, 2008). Lubbe and Rossouw, (2010) cite political interference which prevents officials from collecting arrears or applying pressure to defaulters, as being another factor that can promote a culture of non-payment.

Achieving and maintaining accurate and efficient billing and collection processes are based on a number of factors. These include: accurate customer databases, effective and regular metering of service consumption, adequate staff capacity, and convenient facilities for customer payments (World Bank, 2008).One of the reasons driving household non-payments are poor and irregular metering systems (Stats SA, 2005, 2006, 2007, 2008). The use of prepaid meters in a wider and broader context may be a possible solution to poor

metering systems but it has the disadvantage of denying access to basic services to the poor, as the affordability factor may very well result in self-disconnection.
However, if poor households are sensitive to changes in affordability and hence adjust appropriately, the advantages of using prepaid meters may outweigh the negatives.

In light of the above challenges facing local government in revenue collection, the issues relating to revenue generation and its usage for services offered to the community need to be investigated. The problem statement of this study is that, despite the fact that local municipalities have legal backing in their effort for the collection of revenues, the consumer debt is escalating (Financial & Fiscal Commission Technical Report, 2011) and municipalities still face challenges in the area of revenue collection.

1.3 Objective of the study

The main objective for the introduction of taxes in the form of property rates and user charges in the local government is not to raise revenue but to ensure a more efficient provision and use of basic public services (Bird & Slack, 2005). Revenue raised from these sources is utilised by the local government to cover the costs of providing essential services, such as the supply of water and electricity, refuse disposal, and repair of roads and bridges. They also have the responsibility of providing good drainage systems and the planning of their local government area (UN Habitat, 2010). Any surplus from this revenue is used to supplement government grants for the payment of salaries of staff not employed by the government.

The objective of this study is to examine the procedures, practices, challenges and prospects of property rating and municipal fees, and charges in the city of Johannesburg situated in Gauteng Province, South Africa.

The focus of this study is on property tax, which is based on the valuation of properties in order to finance municipal services as well as user fees charged through tariffs for services rendered to the community; which include: water, electricity, and refuse removal. Information for this type of municipal revenue collection is easily accessible. Furthermore, according to Bird and Slack, (2002), the main differentiating factor of property tax compared to other taxes is its high visibility. Unlike income tax, for example, property tax is not withheld from the taxpayer and the taxpayer him- or herself usually pays the local authority directly.

The objective of this study is supported by the following sub-objectives:

- Examine the challenges that municipalities face in relation to principles on regulatory aspects involving property rates, and fees and charges in covering their service costs
- Assess the extent to which rates and service charges are paid in Johannesburg Metropolitan Municipality in relation to the delivery of services by the municipality
- Conduct an analysis of the mandates and functions of Johannesburg Metropolitan Municipality and the regulatory framework under which they operate

1.4 Research Question

The research question for this study is:

Does Johannesburg Metropolitan Municipality have the ability to generate sufficient revenue and efficiently distribute it back to the city through service delivery?

The research question consists of the following sub-questions:

- What challenges are faced by municipalities in relation to principles on regulatory aspects involving property rates, fees and charges to cover their service costs?
- Are the rates, fees and charges paid to the city of Johannesburg municipality sufficient to cover the services delivered?

1.5 Methodology

The research method applied to achieve the objectives of this study is the qualitative form. This method relies more on verbal data than on numeric data (Punch, 1994).

A questionnaire was designed by the researcher as an instrument to aid in data collection (see appendix A). It was randomly use to collect data form local resident, business operator and business owner in four different areas within the Johannesburg Metropolitan Municipality. The questionnaires were administered from door to door and on the street of the study area. According to Bless and Higson–Smith (1995), a simple random sampling is a sampling procedure which provides equal opportunity of selection for each element in a population. In this study a simple random sampling will be used to select respondents from local community and business owner operators from Braamfontein, Johannesburg CBD, Fordsburg and Randburg.

This research will utilize the case study research method, which seeks to review and assess how the municipality derives its revenue through rates and taxes. The case study approach, according to Bromley (1990), is a systematic inquiry into an event or a set of related events which aim at describing and explaining the phenomenon of interest. Haggett and Frey (1977) define a case study as an empirical enquiry that allows for an investigation of the dynamics of a particular system; while Yin, cited by Zucker (2001), also viewed a case study research design as an empirical enquiry that investigates a contemporary phenomenon within a real life context; when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used.

Prior to the administration of the questionnaire, 10 copies of the questionnaire were tested in Johannesburg Metropolitan Municipality with the aim of fine tuning the questions covered by the research instrument. It was also anticipated that the pilot test would be helpful in assessing the validity of the questions and the reliability of data collected. The respondents in the pilot test were asked their opinion on the strengths and shortcomings of the questionnaire, the clarity of the instrument, the length of time it took for them to complete the questionnaire, and also state whether areas of study important to this survey had been omitted. Some adjustments were made to the questionnaire according to their responses.

1.6 Ethical considerations

Qualitative studies are frequently conducted in settings involving the participation of people in their everyday environment. Therefore, any research that includes people requires an awareness of the ethical issues that may be derived from such interactions (Orb, Eisenhauer, & Wynaden, 2000).

”The researcher’s perception of field situations is determined by personality and the nature of the interactions” (Punch, 1994). The personal interaction between researchers and participants is crucial in data gathering and it is important for the researcher to keep in mind the research focus and being be clear about what his/her role is within the process.

Ethics in research therefore refers to what is acceptable behaviour; starting from the way the researcher formulates the topic and asks questions. In interviewing people, a researcher has to acknowledge the respondents' privacy, maintaining confidentiality of data, preserving the anonymity of respondents as well as using the information gained for research purposes only.

In terms of this research study, the subjects of the research were treated with respect in regard to their privacy and confidentiality; and they were treated with courtesy, to ensure success in achieving the overall objectives of this study. Important issues with regard to this study include: ensuring their participation did not cause the participants harm in any way; every participant was given the right to not complete the questionnaire; those interviewed were given the right to decline disclosing certain information. Further, the participants were assured that the data collected would be utilised only for research purposes and that no other person would have access to interview data as well as the data obtained through the questionnaire. Where necessary, confidentiality will be maintained and respect will be shown to those involved. Preserving anonymity in this study is a critical issue, in that the names of participants will not be disclosed to a third party; other ways of identifying the participants - such as by numbers - will be used.

1.7 Significance of the Study

The significance of this study is that the outcome would have theoretical, economic and social relevance to the city of Johannesburg Metropolitan Municipality and possibly other municipalities. Theoretically, it would add to the existing literature on the study of revenue collection through rates, fees and service charges. Economically, it will help in the making of recommendations that would facilitate revenue collection in the Johannesburg Metropolitan Municipality, by helping in the identification of the weaknesses and challenges with the present system and provide a more effective way of evaluating the management of the revenue collected. It is also expected that the application of the research findings of this study could lead to more efficient and speedy service delivery by the municipality to the community.

1.8 Limitations of the Study

Acknowledging the limitations of a research is important, as it empowers the reader to appreciate the constraints that were imposed on the study and to understand the context to which the research claims are set (Zondani, 2008). The research was constrained by the time factor; considering the time frame allowed for researching the subject matter, compiling and submitting this thesis. The research was unable to conduct comparative studies of revenue collection in other municipalities within South Africa - also due to the time constraint. The researcher currently holds a position as a Member of the Mayoral Committee (MMC), Department of Economic Development in the City of Johannesburg. A conceptual framework that is developed to describe a model of property tax, user fees and charges revenue that is adapted to Johannesburg Metropolitan Municipality will provide insights in reviewing existing policies that regulate the local government revenue sources.

1.9 Organization of the study

This study is organised in five chapters. Introduced in Chapter 1 is the scope of the work; discussion is provided on the problem statement, scope of the study, research questions and research objectives.

Chapter 2 provides a review of the processes and principles on regulatory aspects involving fee rates and charges made by local municipalities to cover their basic administrative costs. The review of relevant literature describes the valuation and local government rating system, including the practices permitted under legislation and the actual practices applied by councils both in South Africa and other countries.

Municipalities across South Africa adopt tariff bylaws in deciding on the rates chargeable for services rendered to their community; therefore an overview of the local municipality system of setting fees and charges is considered. Comprehensive information about specific statutory fees and charges is difficult to access; therefore a review of functions of similar councils in other countries and the regulatory framework under which they operate is also discussed in this section.

Chapter 2 also provides insight into the theoretical framework applied to evaluate municipal sources of revenue in Johannesburg Metropolitan Municipality. When designing and applying a taxation system the relative effectiveness of a tax and the incidence of its impact on different taxpayers needs to be assessed against generally accepted public finance taxation design theory considerations (Henry, 2010). Issues of finance, administration, legislation and central-local relations provide the structural and institutional frameworks within which local self-government is governed. And each of these issues is addressed in this chapter.

In Chapter 3 the conceptual framework developed to describe a model of property tax and user fees and charges revenues are discussed, and how they are treated in Johannesburg Metropolitan Municipality. The methodology used in the assessment of sources of revenue for both municipalities is outlined. Also considered are the research sample population, site of data collection, the instrument used in eliciting the researched information from the respondents, and ethical issues. The research questionnaire forms an integral part of the research method, in that it critically analyses sources of revenue for the municipalities in South Africa that fall under Categories A and B. Possible answers to the stated questions are proposed, based on the results of the empirical survey of assessments of local municipal sources of revenue, a case study of City of Johannesburg Metropolitan Municipality.

The aim in this chapter is to describe the survey method applied and the theoretical basis for conducting this empirical research. The construction of the questionnaire (research and design), the survey population (sampling techniques), how the questionnaire was administered, and the statistical treatment of the data collected are also discussed. The questionnaire was developed to comprise all the relevant indicators identified through the literature review. The assumptions are tested against the available empirical survey results.

According to Taylor (2001), research is a systematic examination to discover new information and to expand or verify existing knowledge in an attempt to solve a problem. The researcher uncovers facts and then formulates a generalisation based on the interpretation of those facts. Research, therefore, ensures that decisions are taken based on objective, reliable and valid knowledge (Fox, Schwella, & Wissink, 1991).

The questionnaire developed for the purpose of this study was designed to have fully structured statements, with no use being made of open-ended statements. Confidentiality was also assured through the covering letter, and the questionnaire was not worded in a biased fashion to influence a particular response from the participants.

The research data is highlighted in Chapter 4. An empirical survey of information solicited from senior municipal officials, business operators/owners, land and property owners from City of Johannesburg to address each research question is analysed, interpreted, and discussion on the findings are presented in this chapter.

Chapter 5, which concludes this study, presents a summary of the major findings, recommendations, and conclusion for this study. The summary is conclusive, and a number of recommendations are proposed to address the research questions, which were designed to assess the challenges faced by local government in relation to revenue collection within South Africa.

CHAPTER TWO

LITERATURE REVIEW ON MUNICIPAL SOURCES OF REVENUE

2.1 Introduction

This chapter presents a literature review on relevant concepts and theories relating to sources of municipal revenue. Sources of municipal government revenue vary across countries but generally include: taxes, user fees, and intergovernmental transfers (UN Habitat, 2009). The sources of local government revenue largely fall into two broad categories: (a) own-source revenue, being the revenue raised by local government bodies themselves; and (b) external revenue, being revenue received from other governments, which include revenue from intergovernmental transfers, grants and money from borrowing (UN Habitat, 2010).

The own sources of revenue - also referred to as internal sources – may be land-based or non-land-based. Property taxes and land fees are land-based; while taxes on households and license fees are non-land-based (UN Habitat, 2009). This research is focused on own sources of revenue for local government and, more specifically, on property tax which is land-based, and user fees or charges which are non-land-based and are described by Fourie and Opperman (2007:168) as charges directly related to the provision of electricity, water and sanitation services as well as refuse removal.

This chapter provides a theoretical structure of the property rating fees and charges, while highlighting the vital and relevant definitions, explanations and concepts of and pertaining to municipal sources of revenue. In addition, the background to the role of municipalities, and the legal framework and constitutional provision that support the local government system is also investigated. Approaches to revenue generation in local municipalities as well as challenges and constraints of revenue collection in municipalities are the principal issues discussed in this chapter.

2.2 The Role of Property Taxation on Local Government Financing

Property tax is a significant source of municipal finance in a number of developed countries and discussion has emerged over the role such a tax should play in the financing of municipal services. Economists and policymakers alike agree about the appropriateness and convenience of assigning the property tax to local governments and as stresses by Martinez-Vasques & Sepulveda (2011) that most decentralized economies in the world have assigned in practice, at least partially, the responsibility over the property tax to local governments. Almost all local governments worldwide rely, at least to some extent, on property taxation to pay for local services. Yet, a review of OECD data shows that property tax revenues rarely exceed 3% of Gross Domestic Product (GDP) in any country and are often much less than that percentage (Slack, 2010; Martinez-Vazquez & Sepulveda, 2011). This implies, according to Slack (2010) that property taxes in developing countries are not big revenue producers although they are important sources of revenue

The extent to which the property tax is levied by local governments, which have exclusive rights over such tax, can contribute to its role in promoting local autonomy. To ensure local autonomy such tax cannot be used to any significant extent by other levels of government and tax rates must be set locally and not at the national level of government (Oates, 2010).

Economists have long argued that the property tax is a good tax for local government because it is fair (based on the benefits received from local services), it is difficult to evade, and it promotes local autonomy and accountability (Bird, 2001). Further, Slack (2010) acknowledges property tax as a good tax for local governments for the reason that property is immovable, is highly visible and it is unable to shift location in response to the tax (although a change in property tax can escalate property values in a particular community and may affect where people can afford to locate or continue living), it is somewhat easier to levy and collect and more difficult to evade. Even the owner of a vacant property is taxed under the property tax.

The main differentiating factor of property tax as compared to other taxes is its high visibility. Unlike income tax, for example, property tax is not withheld from the taxpayer and the taxpayer himself/herself usually has to make payment directly to their local authority. This makes the taxpayer increasingly aware of what they pay; however, with the exception that some financial institutions may include property tax tariffs with the monthly bond/mortgage repayment and in those instances that may not be the case (Bird & Slack, 2002).

In addition, the property tax finances services that are highly visible and collectively beneficial to the local community, such as roads, refuse collection and disposal, public recreation such as neighbourhood parks, and street lighting. It is these benefits, according to Enid Slack (Slack, 2010) that make the economic case for the residential property tax quite strong, compared to the non-residential property tax.

In practice, however, in most countries where property taxes are levied, the tax rate is higher on non-residential properties (commercial and industrial) than on residential properties. The findings of the study conducted by Bird and Slack (2004) indicate that in 24 of the 25 countries they studied, the non-residential property tax rate is higher than that of the residential rate.

Residents are more willing to pay for local services when they rate their government and service delivery highly. Visibility is desirable from a decision-making perspective because it makes taxpayers aware of the costs of local public services. This awareness leads to a certain responsibility and accountability which, according to Bird and Slack (2002), is a positive thing from both an economic and political perspective.

However, visibility also restricts the ability of local governments to raise or reform property tax (Slack, 2010). Bird and Slack (2002) refer to this phenomenon as inelasticity; in other words the inability for property tax to change; that is, to either increase or decrease automatically with annual changes in economic activity over time. This is due to the fact that the valuation of properties relies on the set market value of property at the time of valuation. When there is a sudden change in the market, the property value cannot be adjusted to accommodate the economic change in the market due to the set market value already available in the market.

2.2.1 Theoretical Consideration on Evaluating Property Tax, Rates and Charges

In the Revenue Assignment and Fiscal Gap Analysis of Local Bodies in Nepal (2005), public finance economists classify three major functions of government: macroeconomic stabilization, income redistribution, and justice and resource allocation. The stabilization function is to assure the achievement of high employment and price stability, the distribution function is to achieve an equitable distribution of income, and the allocation function is to see that resources are used efficiently.

Each level of government should be assigned taxes that are related to the benefits of its spending. Functions relating to allocation, involving provision and financing of public services, are usually assigned to local government. Local government is responsible for the provision of services related to water and electricity, sanitation; and refuse removal.

These services are to be paid for by the end-user through user fees or charges, which are an appropriate source of finance to local government (Revenue Assignment and Fiscal Gap

Analysis of Local Bodies in Nepal, 2005). In addition to the above mentioned, Property rating that is another source of revenue for local authorities in most countries, including South Africa, and proceeds from rates that are utilised to provide public services.

According to Muhammad and Ishak (2013), the property tax is subject to certain principles or requirements of a taxation system. Although land and landed property taxation differs from other forms of taxation, most of the principal requirements are equally applicable to property rating systems (Palil, 2010). Comrie (2010, p7.) refers to these requirements as applying to the imposition of taxes on individuals and businesses. These principles are considered below:

Efficiency: “A tax should not induce significant behavioural responses of individuals and firms; or in other words, it should not distort the adequate allocation of resources in the economy” (Martinez-Varquez and Sepulveda, 2011, p7). Simply put, the taxpayer should be charged in proportion to the level of services consumed - they should bear the burden in accordance with the benefit they receive. When this is the case, the user fee or a charge is considered as an efficient tax.

Equity and fairness: Equity is the concept that a tax will be fair to the taxpayer and that each taxpayer, relative to other taxpayers, will be fairly taxed. There are two dimensions to equity. Horizontal equity, which refers to persons with the same income and circumstances being taxed the same amount; and vertical equity, which refers to a taxpayer with greater income paying more than a taxpayer with lesser income (Comrie, 2012). The principle of horizontal equity calls for identical treatment of taxpayers in identical conditions, while vertical equity allows for several possible arrangements in which the tax burden increases in a lower, equal or higher proportion with one’s ability to pay. According to the ability to pay principle, taxpayers with greater ability to pay should bear a greater tax burden. Property rates need to be considered fair by the taxpayer to become a good revenue source (Martinez-Vazquez & Sepulveda, 2011).

The perception of fairness is debatable. The ability to pay principle, for example, is difficult to establish - especially when able people can easily claim inability, except where the obvious is used as against individual declaration.
The principle of benefit is driven by the tax payer and is built on the premise that the individual tax burden should be proportional to the benefit they receive from the government in terms of services. In order to generate streams of income, productive capabilities need to

be incentives through infrastructural facilities and business working conditions (Musgrave & Musgrave 1976).

This principle is practically hard to apply, except when the benefit by the individual can be ascertained for quantification to determine who benefits most over others, “such as the fees payable on bridges and road tolls where it is charged based on the distance covered on the specific lane in question”(Martinez-Vazquez & Sepulveda, 2011).

The benefit principle requires major beneficiaries of services to pay higher than those benefiting lesser in a systematically graduated manner, based on the benefits derivable from the services and infrastructures provided by the government. This is well implemented, according to Ishak& Muhammad (2013), on water and sewage charges where it is based on the individual’s actual consumption or discharges using the appropriate measuring implements installed for monitoring. Despite these parameters, the benefit principle fails to guide how the tax burden should be fairly distributed, as it is difficult to determine the benefit derived by individuals on certain services provided by the government .Taxpayers enjoy certain important services such as defence, fire service, police, public fumigations, aesthetic environments and most others whose extent of individual benefit are difficult to determine.

Principle of Neutrality “is seen to maintain a balance between individual payment obligation and net income available for upkeep”(Martinez-Vazquez & Sepulveda, 2011, p 9)

Property tax like any productive tax system is not meant to and should not make the tax payer worse off economically but should be a contributor to the central funding of the municipality without jeopardizing the taxpayer’s interest. The principle of neutrality therefore seeks to avoid situations that alter a taxpayer’s economic wellbeing (Aluko, 2005).Municipal rates policies in South Africa provide for rebates, and exemptions and reductions - which are targeted at vulnerable groups for the purpose of eliminating or relieving their rates liability (SA Cities Network and Urban Land Mark, 2009).

Principle of Accountability: this means that local community should contribute toward the development and well-being of the country through tax contribution not because they have surplus but because it is the right thing to do. There has to be a sound accounting system that will place them in a comfortable situation as to the way and manner in which such funds are handled. Administrators of tax must therefore be made accountable to the people on expenditure incurred based on fiscal policies for tax payers to assess benefits and utilization, in order to retain public confidence and loyalty. Tax payers are better convinced on visible beneficial services provided and accessible public expenditure record (Monkam, 2010).

No tax system wholly fulfils all these principles and no system could be considered as superior to another under all conditions. The above principles of taxation serve as a guide to describe the characteristics of a 'good' tax; they must be evaluated in the specific context under which the tax is implemented. A general evaluation of the property tax can be expected to lead to different conclusions depending on its structure, whether property tax is assigned to the central government or to the local governments (Martinez-Vazquez & Sepulveda, 2011).

2.2.2 Revenue Raising Options for Local Governments

According to Fjeldstad and Heggstad (2012) and Fjeldstad (2006), there are two main categories of current revenue for local government authorities (LGAs) in South Africa which are: own revenue and external sources of revenue. Own revenue is generated by the local government in return for goods or services provided and includes taxes, user fees, and various licences (Bahl & Bird, 2008); and external sources which include transfers from the central or regional levels, usually in the form of grants and revenue sharing (Bahl, Smoke, & Solomon,2003).

Property taxes and user charges are the main sources of revenue for local governments and it is critically important for councils, ratepayers and service recipients that sound taxing and charging systems are established, and transparent and justifiable revenue-raising decisions are made. While both municipal property taxes and user fees are used to generate revenue, there are significant differences in how the revenue is generated and how government holds and spends the collected revenue (Farish, 2012).

Bird (1976, unpaginated) defines user fees as "the amount of money per unit of goods or service produced or provided by the government which is collected from the recipient". Revenues from user fees are usually allocated to a specific fund that goes back into funding the goods or service, as opposed to being allocated to general revenue. Some common examples of municipal user fees include fees for refuse removal and disposal or a fee to use recreation facilities.

Taxes, on the other hand, are charged by municipalities on property. They are mandatory payments and apply regardless of whether the taxpayer uses the services or not. Tax revenue usually goes to a local government revenue fund without a specific use for a particular good or service (Bird, 1976).

External sources of revenue include transfers in the form of grants and revenue sharing from central or regional governments (Bahl *et al.,* 2003). In some countries municipalities are given the right to borrow funds to finance investments in infrastructure (Vaillancourt & Yatta, 2010; Bahl & Smoke, 2003). External finance options principally in rural but sometimes even in urban? Local municipalities are given through donations by international non-governmental donors. Recently, these social action funds, operating outside the local government budgets, have become important funding sources of social and economic development projects in some countries; for instance, in Ghana, Kenya, Malawi, Tanzania, and Uganda (Baskin, 2010). In many rural areas various forms of self-help activities contribute to the maintenance of public services such as village roads, primary schools, and health facilities. Although data on the extent of these activities is not available, studies from Tanzania in the 1990s indicate that these contributions are significant (Cooksey & Mmuya, 1997; Semboja & Therkildsen, 1995).

This section briefly reviews internal sources of revenue for local government across Africa and OECD countries. Although external revenue sources exist across local governments, they are not covered in this section and will be discussed in the next section, which provides a comprehensive review of municipal sources of revenue in South Africa.

2.3 Own-source of Revenue

According to Twomey (2013), the primary tax that tends to be imposed by local governments is some form of property tax, usually known as 'rates'. One reason for this is that it is not a mobile tax base. Land cannot be moved into another municipality (assuming that borders remain unchanged), hence the risk of distortion to the tax system and spill over effects on other municipalities is limited (Boadway & Shah, 2009). However that does present some problems. Issues of cost and fairness arise regularly in valuing property (OECD, 2003) and the value of property - especially during periods when it dramatically escalates - does not necessarily correlate with the capacity of the owner to pay the tax. Other property-type taxes include: taxes on second residences (Austria and Germany), taxes on real estate transactions (Brazil) and taxes on construction, facilities and infrastructure (Spain).

Fees and user charges are the fastest growing source of own-source revenue for municipalities and have grown in importance across the OECD since the 1980s (Dollery *et.*

al., 2006). According to the authors, fees and user-charges are generally imposed where the recipients of services receive personal benefits, rather than benefits to the community at large. In most OECD countries, local governments are not dependent on national transfers; they either impose significant direct taxes on businesses or levy surcharges on national income taxes (Bird and Slack, 1991). Bahl (2002) indicated that property taxes are even less important in developing and transitional countries. In the 1980s user-charge revenues grew substantially faster than other income sources in almost all OECD countries. Grants received from upper tiers of government grew more slowly than all other charges. However, local tax revenues grew faster than charges in Canada and the UK (Bailey, 1994).

This type of revenue is more transparent and easier to adjust to meet the consumers' needs, as it sustains itself and is not funded or reliant on fixed financial fund or grants.

2.3.1 Property tax

Property tax is a major source of revenue in urban councils (Mikesell, 2002), but is exploited to a lesser extent in South Africa. Property tax, as an annual tax on real property, is levied in all Anglophone countries in Africa, except the Seychelles (McCluskey & Franzsen, 2005). Commonly it is a local government tax, levied mainly in urban areas (Fjeldstad & Heggstad, 2012). Property taxes are adopted by 17 of the 22 countries that are members of the Organization for Economic Co-operation and Development (OECD); and they are the most important source of local revenue in 9 of these countries (Kitchen, 1992). According to the International Association of Assessing Officers (IAAO, 1990), property taxes exist in about 130 countries with varying importance (Cesare & Ruddock, 1998).

In the 1990s property taxes accounted for 40% of all sub-national taxes in developing countries (Bird & Slack, 2002), but less in many African countries; for instance, 10–30% for urban councils in Tanzania (Fjeldstad *et al.,* 2004) and around 20% in South Africa (Bahl & Smoke, 2003).

According to Bell & Bowman (2006), there are a number of constraints that can explain why property tax is not more heavily exploited as a local revenue source in South Africa. (a) With the exceptions of Botswana, Namibia and South Africa, property markets are not well developed; (b) property registers and valuation rolls are often outdated or not in place; (c) administrative capacity and equipment are often limited; (d) the tax base is generally narrowed by extensive legal exemptions; and (e) lack of political support to enforce the property tax and political interference in revenue collection (Fjeldstad & Heggstad, 2012).

Property value is the most common form of property tax in all Anglophone countries, even though their capacity to implement accurate valuation practices often is modest. Except in South Africa, the availability of relevant property registers and data is generally limited. Valuation rolls, if they exist, are normally out of date. Lack of qualified valuers to prepare or maintain valuation rolls is also a challenge, again with South Africa as an exception (Franzsen, 2007). Efforts to address these shortfalls are reflected in a noticeable move away from relying on central government valuation offices to prepare valuation rolls (e.g. in Lesotho, Malawi, Mauritius, Swaziland, South Africa, Uganda, and Zambia). Some countries, for instance South Africa and Uganda, have introduced ‘mass valuation’ as an alternative to discrete valuations of individual properties (Fjeldstad & Heggstad, 2012).

Property tax can be administrated by both local and central governments in varying degrees. When local governments administer the tax, they are responsible for all implementation issues (Kitchen, 2005). That includes identifying all taxable properties, maintaining property and ownership records, determining assessed property values, setting tax rates, calculating and issuing property tax bills, managing payment receipts, addressing arrears and using tax enforcement against defaulters (Kitchen, 2005; Mikesell, 2002). In some cases local governments have a say in the choice of the tax rate, but all administration aspects of the tax is the responsibility of the national or central revenue authority. There is no steadfast rule on how or what the responsibilities of local or central government in the implementation of property tax should be. In Malawi, for example, property valuation is done by the central government; while local authorities set rates and handle collection (ibid 28 cited in Fjelstad & Heggstad, 2012.). While West African French-speaking countries in general rely on the traditional French model, in which the property tax is administered and collected by the central government. East and Southern African countries (including South Africa) rely on local administration (Brosio, 2000), which is the general consensus in most of the reference literature that taxes should be administered by the government that is entitled to their revenue.

The connection between many of the services typically funded at the local level and the benefit to property values, according to Bird and Slack (2002), results in property taxes to be an appropriate source of revenue for local governments. Property taxes are generally levied on all types of properties: residential, commercial, and industrial; as well as farm properties. The next section presents a discussion on property valuation systems.

2.3.2 Property Valuation Systems

According to Norregaard (2013), there is no uniform tax base and numerous ways of defining and measuring the property tax base, it can be applied when assigning property tax. In the same way Kitchen (2005) describes two assessment methodologies for determining property tax. A value based assessment is when a property value is based on rental values or capital (market) values, or site value; and an area based assessment when the tax is based on the building area and property area.

According to Rental value systems the tax base is the rent that can reasonably be expected in a fair market transaction (Norregaard, 2013). Further, Bird and Slack (2002) point out that rental value is assessed according to estimated and not actual rental value and in many countries where it is being implemented (i.e. in Australia, China, India, Nigeria Malaysia) this value is assessed on the current use of a property. However, the system has its shortfalls. While simple in principle, there are challenges in its practical implementation. According to Bird and Slack (2002) and Noorregard (2013) these challenges lie in determining or estimating rental values as rental data is not made public and not all properties are ‘rented properties’. Owner–occupied properties and vacant land are good examples of this. Vacant land cannot be taxed on a current use system as it does not have a ‘use’ and owned property is assessed using rental estimates. Estimated rentals are calculated in one of many ways: by using rent surveys for different areas, or, the property value is estimated according to variables such as location, construction, area, age and nature of use and this is converted to a rental equivalent. Rental value may also be estimated on the net profit of a property (Bird & Slack, 2002). Rental value, as mentioned previously, typically reflects the present use of the property and not best alternative use of the property with the lack of incentives that that entails (Norregaard, 2013).

Capital value systems define the base as the market value of the property (land and improvements or structures) in an open market. This is the system used in most OECD and Latin American countries, and there seems to be a general shift towards applying this method. Many countries use a separate valuation for land and buildings (Botswana, some South American countries - for example in Brazil), while others base the assessment on the total value of the property (Cyprus, South Africa). Kitchen (2005) defines market value as, the price that is determined between a willing buyer and willing seller, and estimates the value that the market places on individual properties. This system is pretty straightforward and avoids some of the challenges of the rental value system, in that vacant land has value and market value reflects best alternative use of property and not present use. It is the most equitable method to the extent that property value reflects the benefits of public investment (Norregaard, 2013). The unavailability of data of market transactions and/or under-declaration of such prices due to high property transfer taxes are the key problems to this system. Valuations may be undertaken by assessors but the administrative costs involved can be high (Norregaard, 2013).

A Land (or site) value system explained by Kitchen (2005) is a special case of market value assessment where only the land is assessed. It is used in a number of countries (Australia, New Zealand, Denmark, Estonia, Jamaica, and Kenya). The system taxes the market value of land alone, and all capital improvements such as buildings are excluded from the assessment. This makes the base for site value taxation smaller than the base for market value taxation, which makes it necessary to set higher tax rates to generate the same amount of revenue. Despite this, apart from raising revenue, the upside is that the land value tax provides the strongest incentive for the most efficient use of land (Norregaard, 2013) as it encourages property improvements with no increase in the tax base. It also has lower administrative costs than a capital value tax but suffers from the same type of administrative shortcomings as the capital value tax.

Area-based systems comprise the simplest methods by taxing each parcel at a *specific rate* per area unit of land and per area unit of structures (Norregaard, 2013). It is used in many Central and Eastern European countries and a number of developing countries (such as Vietnam and Nigeria). It is a simple, transparent, and fairly easily administered system which can be implemented even in countries or localities that have no developed property market. In its purest form area-based assessments do not take into consideration any variables and is based only on physical area.

According to Kitchen (2005), the land assessment 'may' introduce variation to reflect location, zoning, use of property, as used in a variety of forms in, for example, Serbia, Poland, Chile, and Indonesia. This variable tax is more complicated and requires an important measure of judgment. Other disadvantages include that it is generally not considered a fair tax, in that it is limited since it may not capture market price developments (Norregaard, (2013) such as parks, public transit, and schools, which results in higher property value for neighbouring properties.

Whichever method is applied to measure it, the property tax base is often permeated by multiple exemptions, reliefs, and grants. Typical exemptions (Bird & Slack, 2002; Bahl, 2009) are based on various factors including ownership (though government properties are usually exempt), use (though merit uses such as schools, religious, and charitable establishments are exempt), and profile (as an extension of social policies pensioners, disabled persons and the poor are exempt). In Uganda, in addition to the standard exemptions for government-owned property as well as property used for religious purposes, civil servants (police, military), unemployed persons, peasants, and people living in poverty who are unable to earn the minimum income are also exempt (ECORYS, 2010).

In many countries, according to Bahl (2009), property tax favours owner occupied housing. Some countries provide special reliefs depending on family structure: in Serbia, for example, owner-occupiers receive a 40% tax reduction, which is increased by 10% for each member of the household up to a ceiling of 70%.

Agriculture is another example of a segment that generally receives a very favourable property tax treatment, either by outright exemption (partly or fully, such as in Nicaragua, Guinea, and Tunisia (Bird & Slack, 2008)) or by special treatment leading to a negligible liability (such as in Serbia). An exception regarding taxation of agricultural land is found in Namibia, where land tax on commercial farmers was introduced in 2004 as a measure to fund a land reform program (Fjeldstad & Heggstad, 2012).

Few countries undertake systematic tax expenditure budgeting pertaining to the property tax, to ascertain the true budgetary costs of the tax reliefs offered. Bird and Slack (2002) suggest that all exempt properties should nevertheless be assessed in the same way as other properties, so that the true value of the exemption is known and the yield can be substantially increased by scaling back on excessive exemptions and reliefs.

Methods for Determining Property Tax (Rates) (known as 'rates on property') are, within South Africa, a local tax (provinces are prohibited from levying property tax) and it is levied by municipalities in all provinces. In metropolitan areas the metropolitan local councils levy and collect property rates; in non-metropolitan areas only urban municipalities levy property taxes. National and provincial governments regulate how the property tax is charged, assessed, and collected. However the regulatory framework for valuing property and levying tax rates is the responsibility of local government. Specific provisions of The Property Act (of 2004) are explained under the sections The Tax Base and Tax Rates below.

The Tax Base

Property tax is levied on owners of immovable property. This means that any form of land (residential, commercial, industrial, agricultural) and any improvements to the landor existing building are rateable. The tax base system also includes charges levied on refuse and sewerage (in urban areas) as well as land owned by local government and vacant land. However, it is important to note that some properties in rural areas may be exempt from paying property rate. Therefore, capital value is used as the basis to evaluate the tax base. According to Slack, (2004) and Gildenhuys (1993), local government councils have the option to choose between three of the following tax base rating systems that are: The Site Rating System (rating on unimproved land only); Flat Rating System (property tax is assessed as the combined value of the land and improvements); and Composite or Differential Rating (rating both land and improvements but at different rate levels).

Currently, the use of these three tax bases is evenly split among local councils. No matter which base is used, the valuation roll includes the value of the land, the improvements, and the total property value. Under The Property Act (of 2004) legislation, all properties are required to use total improved value of property as the tax base every year by the 1st of July. This means that cities must conduct regular property appraisal of existing and new properties in order to update information on the system and allows property owners to pay municipal rates based on the market value of their properties. 'Site value' is defined as "the amount which such land or right to the land would have realized if sold on the date of valuation in the open market by a willing seller to a willing buyer" (Kitchen, 2005, after Slack, 2001, unpaginated). This definition assumes that improvements have not been made. When improvements have been made the comparative sales method is used to value the land. The value of the land is determined by subtracting the value of the improvements from the total property value (Kitchen, 2005, after Slack, 2001).

To value the improvements, two methods are used: subtract site value from the improved land value (the most commonly used method) or value buildings at Tax Rates. Local councils are not permitted to levy differential rates on different classes of property. Rather, uniform or flat rates are used. Local councils may, according to Slack (2004) grant rebates or relief measures to different property types of land held for specific uses, such as agriculture or mining. In some provinces, a maximum rate is set by the provincial government where the tax base includes land and improvements, and the rate on land is higher than the rate on improvements.

Under the Property Act 2004, decisions about differential rating of different categories of property, as well as exemptions and rebates, are left to the discretion of the municipal councils. Each council would be required to adopt a property rates policy and to reflect the cost of all exemptions and rebates as budget expenditures.

2.3.3 Tax Administration

Valuers are employed by local governments and must be registered. Valuers are supervised by the South African Council of Valuers, a statutory body established under the Valuers' Act. In the larger municipalities, the local government tends to use their own in-house valuers; in smaller municipalities, local governments often contract the valuation function to the private sector (Slack, 2004).

Within South Africa a general valuation must be undertaken at least once in a four-year period in most provinces; in two provinces, the period is 5 years. According to the Intergovernmental Fiscal Review (2011), the system is poorly administered in many municipalities and, in some cases; comprehensive re-valuations have not been undertaken for 10 years or longer. For example, in the Cape, up until 1993, the period between revaluations was 10 years. Provincial ordinances do not provide for computer-assisted mass appraisal (CAMA) and thus full inspection of each property is required. Information has to be collected and reported in a consistent way on the valuation role.

The valuation roll contains information on the valuation or revaluation. The roll shows the name of the owner, the address of the property, a description of the property, the size of the property, the age of the property, value of the land, and the value of the improvements (Bird & Slack, 2002). If property owners do not agree with the assessment, there is no informal inquiry stage but taxpayers can submit written objections within a specified time period. The valuation board hears objections and takes a decision before certifying the roll.

Once the roll is certified tax collection involves sending out tax bills, collecting the taxes, and ensuring payment. In terms of enforcement, local governments may collect interest on arrears and late payment fees (Bird & Slack, 2002). For long-term non-payment a seizure and public sale by a city council can take place after three years to cover the tax arrears. For property transfers no clearance certificate is issued until all taxes administered on the property are paid in full.

Some exemptions and other tax relief measures are provided for in all 9 of South Africa's provinces but they are few in numbers. Exemptions include: religious institutions (but only those used exclusively for religious purposes). Unlike in many other countries, state-owned properties are not exempt from the property tax but they do receive a 20% rebate. Tax relief is granted through grants-in-aid, rebates, differential tax rates, or remission of some or all of the tax payable. Rebates are used most widely for residential properties, for which a rebate of 40% is the common practice. Additional rebates may be granted to disabled persons, pensioners, or low-income taxpayers and small discounts are granted on early payment. While collection is high, there is disparity among the different parts of the metropolitan area (Franzsen, 2001).

2.3.4 Other Taxes on Land and Buildings

A transfer duty is payable to the central government when immovable property is acquired. (Bird & Slack, 2005) A VAT is charged by registered vendors making taxable supplies of fixed property. Transactions attracting VAT are exempt from the transfer duty; residential properties are exempt from the VAT. Minor taxes may be levied by local governments on the property tax base. In the South African context these include: an extraordinary rate; health rate; water rate; sewerage rate; sanitary rate; and a special rate. In small villages or small holding areas within district councils, the district council may administer or impose local area rates, which are property taxes on the basis of property size rather than property value (Bird & Slack, 2005).

2.4 Calculating Property Rates

In terms of the Municipal Property Rates Act (2004), property rates are calculated on the value of the land and of any improvements or buildings. This value is based on the property's market value, which is the price that one can realistically get for a property in the open market between a willing buyer and a willing seller. Using this value as a base, a comparative value of all properties in a neighbourhood can be calculated. This assessed value is called the municipal value and is used by the Municipality (in this case the city council) for the levying of property rates.

2.5 Categories of Property for Levying of Differential Rates

In terms of Section 8(1)(b) of the Municipal Property Rates Act (2004), read in conjunction with Sections 3(3)(b) and 3(3)(c), all rateable property will be classified in a category and will be rated based on the zoning, or permitted use of the property, unless otherwise stated in the city rates policy. Different rates are levied against different categories of property. Properties are grouped in categories based on zoning; for example, domestic properties and sectional title properties are generally residential, factories and warehouses are business, and schools are education. Churches and other religious taxes normally do not pay rates.

The city council, through its property rates policy, determines categories of properties which should be rated. The city council applies a concept of differential rating so that the rate is not constant across categories of property and a separate rate (tariff) is proposed for each category of property listed in the city rates policy. Each year, during its budget process, the city council determines property rates tariffs for the new financial year. The 2012/2013 property rates tariffs were concluded in the City of Johannesburg Property Rates Policy (2012/13) and implemented from 01 July 2012. Following consultation with the City Council's stakeholders, it was proposed that the increase in property rates tariff should not be more than the rate of inflation; hence the City Council proclaimed an increase of 6% across all categories of properties.

Where a differential rate is applied this is usually to achieve greater equity or efficiency. There is no limit on the number or type of differential rates that can be levied, but the highest differential rate cannot be more than four times the lowest differential rate. If a council decides to apply differential rates as part of the mix, it will usually consider three equity principles:

- The benefit principle – some groups have more access to make more use of and benefit more from specific council services. If services benefit some ratepayers more than others, then those ratepayers should be taxed on the extent to which they benefit.
- The capacities to pay principle – some ratepayers are more economically able to pay rates than are others with similarly valued properties. It is deemed appropriate that these ratepayers make a greater contribution to tax revenue.
- The incentive or encouragement principle – some ratepayers may be doing more towards achieving council goals than those in other areas, such as environmental or heritage protection (City of Johannesburg Property Rates Policy, 2012/13).

A best practice tax should be easily understood and simple to comply with. It must be transparent; meaning that the underlying purpose and principles behind it are clear – who is liable for a particular rate and how the liability is calculated.

2.6 Service Charges and Administration Fees

A municipality is expected to charge for the services it provides to specific, identifiable customers that derive 'individual benefit' from the consumption of those services. Examples include: water, electricity, sanitation, refuse removal, plan and building permissions, and the hiring out of municipal facilities. Section 74(2) of the Municipal Systems Act (2000) prescribes that a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services.

A user fee is the amount of money per unit of goods or service produced or provided by the government which is collected from the recipient (Bird, 1976). The Local Government White Paper (1998) states that an important role of local municipalities is the provision of public services; the majority being public utility charges, such as electricity and water - which contribute significantly to the growth of revenue for municipalities. The charges for these services are fixed and therefore the provision of the service should yield a trading surplus, which is transferred to the property rates account.

The Local Government Municipal Systems Act (No. 32 of 2000), Section 74 (1) states that the council of the municipality must adopt and implement a tariff policy on the levying of fees for services provided by the municipality itself or by way of service delivery agreement.
Section 75(1) requires a municipal council to adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

2.6.1 User Fees and Charges

User charges for 'trading services', including water, electricity, sewage, and refuse removal, contribute significantly to the growth of urban municipality revenue in Southern Africa, especially in Namibia and South Africa (Fjeldstad & Heggstad, 2012). In particular, service price per unit service charges (i.e. water and electricity supply) are important. The provision of these services should yield a trading surplus, which is achieved by adding a surcharge to the cost of the utility they acquire from a utility company or if the municipality is producing the utility themselves; then the extra charge is added on the cost of producing it. According to Bahl*et al., as* cited in Fjeldstad and Heggstad (2012), around a quarter of the electricity-distributing authorities in South Africa raise substantial revenues from the surpluses earned from their sales, which is used to cover the cost of providing the service. Any further surplus - which can be substantial in certain municipalities - is leftover for general local government purposes.

The rationale for user charges is not to create revenue but to encourage the efficient use of resources (Fjeldstad & Heggstad, 2012).This surplus hence becomes a tax component to the service of which ratepayers are not aware, so that the 'true level of local government taxation is not transparent for citizens'. Accountability of the local revenue system is therefore undermined. Moreover, since the consumer price of the service (for example, electricity) is overstated by the amount of the implied tax this may have negative impacts on economic efficiency (Fjeldstad & Heggstad, 2012).

On the other hand the reverse of the above scenario could be true, as in the majority of town councils in Namibia and around a quarter of the municipalities in South Africa (Bahl& Smoke, 2003). Local authorities are not determining their tariffs in accordance with an approved tariff policy of cost recovery (Fjeldstad *et al.,* 2005), hence trading services, including water distribution, are operated with significant losses. The situation is heightened by increasing number of outstanding payments or non-payment for basic services in many local authorities, due to various reasons, including affordability.

Experiences from South Africa and Namibia show that there are a number of constraints in the means of cost recovery of user charges. According to Fjeldstad & Heggstad (2012), this arises from equity considerations (that is, ability to pay), collection and billing methods, the quality of the services provided and persistent resistance to pay. These lessons point to the fact that dealing with the policy problem of revenue enhancement requires some understanding of the factors underlying the individual's decision whether to pay or evade paying service charges and taxes.

2.6.3 Conclusions

Local sources are generally not sufficient to develop and supply adequate services for the fast-growing urban population. The reality is that most municipalities in South Africa for a long time will continue to be heavily dependent on fiscal transfers from the central government. Only a few large urban governments located in rich areas are able to finance a substantial share of their total expenditure with their own sources of revenue. Transfer systems based upon revenue sharing between the central and sub-national levels of government and grants from the central level should therefore be considered important components of the fiscal decentralization programmes.

The local 'own revenue' systems across Africa are often characterised by a huge number of revenue instruments. However, the main sources of 'own revenues' in urban councils are usually property rates, business licenses, and various user charges - often in the form of surcharges for services provided by or on behalf of the municipality (Twomey, 2013). Experiences from a number of African countries show that these revenue instruments have serious shortfalls. For instance, property taxes can be costly to administer (Brosio, 2000), and the enforcement of user fees has resulted in widespread resistance to pay from the poorer segments of the urban population in some countries (Fjeldstad 2004; Fjeldstad*et al.,*2005)as is the case in South Africa.

2.7 Background to the Role of Municipalities in South Africa

The Republic of South African Constitution Act 108, 1996 established a three-tiered system of government. Local government was established as a separate sphere and given primary responsibilities for service delivery, (Fourie & Opperman, cited by Zondani, 2008). Local government in some form or another has existed since the early days and were providing basic services (Zondani, 2012), as well as other services, which today fall within the scope of central government, such as the issuing of birth certificates and passports to their citizens.

According to Fourie and Opperman, cited in Zondani (2008), local government is where service delivery begins and is about what happens in our homes, streets and in our communities. In the Local Government Municipal Systems Act (No. 32 of 2000), a municipality is defined as an organ of state within the local sphere of government which exercises legislative and executive authority within a particular area. Municipalities fall under the local government sphere and, in the section to follow. The South African government structure is discussed with the purpose of indicating the position of the municipalities within the South African Government structure.

2.7.1 The South African Government Structure

The South African Government comprises of government institutions that govern on the national, provincial and local levels. Local government involves municipalities. Section 155 (1) of the Republic of South Africa Constitution Act (No. 108 of 1996) provides for three categories of municipalities, as explained below:

Category A Municipalities: these are municipalities with exclusive municipal legislative and executive authority within areas under their jurisdiction. These municipalities are metropolitan type municipalities. Fourie and Opperman summarised in Zondani (2008) define metropolitan municipalities as, those municipalities characterised by high population density, intense movement of people, goods and services, multiple business districts and industrial areas, and a centre of economic activity with a complex and diverse economy. Examples of such municipalities are Johannesburg and eThekwini.

Category B Municipalities: these are municipalities that share municipal legislative and executive authority with a Category C municipality within whose area they are situated. Examples of these municipalities are local municipalities. Fourie and Opperman summarised in Zondani (2008) define local municipalities as, those municipalities in areas that do not meet the criteria set out for metropolitan areas. Examples of these municipalities are Sedibeng and West Rand District.

Category C Municipalities: these are municipalities with municipal legislative and executive authority in an area that includes more than one local municipality. Examples may include district type municipalities. According to Fourie & Opperman summarised in Zondani (2008), all local municipalities fall within the area of a district municipality. Examples are Secunda and Mogale City Local Municipality.

In South Africa district municipalities and metropolitan municipalities are subdivisions of the provinces, and local municipalities are subdivisions of district municipalities (Zondani 2008). This research focuses on the city of Johannesburg Metropolitan Municipality. According to National Planning Commission NPC (2013), generally the metros present a stronger financial position than the rest of local government. This is due to their ability to generate their own revenues, to borrow on the capital markets, and to attract and retain staff with the appropriate financial management skills.

2.7.2 The Status of the Municipalities

Section 15, (1-4) of the Republic of South Africa Constitution Act (No. 108 of 1996) provides for the status of municipalities. In Subsection 1 it is stated that the local sphere of government consists of municipalities, which are to be established throughout the whole of the territory of the Republic. In Subsection 2 it is stated that the executive and legislative authority of municipalities is vested in its municipal council. In Subsection 3 it is stated that subject to national and provincial legislation a municipality has the right to govern, on its own initiative, the local government affairs of its community. Lastly, in Subsection 4 it is stated that national and provincial government are forbidden to obstruct a local municipality's ability or right to exercise its powers or to perform its functions (Zondani, 2008).

A municipality can therefore be summarised as an independent entity which has the right to exercise both legislative and executive powers, while adhering to national and provincial legislation. Legislation in this sense refers to all policy guidelines, acts, and rules and regulations promulgated by parliament. In as far as the municipality has the right to govern on its own, in Section 154 (1) of the Republic of South Africa Constitution Act (No. 108 of 1996) (which deals with municipalities in co-operative government), it is stated that the national and provincial governments, by legislative and other measures, must support and strengthen the capacity of the municipalities to manage their own affairs, to exercise their powers, and to perform their functions. Municipalities or local governments are therefore directly responsible for all processes of service delivery, i.e. service provision and administration. Despite municipalities being independently operating bodies, they are to be supported by national and provincial government.

2.8 Municipal Own Sources of Revenue

The purpose of this research is to focus on local municipality 'own sources of revenue' across South Africa. As stated above and detailed in Part B of Schedules 4 and 5 of the Constitution, municipalities across South Africa are constitutionally mandated to fund expenditure responsibilities.

The municipalities in South Africa are largely self-financing, although there are differences in the ability of the richer and poorer municipalities to generate revenue. The legislation provides that the municipalities are entitled to resources commensurate to their responsibilities, but in many service sectors this is not realised in practice, as poverty is a reality - especially in the rural areas. And those local government authorities are therefore not in a position to generate resources similarly to their richer counterparts. Further, with many services there is also confusion on the division of roles and responsibilities between the different categories of municipalities and the provincial government, which has led to inefficiencies in service provision (Kuusi, 2009).

As state in the litterature review quoting Fjeldstad and Heggstad (2012) and Fjeldstad (2006), South African local municipalities derive their revenues from both internal and external sources. Internally generated income comprises service charges (sales of water, electricity and gas, refuse removal and sewerage and sanitation charges), property rates (residential, commercial or business, state and other properties), and other income (fines, interest, rental of facilities and equipment). The external sources of revenue comprise income and transfers from government in the form of grants and subsidies (Stats SA, 2011/12).

According to The White Paper on Local Government (1998), self-financing means that the bulk of their resources are raised from own revenue sources. Of the internal sources, some are land based (property taxes and land fees) and the others are non land-based (taxes on households and license fees). This right to levy taxes and impose charges is provided for in the Constitution of the Republic of South Africa, 1996, Section 229 (1).

Statistics from the Commonwealth Local Government Forum (Undated) Local Government System in South Africa (2010) show that the capacity of different local authorities varies considerably and therefore the amount of locally raised revenue can be anything between 67% in the smaller authorities and 97% in the metropolitan authorities. The calculations by Financial and Fiscal Commission are based on the National Treasury Local Government Database, (2010/11). In addition to the self-collected revenue, municipalities in South Africa receive allocations from the national government (local government equitable share allocation (LES) and conditional grants), which are paid directly to the municipalities instead of provincial structures (CLGF Local Government System in South Africa, 2010). The section to follow outlines the two sources of revenue for local government in South Africa.

Main sources of ‘own revenues’ are usually property rates in urban councils, business licenses, market fees and various user charges, often in the form of surcharges for services provided by or on behalf of the local government authority (Fjeldstad & Heggstad, 2012). The levying of property rates is governed by the Municipal Property Rates Act (2004). The Act provides that the Minister of Cooperative Governance and Traditional Affairs, after consulting with the Minister of Finance, may regulate various aspects of property rates, including the provision of exemptions, maximum levels of rates and rates ratios between categories of property. The aim is to ensure that property rates are equitable, do not stifle economic growth, and that they support certain national policy objectives.

Only metros and local municipalities may raise revenue through property rates. In terms of the Act, they are required to adopt property rates policies. They are required also to put in place and maintain a property valuation roll. The valuation roll needs to comply with the 'horizontal equity principle' in that similar properties should have similar valuations (Slack, 2004).

Property rates are intended to fund the economic services provided by the municipality, such as municipal roads, storm water systems, and street lighting and cleaning. The consumption of these services is non-exclusive (i.e. they cannot be limited to specific consumers) so they are funded through a general tax on all potential consumers within the jurisdiction of a municipality. The structure of rates should take account of the 'ability to pay' principle, and so should be progressive.

The level of rates should cover the cost of providing a defined basket of economic services efficiently and effectively, and so should be set at a level where the benefits of the collective beneficiaries are commensurate with the cost imposed on those beneficiaries, i.e. the level of rates charged should comply with the 'benefit' principle.

2.8.1 Revenue and Expenditure trends in South Africa Local Government

Statistics in the Financial and Fiscal Commission (2011) show that in 2010/11, South Africa's municipalities collectively budgeted R191 billion for their operational budgets. This is approximately one-fifth of overall government spending. In 2010/11 municipalities were also responsible for managing R41 billion in infrastructures spending, which is 15.9% of total public sector infrastructure spending. This spending is financed from municipal own revenues, transfers from national and provincial government, and borrowing (for capital). Between 2010/11 and 2012/13, direct national transfers to local government grew by R23 billion or by 13.4% annually.

Municipalities own revenues are also growing strongly, particularly through service charges, which were budgeted to increase by 18.6% per year between 2010/11 and 2012/13. Generally, municipal revenues held up well during the recession. Outstanding consumer debts did increase, but at a slower rate than the growth in own revenues. This reflects some positive action with regards to revenue management. An overview of municipal revenue trends between 2003/04 to 2008/09 as outlined in the South African Financial and Fiscal Commission of 2011 is presented below.

2.8.2 Overview of Municipal Revenue Trends

To finance constitutionally mandated expenditure responsibilities, as detailed in Part B of Schedules 4 and 5 of the Constitution, municipalities rely on two main sources of revenue: own revenue and intergovernmental fiscal transfers. With respect to own revenue sources, municipalities are constitutionally afforded an array of fiscal instruments. These revenue instruments include property rates, user charges for municipal services rendered and other local taxes, as discussed in 2.6. Furthermore, Section 230 of the Constitution assigns municipalities fiscal borrowing powers, which are an important source of revenue particularly for infrastructure.

The analysis of trends and performance of municipal revenues and expenditures Financial and Fiscal Commission Report (2012/13) grouped various municipalities across South Africa against their unique spatial, social and economic characteristics. The analysis comprises of 283 local municipalities across South Africa, as reflected in Table 2.1 below.

Table 2.1: Categorization of municipalities used in analysis.

Category	**Number**	**Description**
Metropolitan Municipalities	6	As per the constitutional definition of Category A municipalities. Large metropolitan cities
Secondary Cities	21	Local municipalities with the highest operating budgets and a large urban spatial pattern
Large Towns	29	Local municipalities that consist of a large town
Medium to smaller Towns	111	Local municipalities that consists of several smaller urban settlements
Rural Municipalities	70	Local municipalities that are largely rural with large sprawling settlements
District municipalities without major powers	25	Category C municipalities without the water and sanitation service powers and functions
District municipalities with major powers	21	Category C municipalities with the water and sanitation service powers and functions
Total	**283**	**Local government sector**

Source: Local Government Turnaround Strategy (2009)

In order to probe the causes and changes in trends in local municipalities revenue generation, as a percentage of total revenue sourced by the municipality against total revenue from intergovernmental transfers, the performance of municipal revenue in millions of Rand value over the period 2003/04 to 2008/09 is tabulated below. All amounts are based on the National Treasury's Local Municipalities Database of 2010/2011.

Table 2.2: Performance of municipal revenue over the period 2003/04 to 2008/09.

	Outcomes (R'million)						**Average Growth**
	2003/04	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2003/04-2008/09**
Total Municipal Own	66,426	70,037	86,780	84,830	89,486	94,921	7.4%
Total Government	13,492	18,900	25,106	35,200	44,638	53,882	31.9%
Total Municipal	79,919	88,937	111,887	120,031	134,125	148,803	13.2%

Source: Financial and Fiscal Commission (2011, p43.).

Table 2.2 shows that between 2003/04 and 2008/09total municipal revenue grew by a real annual average rate of 13.2%. This growth, according to the Financial and Fiscal Commission (2011), was largely due to large increases in intergovernmental transfers to enable local municipalities to fulfil their constitutional responsibility of providing basic services to their community. Another contributing factor was the replacement of the Regional Service Councils (RSCs) in the financial year of 2006/07.The RSC levy was a tax levied by Category A and Category C municipalities and was replaced by an interim grant afforded to Category A and C municipalities up until 2009/10. Thirdly, the government afforded large increases to municipalities in preparations for the 2010 FIFA World Cup™.

Local governments within South Africa are generally self-financing. Local governments generated an average of 73.4% of total real operating revenues from own revenue collection over the period 2003/04 to 2008/09. Over the same period intergovernmental fiscal transfers contributed on average 26.6% to total municipal revenue (Financial and Fiscal Commission, 2011). Due to economic, social and demographic inequalities across the country certain municipalities - especially rural and district municipalities - have less own revenue resources and their ability to generate adequate levels of own revenue are constrained. The diversity of services rendered also impacts on self-sustainability.

A municipality that has a diverse revenue base will be more self-sustainable than a municipality that does not render a range of services. Therefore, intergovernmental transfers play an important role in bridging these inequalities; to ensure that all municipalities are well funded to fulfil their service delivery mandate.

Table 2.3 shows the real average contribution percentage of own revenue versus intergovernmental transfers to total municipal revenue per municipal category. The categories are divided into (SALGA, 2010): metros (dominated by a large urban centre), secondary cities (larger cities surrounded by commercial farm land), larger towns (towns surrounded by commercial land), rural municipalities (traditional rural areas with little formal economy), districts without major powers (no water service authority), and districts with major powers (water service authorities). All amounts are based on the National Treasury's Local Municipalities Database of 2010/2011.

On average the revenue bases of metros, secondary cities, larger towns and medium to smaller towns are largely through own revenue generated (derived mainly from property rates and user charges), whereas rural municipalities are beneficiaries of significant government grants.

Table 2.3: Real average contribution of main revenue sources, to total municipal revenue over the period 2003/04 to 2008/09. This data is the latest available the research has found

Intergovernmental transfers	Metros	Secondary Cities	Larger Towns	Medium to Smaller Towns	Rural Municipalities	Districts Without Major Powers	Districts With Major Powers
Municipal Own Revenue	81.6%	77.2%	77.0%	65.5%	36.8%	48.4%	30.5%
Government and Subsidies	18.4%	22.8%	23.0%	34.5%	63.2%	51.6%	69.5%

Source: Adapted from Financial and Fiscal Commission (2011, p43.)

2.8.3 Categories of Municipal Revenue

Total municipal revenue can be subdivided into two broad categories: operating revenue, and capital revenue (Financial & Fiscal Commission, 2011).

Operating Revenue

According to Financial and Fiscal Report (2011), the operating revenue of the South African municipalities recorded in the 2008/09 financial year reveal an annual growth of 7.7%, which is poorer relative to the 8.3% of the previous year. Further, the report graphically presents the contributions percentages of municipal operating revenue comprising: service charges, government grants and subsidies, property rates, other revenue sources, RSC levies, investment revenue, and contributions and donations from the public.

Revenue generated from service charges in the period 2003/04 to 2008/09 formed the largest component of operating revenue, in 2003/04; service charges generated over half the total operating revenue particularly for metros, secondary cities, larger towns and medium to smaller towns. These four categories are allowed to levy property rates which contributed, on average, 17.2% to total municipal operating revenue over the period under review. As at 2008/09, the proportion contributed by service charges and the contribution of property rates to total operating revenue declined slightly, while strong increases in intergovernmental transfers were prominent. Challenges around revenue collection particular for water, may be one cause for the decline in service charge contributions. The deterioration in the financial position of municipalities in terms of own revenue generation can also be partially explained by the national and international financial crisis of 2008.

In the case of rural and district municipalities, government grants, specifically the Local Government Equitable Share (LES) allocation, are the main operating revenue source. On the other hand, increases in intergovernmental transfers mentioned above is largely the result of National Government's drive to ensure greater access to basic services for all citizens, the replacement of the RSC levy, and preparations for the 2010 FIFA World Cup™. District municipalities have limited services to levy, and thus national transfers are their main source of operating revenue. Reports issued by National Treasury indicate that "other revenue" sources also made a significant contribution to total municipal operating revenue. For the sake of transparency, municipalities need to be specific about what exactly comprises "other revenue".

Municipal Capital Revenue

In aggregate terms, funding for capital increased by a real annual average of 26% between 2003/04 and 2008/09. One of the primary reasons for this strong real growth was increased funding to municipalities in preparation for the hosting of the 2010 FIFA World Cup™. Capital revenues are derived from four main sources: government grants and subsidies, other own revenues, external loans, and public contributions and donations.

Real composition of total municipal capital revenue between 2003/04 to 2008/09 reflects the contribution of grants and subsidies to capital revenue to be significant across all municipal categories but is most pronounced for districts with major powers, rural and medium to smaller municipalities. For example, in 2008/09 government grants and subsidies contributed 86.0%, 70.2% and 57.7% respectively to total capital revenue in these municipal categories. On the other hand, metros are increasingly making use of the borrowing powers at their disposal as provided for in Section 230 of the Constitution of South Africa.

Over the period under review, external loans contributed on average 33% to total capital revenue in metros. The “other” component constitutes own income of municipalities and contributes a significant portion to total municipal capital revenues across all municipal categories. As with municipal own revenue, municipalities need to be more transparent as to what the term “other” entails.

2.8.4 Performance of Revenue Collection and the Challenge of Municipal Consumer Debt

Peters, in The Financial and Fiscal Commission (2011), refers to municipal consumer debt as arising from the late or non-payment of: property rates, fees, and charges for services provided by municipalities (for example, water, sanitation, electricity, and refuse removal) and various other financial obligations to municipalities (for example, traffic fines and licenses).

Research conducted by Peters (Financial & Fiscal Commission, 2011) used data from the annually published General Household Survey (GHS) for the period 2004–2008, which includes questions about why households do not pay, and places a particular emphasis on non-payment for water services.

Due to lack of survey data on reasons for non-payment by government and business, a short questionnaire was developed and sent to provincial treasuries and Business Unity South Africa (BUSA). The findings of the research in relation to households reflected the following:

Reasons for non-payment by households

The absence of a metering system seems to be a strong motivator driving non-payment. The lack of billing systems also features prominently, although the situation appears to be improving. According to the Financial & Fiscal Commission (2011) report, in 2008 the affordability issue emerges strongly; which is probably a result of the slowdown in the economy. In addition, non-payment because other people do not pay seems to be on the increase. In general, the reasons established for non-payment tend to stem from municipal performance issues such as no metering/billing systems (ibid)).

Reasons for non-payment by business: BUSA listed the following factors, in order of importance, as the main reasons driving non-payment/late payment of property rates and/or utility bills: irregular billing, incorrect billing, unhappiness with service/economic slow-down, high tariffs, and others do not pay.

Reasons for non-payment by government: Slowness in invoicing, inaccurate verification and reconciliation from other municipalities, inappropriate billing, and unreasonable interest charges is what Government listed as the reasons for its high level of non-payment.

2.9 Conclusions

In this chapter report was made of the reviewed related literature on municipal sources of revenue. Property taxation and user fees play a major role in financing local governments throughout the world (Mc Cluskey, 1991; Youngman & Malme, 1994; Kelly, 1995; IMF, 1996; OECD, (1997). Most local governments historically have some, if not considerable, autonomy in setting local tax rates and have almost no control over their tax base. Where local tax sharing arrangements are established, the tax split between state and local governments is generally fixed in legislation or determined by the senior level of government. Only in a handful of countries does the local sector have any say in the tax split in the revenue sharing formula. In theory physical autonomy is greatest when local governments are free to determine both the tax rate and the tax base.

Given that there is no single, consistent or uniform tax used by local governments around the world, the question that emerges is whether there is a theory of local government taxation that can be used to answer two important questions. First, what is the role of local tax in funding local services and, second, is it the most desirable or appropriate tax in funding local services? Local tax is used to provide and fund services that are to the benefit of the community. The economic reason for the tax is to ensure that resources are used by local governments in the most efficient way possible and not to generate revenue. It is considered to be the best local tax, as it is simple for taxpayers to understand, and does not require too much effort, time or money to administer.

Municipalities have power to value, assess, bill, collect, and enforce property tax but their capacity and ability to administer property tax is inadequate. Local governments appear to not be taking advantage of the autonomy for collecting a small portion of their revenue potential, which is evident in high arrear ratios and consumer debt. Municipal consumer debt is a complex challenge that requires the implementation of multi-faceted solutions. Addressing the challenge requires not only interventions aimed at promoting greater levels of payment by consumers but also, perhaps, improved service delivery, better administration and payment schemes, better enforcement measures and community involvement (Fjeldstad & Heggstad, 2012).

CHAPTER THREE

CONCEPTUAL MODEL AND RESEARCH METHODS

3.1 Introduction

The literature review provided in Chapter 2 gave the background for the major components of the descriptive categories and provided a basis for a content analysis of the role of Property tax, and user fees and charges as sources of revenue for local government (Bahl, 1998; Bird, 2005).The literature regarding property tax and user charges as sources of own municipal revenues supports the idea that there are five principles that characterise a good tax, including: equity, efficiency, administrative complexity, transparency and revenue sustainability **(**Stiglitz, 2000; Comrie, 2012: Sepulveda & Martinez-Vazquez, 2011).

Drawing on these themes, a conceptual framework is developed to describe a model of property tax, user fees and charges as sources of revenue for local government and how they are treated in the city of Johannesburg Metropolitan Municipality,

The conceptual framework presents the specific research question that drives the investigation of property taxes and user charges as sources of revenue for local governments. A description of this framework contributes to a research report in at least two ways because it (1) identifies research variables, and (2) clarifies relationships among the variables **(**Miles & Huberman, 1994).

This section of the report examines how city governments employ property tax, user fees, and charges as sources of revenue for local government in South Africa. It uses the principles to describe the role of property tax and user fees in local government. Then, the themes are used to develop a framework to describe the use of property tax and user fees in local government (Kelly, 1999, pg 3-4). Based on the conceptual framework derived from theory of property tax and user fees, the following section outlines the methodology adopted in this study.

3.2. Theoretical Framework of property tax

The current property rating system across South Africa, according to Financial and Fiscal Commission Report (2011), presents challenges in serving as a balancing tool for local government budgets in provision of the bulk of local government revenue to supplement their expenditures. This is due to lack of consistency in the rating system across the country.

First explained in this section are the characteristics of a good tax system, which is assessed by the six principles. The second section presents a general conceptual model of property tax revenues that identifies four critical ratios that ultimately determine the effectiveness of any property tax system, namely, the coverage ratio, the valuation ratio, the tax ratio and the collection ratio. The conceptual framework was adopted in Kenya (Kelly, 1999a) and is adapted in South African context by analysing the current property tax system in Johannesburg Metropolitan Municipality.

3.2.1 Characteristics of a good tax

Tax policy is applied in complex environments in which institutional, cultural, political, and economic variables interact in order to determine not only the economic effects of certain tax instruments, but also their feasibility as policy tools (UN Habitat, 2009). Economists usually rely on a set of widely accepted criteria or principles to describe a good tax and evaluate the appropriateness of alternative tax instruments (Sepulveda & Martinez-Vazquez, 2011). The principles have to apply to the imposition of taxes on individuals and businesses, and are as follows:

Equity is the concept that a tax will be fair to the taxpayer and that each taxpayer will be fairly taxed relative to other taxpayers. Equity can be defined in terms of capacity to pay, so progressive taxation arrangements can be viewed as equitable since they place a greater burden in relative and percentage terms on those with the highest income and wealth (Comrie, 2012). This suggests that those with similar ability should pay similar amounts in taxes and user charges (horizontal equity), and those with different ability should pay different amounts (vertical equity) (Muhammad & Ishak, 2013).

Economic efficiency is concerned with the allocation of resources to the production of goods and services where society gets the largest possible bundle of goods and services. Economic efficiency is achieved when the user fee or tax per unit of output of the service received equals the extra cost of the last unit consumed (the marginal cost). The tax or fee indicates what consumers are willing to pay for the service and the marginal cost measures the cost of resources used up in producing that service (UN Habitat, 2009).

The sustainability of the tax base relates to the consistency of the tax take and the resilience of the tax. The economic cycle frequently influences how much tax can be collected, with many taxes (such as income, company, consumption and stamp duties) being pro-cyclical (i.e. increasing in real terms during periods of economic growth and reducing in times of economic contraction). While there may be very important macroeconomic reasons for utilising taxes that are influenced by the economic cycle, it is also important for governments that they have a steady source of taxation revenue to fund their infrastructure and services.

The simplicity of a tax relates to its understandability by taxpayers, its certainty of application and its ease of collection. Complex tax systems, with numerous provisions for special cases, give rise to loopholes, uncertainty of application, uncertainty of collection, and significant costs in tax administration and enforcement for both the taxing authority and the taxpayer. Local government taxes generally have the criteria of certainty, transparency, and simplicity. Local government taxes are:

- Unavoidable in their application;
- Levied on a regular and consistent basis;
- Open to public scrutiny; and
- Collected at specific intervals (Comrie, 2012).

Ease and cost of administration means that the time and resources devoted to assess, collect, and account for revenues should be minimised. Moreover, costs of compliance on the part of taxpayers should be minimised (UN Habitat, 2009).Administratively simple taxes typically have low costs relative to revenue they collect and are also difficult to avoid**.**

Council rates have many highly desirable characteristics against the objective criteria used to assess a taxation system.

3.2.2 Challenges in collection of property tax

Property tax revenues stagnate primarily because of lags in maintenance and completeness of the tax base coverage, inaccurate valuations, and inadequate collection/enforcement. Although tax policy concerning tax base definitions, exemptions, valuation standards, and collection/enforcement provisions can improve revenue yield, the key to increasing revenue buoyancy is largely improved administration. That is, the government must ensure that all property is on the tax rolls, that property is valued close to market value, that the tax is assessed accurately, and that the revenue is collected and enforced (Kelly, 1999a). This relationship can best be illustrated through the following property tax revenue model:A simple revenue potential model can identify the importance of effective administration (Kelly, 1999a, 1999b):

Tax Revenue = Tax Base * CR * VR * TR * CIR

Tax Base is defined according to the government policy in terms of what is and what is not taxed; typically the value of that base under an ad valorem tax system. The property tax base under an ad valorem system is the total value of the properties that are defined as liable for taxation. The property tax base for an area-based tax would be the total area of property that is defined as being taxable.

CR = Coverage Ratio is defined as the amount of taxable land captured in the fiscal cadastre, divided by the total taxable land in a jurisdiction which taxes land only, such as Kenya. This measures the accuracy and completeness of the property information in the valuation roll.

VR = Valuation Ratio is defined as the value on the valuation rolls divided by the real market value of properties on the valuation roll. This measures the overall accuracy of the property valuation level (i.e. what per cent of market value is being captured through the valuation process).

TR = Tax Ratio is defined as the "rate struck" for the taxing jurisdiction. This measures the tax amount per value of the property that is to be paid as tax. The tax ratio (or tax rate) is determined through the annual budget process.

ClR = Collection Ratio is defined as the tax revenue collected over the total tax liability which has been billed for that year. This measures the revenue collection efficiency. The collection ratio is affected by the collection of both current liability and tax arrears (i.e. enforcement efficiency).

As this formula indicates, potential tax revenue is a function of the accuracy and level of the coverage ratio, the valuation ratio, the tax ratio and the collection ratio. These four ratios determine the effective tax rate and tax burden for each property; thus affecting the revenue yield, economic efficiency and overall equity of the property tax system.

Unlike the tax ratio (i.e. the "rate struck") which is determined politically once during the annual budget process, the coverage ratio, valuation ratio, and collection ratios are affected by the level of administrative capacity and political will continuously throughout the year (Kelly, 1999a) .The following section explains how the four critical ratios can be adopted in the two case studies used for the purpose of this research.

3.2.3 Critical ratios for improving property rates in South Africa

A property tax system involves six major functions: (1) tax base identification, (2) tax base valuation, (3) tax assessment, (4) tax collection, (5) tax enforcement, and (6) dispute resolution and taxpayer service. As summarized in Table 3.1, each of these functions is linked to the four critical ratios of coverage, valuation, tax and collection that were identified in the conceptual model of property tax revenue. Based on collected data from the survey, the analysis will describe each of the four ratios, their situation in South Africa and possible actions for improving each ratio. This background analysis provides the necessary foundation and context upon which to develop an appropriate property rates reform for South Africa.

Table 3.1: Property Tax Administration Functions and the Four Critical Ratios.

Property Tax Function	Objective	Action	Critical Ratio
Tax Base Identification	To determine what will be taxed	Identify the tax base (land, building and/or machinery and equipment). Identify the exemptions from the tax base.	Coverage Ratio
Tax Base Valuation	To determine how the tax burden will be distributed among the taxpayers	Weight" the tax base (either by area, other characteristics or value) Influence the distribution of the tax burden among the taxpayers	Valuation Ratio
Tax Assessment	To determine how much tax will be levied To determine how the tax burden will be distributed among the taxpayers	Determine the overall tax level Influence tax burden distribution among taxpayers through varying effective tax rates	Tax Ratio
Tax Collection	To collect the tax	Issue and Deliver the Tax	Collection/Enforcement

		Bills Collect the tax	Ratio
Tax Enforcement	To determine how much revenue will be collected though Enforcement	Enforce against noncompliance (sanctions and penalties)	Collection/Enforcement Ratio
Tax (and Valuation) Appeals Resolution	To ensure that the tax is equitably administered	Resolve disputes concerning the property information, valuation or tax assessment	(linked to Coverage, Valuation, and Tax Ratio)
Taxpayer Service	To provide service to the taxpayer	Taxpayer Education Taxpayer Service	Linked to Collection Ratio (i.e. good taxpayer service will encourage higher collection ratio

Based on the tax administration functions and the framework outlined above, the analysis of the survey will adopt the framework as a basis for designing an effective tax administration in relation to collection of revenue by the municipalities.

3.3 Theoretical framework for User fees and Charges

Bahl, Smoke, & Solomon (2003) argue that taxes are not the best mechanism for matching demand and supply of public services. Better links can be achieved through cost-recovery charging systems which tie the amount paid directly to the amount consumed. By providing a more direct link between citizen contributions and service delivery, such mechanisms may become an effective means to recover the costs of service provision and promote efficiency in the consumption of the service. Most observers like Bahl*et al.* (2003) argue that user fees should play a prominent role in local government finance.

According to Fjeldstad *et al* (2005), the main economic rationale for user charges is not to produce revenue but to encourage the efficient use of resources within the public sector. In the light of this, when properly designed, user charges provide information to public sector suppliers on how much clients are willing to pay for particular services and by ensuring that what the public sector supplies is valued by citizens. Free or subsidized services may result in over-consumption of such services. Moreover, it may prove difficult to target the beneficiaries of free services.

The most commonly mentioned principles for good local taxation as discussed above are equity, efficiency, administrative complexity, transparency and revenue sustainability. The application of these principles to user charges calls for further elaboration. The capacity of local governments to impose user charges is a function of feasibility. A user fee is theoretically feasible under three conditions: (1) the benefits of a service accrue to particular individuals, (2) it is possible to exclude non-payers from the benefits of the service, (3) the administrative costs are reasonable (Bartle, Kenneth, & Morozov, 2011).

3.3.1 Types of Fees

Municipal user fees and charges normally fall into three categories: fees for products, fines and penalties, and regulation. The focus of this research is on services fees charged for water electricity and waste removals, which fall under fees for services or products.

First, fees are charged for public goods and services actually consumed by individuals, groups, businesses, and organisations. These fees and charges are intended to partially or completely offset the cost of specific goods and services provided by local government (Silverman & Levitan, 1994). Fees charged for consumption of public services or products include user fees and charges paid for public library operations, electricity, water, or other items. Also, these user fees and charges cover services such as recreation and leisure activities, as well as utilities, sanitation and police protection (Shuford & Young, 2000). Fees for services and products are the most common use of fees in local government.

Experiences from South Africa and Namibia show that there are a number of constraints on user charges and other means of cost recovery. According to Franzsen (2002) these constraint can be grouped as follow: ability to pay, collection and billing methods, the quality of services provided, and resistance to pay.

3.3.2 Economic Rationales for Policy Decision as Applied to User Fees

This section examines how city governments employ user fees and charges as financial tools. The three themes of economic efficiency, equity, and administration are used to describe the role of fees in local government. Then, the themes are used to develop a framework to describe the use of fees in local government.

These principles are known in economics as 'conditions of public welfare', which evaluate an individual's satisfaction in the goods and services provided by local government. When comparing alternatives in evaluating public welfare, the outcome that is sought is to provide the desired level of services at the lowest cost (Bird & Slack, 1983).

According to Bird (2006) economic efficiency is a very important objective in terms of both demand and supply. This means that, from an economic point of view, local governments can be seen as companies delivering goods and services to citizens

First, user fees and charges have the potential to promote economic efficiency by providing demand information to public sector suppliers (Bird, 2006). The discussion in the literature review revealed that some economists, including Bird (1997), for example, referred to user fees as 'public prices' and promoted the use of fees among local governments for efficiency reasons. Charges achieve this goal both by providing information to public sector suppliers about how much clients are actually willing to pay for particular services and ensuring that citizens value what the public supplier supplies (at least) at marginal cost (Bird, 1997). Chargeable goods and services provided by local government can be considered from the consumer perspective. There is a demand curve and economic efficiency can come into play because it is possible to measure citizen preferences with regard to a specific good or service.

Second, taking into account the supply of publicly provided goods and services, local governments are more concerned about the cost of these goods and services related to economic efficiency. In this context, it is very important for policymakers to determine the appropriate price for various user fees and charges.

Third, user fees and charges help promote economic efficiency because fees for different public services and goods can regulate local economic activities. Government agencies are typically the only provider of these regulatory activities, such as driver's licenses, zoning fees, or licensure fees for regulated professions (Hager, 2011). In the next section, economic efficiency is examined from the perspective of demand, supply and regulation (Wei Cui, 2013).

Shields (1984) refer to demand as the level of services the citizens desire, want or need. Therefore, use fees and charges help achieve economic efficiency by gauging citizen preference in terms of demand for specific services and goods. Demand is often referred to as.

Economic efficiency can be defined as supplying goods and services preferred by the community or meeting citizen demand. User fees and charges provide mechanisms to determine the preference of citizens for a specific good or service through their willingness to pay. Obviously, if citizens are willing to pay to use a park or visit a municipal museum, they are revealing a preference and demonstrating a preference taking into account personal cost.

The law of demand can give insights into why and when citizens will change the level of government services desired. Hence, uncertainty in decision making can be reduced and efficiency enhanced (Shields, 1984).

Local officials can use knowledge of demand trends to reduce pressure on public services and raise revenue. The demand for public services and goods may vary during peak and off-peak periods. User fees and charges can also help achieve economic efficiency by developing time-varying pricing systems for peak and off-peak periods respectively, to smooth capacity.

For instance, water and electricity consumption varies during different periods of the year or the day. Normally driven by more frequent use of residential air conditioning, electricity consumption is the highest on scorching summer afternoons. Water use usually peaks in the morning and evening. Therefore, many local governments are considering tiered rate structures based on peak time consumption, to achieve more efficient water use (Wei Cui, 2013).

From the supply side, the main economic values of user fees and charges are to ensure that publicly provided goods and services are valued at least at cost by citizens (Bird, 2006). Therefore, it is important to design and set appropriate prices for various user fees and charges.

The provision of public goods and services is not costless. In this regards, Bird (2001) Dewees (2002) stressed that some proponents maintain that the size of the user fee or charge should be related to the cost of the service provided or the value of the good or resource used. The direct and indirect costs of supplying the specific public goods and services can be offset by user fees or charges.

Two pricing strategies are suggested for setting the appropriate level of user fees and charges: marginal cost pricing and average incremental cost pricing.

Marginal cost pricing means paying for use of the service through user fees based on the extent of usage and the costs that are associated with that usage (Dewees, 2002). It sets the charge at a level that covers the costs associated with the provision of the last unit of the good under consideration (Zorn, 1991). If local government officials set the price for a good or service at the marginal cost of provision, this price reflects the cost of the service. In the private sector, if the value of this specific good or service to the user is equal to or greater than the cost of provision, it is efficient for the consumer to purchase, given that the price is set at marginal cost. In contrast, if the specific good or service's value is less than the costs to provide it, efficiency would dictate that the user will not consume it.

When city governments take into account marginal cost pricing, they are considering efficiency principles that guide efficiency in the private sector. Each user can adjust his or her consumption demands for the specific good or service based on the price and finally the last unit of the service consumed is valued at the price, which equals the marginal cost of supply (Dewees, 2002). In this case, allocative efficiency is achieved, as a result of efficient level of output.

Another rational that applied to user fees decision is the incremental cost. Marginal-cost pricing is the most efficient, it is difficult to implement because it is often difficult to determine both the social costs and accounting costs of many public goods and services accurately and properly. Therefore, according to Zorn (1991), incremental cost pricing is proposed as a compromise approach to overcome the revenue-flow problem affiliated with marginal-cost pricing (Zorn, 1991). The logic of this approach maintains that many costs are costs associated with existence of a public agency, regardless of its annual program or particular facility use. The costs that charges for a program should seek to recover are those resulting only from the program's existence (Mikesell& Zorn, 1982). Essentially, this approach focuses on costs directly associated with the provision of the good or service, not indirect costs. Incremental costs are the costs that are avoided if a program or activity ceases operation (Zorn, 1991). In this case, it is simply to allocate each element of costs, fixed and variable, financial and (to the extent that they are readily measurable) social, to a particular incremental decision that results in the provision of a service and then to assign to each additional user the incremental cost attributable, on average, to his or her usage (Bird, 1997).

Local government might want to pay attention to average cost and average cost trends. The difference between the average cost and the fee charged is the value of the service supported by the dollars, which is known as the subsidy. If local governments pay attention to average cost, they can be more explicit about the subsidy for each service.

Equity; as mentioned in the literature review, Stiglitz (2000), Duff (2004) and Mikesell (2006) state that user fees are an equitable method for raising revenue because the users who pay for the service or product will benefit the most from that service or product. Uniform user fees can achieve the test of horizontal equity, to reduce inequalities between residents and non-residents (Shields, 1989). User charges do this by eliminating the general tax subsidy provided by residents to non-residents for public goods and services (De Merritt & Byron, 1985). In addition, Shields (1989) argues that a user fee is fair, as it charges the user for the service and solves the problem of cross-subsidization that can have lower income groups subsidizing upper income services, such as golf courses, for example (Shields, 1992). Table 3.2 reveals the findings for the content analysis of the budget that emphasized on equity aspects of fees.

3.3.2.3 Administration and compliance costs

The third evaluative criteria used to determine the economic rationale of a levy is consideration of the administration and compliance costs. Rosen et al (2008, pg4) define this criterion as the costs that are imposed to comply with the levy, especially enforcement costs, and to operate the user fee collection system. The objective is to create policies which minimize these costs. Rosenthal et al (2008) states that revenue generating tools, such as taxes and user fees, should be simple both to administer and with which to comply. His rationale is that a complicated system wastes the resources of both the administrators and the individuals paying the taxes and fees (Alm, 1999).

Revenue Sources

In the literature review, both De Meritt & Byron (1985) and Cline (1987) agree that the shrinking budget may make users fees and charges an important alternative source of revenue for city governments. Therefore, for policymakers, how to implement them properly to raise more revenue for local government has become an important issue.

Pricing Systems

Pricing is an important component of a user charge system and tariffs are normally used to charge the consumers for the services provided. A user charge system needs to adopt an appropriate pricing mechanism, after taking into account current practices in the urban local body. The following types of pricing systems are common in the levy of user charges on the services (Green, 2003).

(a) **Flat rate tariff**: In the case of water services priced under this system, water fees are not directly related to the quantum of water used,

(b) **Unit rate charging**: price per unit of water remains constant no matter how much water is consumed,

(c) **Variable block pricing**: This includes declining or increasing block pricing, that is, the more you use, the less you pay per unit; or the more you use, the more you pay per unit,

(d) **Seasonal rate schedule**: Periodic adjustment to historical tariffs and other tariffs and practices,

(e) **Marginal cost pricing**: Cost of producing an additional unit of service,

(f) **Average cost pricing**: Service costs are divided by the total number of units expected to be sold,

(g) **Average incremental cost pricing**: The cost incurred as a result of an additional user. The charge is designed to not only ensure full cost recovery but also be computationally feasible in the real world of the public sector,

(h) **Two-part or multi-part tariff**: This combines a fixed price component and average cost pricing (Nallathiga, 2009).

Principles of Tariff Structure Design

A well-defined tariff structure is the fundamental requirement of user charge finance. According to Boland (1992), various criteria may be used to evaluate the appropriateness of elements in a tariff structure and the level at which the elements are set. A tariff structure is often judged according to the following criteria:

Table 3.2: Principles of Tariff Structure Design.

Principle	Tariff Structure Design
Adequacy:	Any charging system should be so designed that it will generate sufficient revenue to meet the urban local body's financial requirements. In general, it would mean meeting operating and financing costs.
Fairness	As far as is practicable, a pricing system should be fair. To be fair, prices should be cost related. Logically it would mean a wide variety of charges for different categories of consumers in discreet geographical areas. A further aspect of fairness is to give due consideration to income levels of users: some may be unable to afford either the costs they impose or the benefits they receive. To be really fair any tariff system should be sufficiently flexible to ensure that a low income level of service. In other words it may be necessary to subsidize a minimum level of service on public health grounds.
Simplicity:	For the widest acceptability and support a charging system should be simple to operate and to administer, and should be easily understood by the consumers. Administrative simplicity helps keep costs to a minimum, in avoiding disputes with consumers and facilitates collection of dues.
Service Conservation:	The tariff structure should be such as would discourage wastage and extravagant use of service and encourage user economy.
Service Quality & Transparency	The final issue is about service quality and transparency in fixing prices. User charge mechanisms are not linked to service quality. Also, the minimum lifeline rates are not defined. Greater transparency and lesser political interference are required while setting user charges.

Source: Boland, (1992).

The next section discusses the research method applied to achieve the objectives of this study. Based on the economics principles adopted to describe the role of property tax and user fees in local government, a conceptual framework is developed to describe a model of property tax and user fees and charges as sources of revenue for local government and how they are treated in Johannesburg Metropolitan Municipality. The framework assists in identifying research variables that will explain municipal sources of revenue and clarifies relationships among the variables**.**

3.4 Research Method

In this section the methodology adopted for this study is outlined. The techniques and procedures applied in undertaking this study are detailed, including the research method, data requirements and sources, data collection tools and methods, sampling techniques, study variables, and unit of analysis as well as data processing employed for the analysis of the findings.

The main purpose of this study was to assess municipal own-sources of revenue obtained through property taxes and service user fees in Johannesburg Metropolitan Municipality. The city of Johannesburg is the most appropriate for the study due to a number of factors. These include;

- The city is the economic hub of the country and as a result majority of foreign representatives are located within the city
- Due to the number of developments in this city, property tax is a principle source of own-source of revenue for the city. The city also has a variety of properties (Commercial, residential, flat, stand alone, high rise etc.), making it suitable for a study of this nature whose one goal is to assess valuation techniques
- As the MMC I have access to the various parties whose inputs contributed significantly to the study. Due to my professional background as well as my work relationships, I have a better understanding of activities in the city. This suggests that I could question the quality of information as well as link the topic to town planning perspectives

The research method adopted for this research is a case study, which aimed to review and assess how this municipality derives its sources of revenue through rates and taxes. The case study strategy was considered appropriate for this study, as it allowed direct in depth observation of the events being studied and the conducting of interviews with the persons involved in the events. The approach required the researcher to get in direct contact with respondents to collect relevant data. A questionnaire was personally administered to respondents. The researcher also used the interview process to collect data from city executive management and private Valuers. All the interviews and questionnaires were administered face-to-face with all the respondents.

In the study, the property tax administration process constitutes a case, embedded with the processes of property identification, valuation and collection as subunits of analysis. Also property taxpayers are viewed as an embedded unit of analysis. While property tax administration process forms the focus of the case study, Johannesburg Metropolitan Municipality was selected as the case study area.

3.4.1 Case Study

A case study, according to Bromley (1990), is a systematic inquiry into an event or a set of related events which aim at describing and explaining the phenomenon of interest. In addition, Haggett & Frey (1977) define a case study as an empirical enquiry that allows for an investigation of the dynamics of a particular system. This empirical enquiry investigates a contemporary phenomenon within a real life context, when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used. It makes it easy to seek answers for the necessary how, when and why questions associated with the study (Yin, 2004).

A case study approach was applied in undertaking this research as the phenomenon under investigation is a contemporary one and the study is based on a real life situation. Also, the case study allows the use of multiple sources of evidence, therefore enhancing the quality of data gathered for the research as it permits the validation of one source of data by another source. In addition, the case study research method brings the investigator and the case being investigated into direct contact. This intimacy in fieldwork relationships is a great advantage as it leads to better conversance with the circumstances of a case and helps to assess the reactions of a group or a community to questions and issues raised in the course of the investigation (Kumekpor, 2002). Furthermore, since the researcher has very little control over the phenomenon under investigation, the case study approach becomes the appropriate method to be employed for the study. However, it must be noted that the case study approach does present challenges. Among them are: investigator related shortcomings such as biases and poor judgment of issues, difficulties relating to the nature of the case study especially when the study has a security or political consequence. Also, linguistic challenges can also affect the outcome of a case study. When the members of the case being studied fail to cooperate, the researcher may not obtain the required information for the study (Agyapong, 2012). Nonetheless, these challenges and limitations were overcome in this study through proper planning and adequate preparation ahead of the field survey.

3.4.2. Participants in the case study

The target population of this study consisted of all residents living within the area under the jurisdiction of the municipality. This included business entities, Valuers and property owners, revenue collectors, and the management and staff of Johannesburg Metropolitan Municipality.

Respondents were selected from the various target groups within the research population the purposive sampling technique was used to select respondents. The researcher ensured that the respondents selected reflected the true representativeness of the target population.

3.4.3 Sampling from the different populations

The sampling technique used in this study was purposive sampling. The purposive sampling was adopted to enable the researcher to gain an insight into the revenue collection process in the City of Johannesburg, to be in a position to administer the questionnaire to respondents who are well versed in the finances of the participating municipality. The technique was used to select respondents from the departments responsible for revenue collection in the municipality. The selection of the respondents in relation to non-staff respondents were chosen from all the identifiable stakeholder groups, such as business operators and owners, and land and property owners.

The study required the application of the non-probability sampling procedure. The process involved adoption of a sampling frame that selects respondents relevant to the study.

At the metropolitan offices of revenue collection, the key used to select staff for the study.

The advantages of using non-probability or purposive sampling technique are:

- It enables the researcher to use his skills and experience in selecting respondents,
- It did not require the use of mathematics or a statistical formula to determine the sample size.

3.4.4 Questionnaire

The primary sources of data included: interviews, observations, discussions, and a questionnaire. The advantage of using primary data is that it is more reliable, since it comes from the original sources and is collected especially for the purpose of the study (Saunders, Lewis, &Thornhill, 2007).

The research instruments that were used consisted of a questionnaire, interviews and observations (appendix A and B). Face-to-face discussion with government officials on revenue fixing, budgeting, revenue collection and accounting proved useful for the purpose. The questionnaire included questions relating to valuation, procedures and regulations relating to property tax. The questions directed at the customers aimed at assessing the efficiency of the municipality in terms of rates, bills and services. The revenue collectors were asked about their method of collection, the challenges currently faced in collecting revenue as well as the benefits of an efficient system to the city's standard of living (refer to questionnaires in the appendix A).

A survey was adopted for collecting the quantitative evidence from property owners, private Valuers, and municipal Valuers. Copies of the questionnaire were administered on individual property owners. Semi structured interviews were administered to government officials, city management, local residents and private Valuers (see appendices A & B). This took the form of a personal interview (schedule-structured interview) in which a researcher asked questions and recorded the answers received from the respondents. The questionnaire was structured to capture factual information on the social economic status plus numerical information with respect to service costs, property values, tax liability and so forth. The open-ended questions were intended to elicit answers that reflected the property owners' opinions on property taxation, including their relationship with the taxing authority.

The schedule-structured interview was considered appropriate for this study, as it enabled the researcher to obtain elaborate answers to open-ended questions from the respondents. It also helped to obtain responses from property owners who had a modest school education. Besides, the personal interview enabled the study to avoid the pitfalls of the mailed questionnaire and telephone interviews, which are the other types of data gathering instruments in the survey method.

Further, focused interviews were conducted to collect data from municipal Valuers. The focused type of interview was considered appropriate because a number of Valuers were interviewed. Hence in order to gain information that focused on the same topics it was crucial to prepare questions, which ensured that each interviewee provided data within the required context.

3.4.5 Who conducted the questionnaire

The collection of data was conducted with the support of two well-trained research assistants from the University of Witwatersrand, Johannesburg. The choice of the field assistant was based on the education qualification and field work experiences. One of the field assistant has a Master of Science in Development Planning and the second is completing her Master of Science in Geography.

The table below shows the number of CoJ officials that the study planned to interview and how many were actually interviewed.

CoJ Officials & Other	Number of Interviews	Expected Interviews
Executive Mayor	1	1
City Manager	1	1
MMC Finance	1	1
Head Property Unit	2	1
Head of Revenue	1	1
Private Valuers	3	10

Table 3.3: Number of City officials interviewed and expected interviews

Due to time constraints and availability of some respondents, the envisaged sample size for private Valuers was not achieved.

Figure 3.1: Field work assistants with CoJ manager Fowler and Mr Mathang during interviews with CoJ executives

Figure 3.2: Field work assistants with CoJ executive Mayor Tau and Mr Mathang during interviews with CoJ executives

Figure 3.3: Field work assistants with CoJ MMC Finance Makubo and Mr Mathang during interviews with CoJ executives

3.4.6 How is the data analysed

According to Yin (2004), several techniques can be used in analysing the data received from the questionnaire. These include pattern-matching, explanation building and cross-case synthesis. Pattern-matching involved collecting evidence from the interviews and grouping them based on the initial identified themes. The researcher used the above mentioned method and cross tabulation of different question, in order to establish real perception of local residents about property tax/rate and municipal fees as well as how their cost of living, income level is affected by municipal bills.

3.5 Conclusion

Economists rely on certain economic conditions to evaluate finance policy, including: efficiency, equity, administration and compliance costs, visibility, and accountability. These conditions can be applied to evaluate property tax and user fees.

Most property tax systems across Anglophone (Fjeldstad & Heggstad, 2012) and Southern and East Africa (Franzsen, 2002**)** have limited capacity in terms of qualified Valuers and resources to undertake property valuation.

In addition, land information systems such as cadastral systems are not well developed to provide sufficient property data for effective taxation. As a result property discovery and valuation become costly undertakings and many property tax systems end up implementing property tax in ways that cannot generate sufficient revenue to cover costs. Even in countries with relatively good property tax administration, there are often problems in updating values on a regular basis (Bird & Slack, 2002). A simple revenue potential model by Kelly (1999a, 1999b) is adopted in this study to identify the importance of effective administration of property tax.

A conceptual framework was presented in this chapter to describe a model of property tax, and user fees and charges as sources of revenue for local government and how they are treated in Johannesburg Metropolitan Municipality.

The chapter further identified the research method and sources of data used for the purpose of this study. A qualitative research method was used, and the research instruments used for the purpose were indicated as being a questionnaire and interviews.

CHAPTER FOUR:

FINDINGS EMANATING FROM FIELDWORK: ANALYSIS AND DISCUSSION

4.1 Introduction

The focus of this chapter is the findings, analysis and discussion of the findings. The chapter is divided into three main sections. The first section presents the methodology that was used for the collection of data in the area of focus. The second section presents and discusses the research findings relating to the CoJ's own source of revenue as a municipal institution. Heavily dependent on the results generated by the survey with local residents, the section also discusses the local community responses toward property tax rate administration and affordability of service provision in relation to income level, type of dwelling and local resident source of revenue. The third section highlights a number of limitations to property tax rating valuation and these can affect the CoJ Metropolitan Municipality own source of revenue as well as how planning can intervene and lessen the challenges associated with sources of revenue management.

Marshall and Rossman (1989) observe that data analysis involves putting together, configuring, ordering and giving meaning to the mass of information collected during surveys. As stressed by De Vos *et al*. (2002), one of the best ways to present, interpret and analyse data is through a spiral image which, in essence, entails basically a cross tabulation of different data. The presentation and analysis of data for this particular study solicited the use of computer programmes such as the Microsoft Office package – particularly Word and Excel - as well as the triangulation of relevant data emerging from various data collection methods. The analysis of the study findings focuses on the questions and sub-questions that formed part of the questionnaires. A cross-tabulation method was used to extract the relevant results. As Leedy and Ormond's (2001) stress the importance of identifying and grouping topic-relevant statements from generated research data; the researcher applied his mind to analyse and to put in themes issues generated by the study; and this was done via a process known as coding (Creswell 2003). Some of the issues are thematically presented and discussed in this chapter.

4.2 Data Collection and Analysis: Methodology

The researcher first carried out a survey, in the form of interviews with Johannesburg-based residents from four different localities – Braamfontein, Johannesburg CBD, Fordsburg, and Randburg (see Table 4.1) for a breakdown of the residents' distribution) – so as to get a general impression of property tax administration and municipal service fees as sources of revenue for the CoJ (See the questionnaires in appendix A). The first set of questionnaires was designed in such a manner that it targeted business operators, business owners and land/property owners in Johannesburg. The questionnaires designed for the aforementioned local residents were comprised 25 sub-questions; and a combined total of 63 interviews were conducted. With the assistance of two trained Wits postgraduate student interviewers, the researcher was also able to speak to three private valuers who provided the researcher with a sense of their perceptions of the CoJ's property valuation process and their working relationship with the municipality in an effort to ensure customers' satisfaction.

The second set of questionnaires targeted the CoJ officials. The researcher interviewed six state officials. The interview questionnaire with City official respondents was designed in such a manner as for it to touch on the officials' perceptions/conceptions of property tax collection from Johannesburg residents – the dynamics, processes involved, challenges associated with the phenomenon as well as their impact on service delivery (See the questionnaires in appendix B). The questionnaire was meant to give the researcher a general impression of the manner in which City own source of revenue is administered and the extent to which the payment or non-payment of property tax and municipal service impacts on the City's revenue. Naturally, this approach helped familiarise the researcher with how the City generates, collects and spends its own revenue.

Prior to interviewing all the respondents, the researcher went two times through the process of evaluation and analysis of the research questionnaires. This process helped to identify and fill gaps, particularly the realignment of the questionnaires with the study's main research question(s) and objectives. These processes also help to alleviate any language barriers from both the field assistants and the respondents. After the questionnaire was finalised, two trained assistant were recruited to conduct the survey. The researcher personally supervised and checked the interviews to ensure that the questionnaires were answered accordingly. Most of the surveys were conducted in English however, some of the respondent preferred to speak in isiZulu; therefore one of the assistant was trained to translate the questions from English to Isizulu and the answers from IsiZulu to English. The reason for this is because some respondents felt comfortable speaking in IsiZulu. The entire respondents were chosen randomly and no particular area of the city was targeted. The qualifying question was whether they were owners.

The respondents completed the questionnaires in front of the interviewers. This was done so as to facilitate the interviewers' assistance in the interpretation, breakdown and/or explaining of (difficult) questions to the respondents; and resulted in the respondents not getting 'lost in translation'.

4.1.2 Presentation and discussion of findings

As the main focus of the investigation was to look into the CoJ's own source of revenue; the analysis delves into understanding the City's strategic approach to generating, collecting, and spending its own revenue from property tax/rate, electricity/water bills, bin collection, to mention but a prominent few). These taxes are paid to the City by business owners, business operators, land owners and property owners, and are used to finance new development projects and service delivery in general.

Area	No of Respondents	Percentage
Braamfontein	25	39.6 %
Fordsburg	15	23.8%
Johannesburg CBD	15	23.8%
Randburg	8	12.6 %
Total	**63**	**100**

Table 4.1: The Survey Areas and Respondents

Table 4.1 above depicts the total number of non-official respondents interviewed for the study. The table shows that the highest number of respondents was in the Braamfontein area; and this is attributable to the fact that the interviewers targeted the municipality's service and tax rate payment office, as per the researcher's instructions. The researcher's reasons for targeting the Braamfontein area are not only the concentration of the working class population in the area and its proximity to the City civic centre but also the fact that it has the highest concentration of City offices (for instance, the biggest customer service centres are arguably in Braamfontein. Fordsburg and the Johannesburg CBD scored the same percentage of respondents due to the volume of business operators and business owners' reluctance to partake in the survey, mainly on the basis of fear that their answers may be used against them. Other business operators and business owners in the two areas refused to partake in the survey on the grounds that they were either undocumented non-nationals or were operating unregistered businesses and some were not business owners.

4.2 Theme 1: Demographics

This section will detail the demographics of the respondents based on gender, source of income, affordability and type of dwellings. This important order for the researcher to establish and understand which group of community are paying willing their tax rate and establish the reasons why other are not paying.

4.2.1 Sub-theme 1: Respondents' Gender Distribution

Gender	Number of respondents	Percentage of respondents
Male	38	60.3%
Female	25	39.6%
Total	63	100%

Table 4.2: Gender Distribution of respondents

The research survey included both male and female from the age of 18years and above from different backgrounds. Table 4.2above – a depiction of the respondents' gender distribution - shows that 38 of 63 of respondents are male and 25 of 63 are female. Whilst there is no logical explanation whatsoever for the considerable gap in male and female involvement; the researcher attributed the high level of male respondents to issues relating to family responsibilities, such as the willingness of men to handle house duties related to municipal services. The researcher also found the low number of female respondents (relative to male respondents) to be attributable to the actuality that most men were willing to partake in the survey while some women were reluctant to talk. Female low participation in the survey can be attributed to the fact that many business owners/operators in the study area are male.

4.2.2 Sub-theme 2: Payment of tax/rate based on Source of Income

According to the CoJ's Integrated Development Plan for 2013 to 2016, the major source of income for the residents of CoJ is formal employment. This may somewhat give the impression that most contributions to the City's property tax base emanate from those employed in the formal economic sector. In the context of the study, this may hold true especially in view of the results yielded by the survey – the survey showed that 37 of 63 respondent with formal employment and 25 of 63 respondent self-employed (stated that they) pay their property tax and municipal service fees on a regular basis, this shows high percentage community commitment to property tax obligations. In contrast only one respondent with no proper income stressed that he does not pay property tax/rate. This quintessentially suggests that a higher employment rate will reduce poverty and thus broaden the City's property tax rate-generated revenue base. In view of this possibility, it is imperative that the City use its position as an economic hub and prime destination for job seekers in Africa to increase the capacity of its own revenue especially since this, in the long run, may be beneficial for the expansion and development of new social and economic infrastructure in the City.

Source of income	Number of Respondents	Percentage
Formal Employment	37	58.7%
Self-Employment	25	39.6%
Social Grant	0	0%
Help from family	1	1.5%
Total	63	100%

Table 4.3: Source of income and payment of municipal service

4.2.3 Sub-theme 3: Affordability in Relation to Source of Income

From table 4.4we can see that, the level of affordability of municipal services fee, property tax/rate by local residents, land owner and business owners, based on their source of income. The table demonstrates that out of 63 respondents, 22 respondents operating in the formal employment sector thought that the CoJ service fees are affordable while 15 respondents found the municipal service fees high and unaffordable. 13 self-employed respondents found the municipal service fees affordable, against 12 self-employed respondents self-employed who thought the municipal service fees were unaffordable. These results shed light on the fact that regardless of the Johannesburg residents' different sources of income, the majority of the residents can afford the current property tax/rate and municipal service fees. Yet, the increase in the unemployment rate may negatively affect the City's own source of revenue as well as its ability to cover the cost of service delivery. The City needs to fight against poverty and unemployment if it is to stimulate the increase of its own revenue. As argued by the City Manager, "The major challenge to city own source of revenue is unemployment and poverty" (Fowler, 2015). It thus goes without saying that there is a pressing need for the City to commit to sustainable job creation and poverty alleviation though strategic development pans that will attract new investment.

Rating	Very Affordable	Affordable	Not Affordable
Formal Employment	0	22	15
Self-Employment	0	13	12
Social Grant	0	0	0
Help from family	0	1	0
Total		36	27

Table 4.4: Affordability of municipal service fees

4.2.4 Sub-theme 4: Affordability relative to type of dwelling

As shown by Table 4.5 regardless of the type of dwelling, all property owners conform to the payment of property tax rate and municipal service fees. This fact was expressed by the respondents, the majority of whom, when asked if their payment of municipal service fees is based on affordability and satisfaction of service delivery, replied in the negative. The majority of the respondents indicated that: "the payment of service fees is an obligation and if they don't pay their water and electricity service will be discontinued and that the refuse bin will not be collected" (interviews with property and business owners, 2015) Naturally, this is the City's position regarding reinforcement measures for those who are not paying their taxes. As stressed by the Head of Revenue Department, "the City uses different types of techniques that can led to services being discontinued to ensure that residents pay their bills" (Lungi, 2015)

Rating	Very Affordable	Affordable	Not Affordable
Stand-alone house	0	12	8
Cluster home	0	5	5
Town house	0	8	12
Flat	0	5	8
Commercial	0	0	0
Total		30	33

Table 4.5: Affordability of municipal service fee by type of dwellings

The survey also reveals that 20 of 63 respondents lived in stand-alone houses. Of the 20 respondents, 12 respondents considered the municipal property tax rates affordable whilst 8 found the rates unaffordable. This quintessentially implies that owners of stand-alone houses are highly likely to lodge a dispute, which can cause a deficit in the municipality revenue... furthermore, the survey reveal that non-payment of property tax/rate and service bills, by people living in stand-alone houses are due because of the following factors:

- Affordability;
- Queries that are subject to changes;
- Wrong billing
- Trust issues between local community and the City billing charges.

The result of the survey also show that people living in stand-alone houses have different views about affordability of property tax/rate and services and that the reason could be attributed to the location of property and timing of property valuation. This is more or less in line with the City Valuer's Manager's argument that "the location and upgrade on property plays an important role in determining property tax/rate, some resident do not understand that works in the form of upgrade to the property may increase their charges of property tax/rate" (Eloff, 2015). More importantly, during the four year period cycle of property valuation, many changes can happen to the property because "the property information is always changing, subdivision, consolidation" (More, 2015).This could explain why the City regularly conducts an update on property database by using the latest technology and techniques such as cadastral information, pictometry, the deeds office information, to mention but a few. The aim of these techniques is to ensure quality control in property valuation process (ibid). Hence, updating property database, quality control and accuracy in billing may have positive implications for the City in the sense that it may help the CoJ to encourage communities to pay their bills - and thus stabilise its own source of revenue in the process – which may facilitate improved governance. Nevertheless, due to the fact that the City's main source of revenue is based on service such as property rates and utilities, it is important to diversify and create new avenues to generate revenue for the City.

4.2.5 Sub-theme 5: Overall Perception of Property tax rate valuation

Table 4.6 demonstrates the different reactions of respondents to property tax rate in (all four localities of) the study area. As "property tax is one source which is levied to every property owner within the City of Johannesburg to cover part of its expenditures" (Makhubo, 2015); the researcher was interested in getting the respondents' evaluation of the property tax, which culminated in the design of this sub-theme. The survey brought to light that the general perception of the respondents on their current property tax/rate was that it is fair/average - 35 of 63 respondents were of this view. - Whilst 28 of 63 respondents thought it was over valuated. Interestingly, none of the respondents perceived of their tax rate as under-valued. According to the Group Head Property Unit, "Most residents prefer their property valuation to be lower if it for property tax purposes, however if the aim of conducting valuation is for selling the property, they prefer to increase the value on their property"

(More, 2015). These kinds of attitudes, argued the Group Head Property Unit, could lead sometimes to some form of litigation between the City and property owners; and have with negative implications for the City capacity to recover the revenue that is due to them. Moreover, the changes, modifications, and depreciation to the property also play a major role in property tax/rate difference and appreciation by the residents especially seeing as "depreciation or appreciation of the property after a four year cycle of valuation can affect the views of property tax/rate by resident" (More, 2015). Since "Resident always find a way to argue and reduce their property tax rates, however the city as a mechanism to get the more accurate property value" (ibid.); the general trend is that most local communities still prefer fighting for less tax rates due to the municipality.

Type of residence	**Over evaluated**	**Average/Fair**	**Under-evaluated**
Stand-alone house	9	16	0
Cluster home	3	2	0
Town house	8	12	0
Flat	8	5	0
Commercial			0
Total	28	35	0

Table 4.6: Perceptions of Property tax rate

Furthermore, the Head of property unit argued that, based on their observation, most property owner will try by all means necessary to pay less property tax/rate as long as it is in their interest; and this is shown by the number of property tax/rate and City property valuation complaint. However, such attitudes are undermining and provide a threatening undercurrent to the CoJ's own source of revenue for finance development projects and maintenance of existing infrastructure.

4.2.6 Sub-theme 6: Affordability relative to Income Level

Rating	very affordable	Affordable	Not Affordable
< R 1000	0	0	0
R 1000 - R 5000	0	0	0
R 5001 - R 10.000	0	8	5
R > 10. 000	1	22	27
Total	1	30	32

Table 4.7: Affordability of service fee based on income level

The next sub-section examines the links between the income level of local property/business owners and the affordability of property tax/rate municipal service fee (water, electricity, bin collection). The aim of this cross tabulation analysis was to establish whether or not there is an income group bracket that pays more than their income as well as how local residents' cost of living affects the payment of property tax/rate and municipal services. The researcher saw it important to do thus in the sense that it would provide a lens for the researcher to determine the best approach and practice in property valuation system and service billing. Determining the optimal approach and practice in property valuation would thus reduce the likelihood of CoJ-resident conflicts, some of which are unnecessary and most of which could result in loss of municipal own source of revenue. The results of the survey shed light on the following (see table 7)

- 22 of 63 respondents with an estimated monthly income of more than R10, 000 could afford the payment of property tax rate and municipal service fees while 27 of 63 in the same income group argued that they cannot afford the municipal service fees and property tax/rate. One respondent in this income group stated that the property tax/rate and service fee is very affordable.

- 8 of 63 respondents in the income group of between R 5000 and R 10 000 said that they can afford the property tax rate and municipal service fees against 5 of 63 respondents within the same category of income who stated that they cannot afford the bills.

The abovementioned figures reveal a contrast in income level and affordability of property tax/rate and municipal service fee. The divergence of views between income level and affordability can be attributed to the CoJ's property valuation system cycle of 4 years which, as stressed by the Group Head Property Unit, is used by the City to generate rates as well as generate income for the City (More, 2015). This means that during the 4 year period, many events and changes which have a direct impact on the property in question – ranging from property upgrade to loss of income - can occur (ibid). For instance, while a property owner may have been able to find affordable property and/or municipal service fees four years ago; four years later, due to unforeseen events, the property owner's views can change based on the current socio-economic situation and/or standard of living (for instance, the level of inflation may play a role in influencing a property owner's views). Hence, it is important for the City to review its current property valuation system cycle of four years to a more 'pragmatic', shorter-term one of one year, as is the case with some European cities such as Amsterdam, where property valuation is conducted annually (ibid). This approach could have positive impacts on the City's own revenue base, seeing as it may afford the City real time property data information and local residents will highly likely have less room to complain about their billing accuracy.

4.2.7 Sub-theme 7: Extent of Satisfaction with Municipal Service Provision

According to Section 73.1(c) of the Municipal System Act 32 of 2000, a municipality should ensure that all members of the local community have access to at least the minimum level of basic municipal services. Inspired by this regulation, the researcher asked the study participants to make their views and comments on the overall quality of service delivery by the CoJ. The tabulated results above show a high level of satisfaction with the quality of services provided by the CoJ among property owners, business operators and other stakeholders. As can be seen in Table 4.8, the survey revealed that 40 of 63and 1of 63 respondents found the overall service delivery quality good and very good respectively. This was against 15 of 63 and 7 of 63 respondents who regarded the service delivery as poor and very poor respectively. Drawing from these figures, it can be concluded that the current management and the different strategies put in place by the CoJ in an effort to improve service delivery are showing somewhat positive results. The level of satisfaction in the quality of service delivery by the CoJ, if maintained and increased, may go a long way in increasing the City's level of revenue collection, especially if this may lead to increased local resident confidence that the City is spending tax money wisely.

Rating	Very good	Good	Poor	Very poor
Stand-alone house	0	16	7	2
Cluster home	0	4	1	1
Town house	0	13	5	1
Flat	1	7	2	3
Commercial	0	0	0	0
Total	1	40	15	7

Table 4.8: Evaluation of municipal service satisfaction

4.3 Theme 2: Limitations to Property Tax Valuation and Covering

Interviews conducted with different local political and administrative authorities as well as private valuers of the CoJ reveal that property tax revenue is important for the development planning of the City. However, there are certain challenges to the property tax management system that pose threats to the City's own source of revenue. The interview with the Group Head of Property Unit gave the impression that most of the limitations that the City encounters in the process of undertaking the rating valuations are, amongst others, Human capacity and retention, Valuation timing; Budgetary constraints; Property valuation system and Integration; and Lack of proper communication between the City and the taxpayer.

Some of the obstacles to property valuation are each described and discussed in the next subsequent sub-sections/sub-themes.

4.3.1 Human capacity

Property valuation is an important component of municipal source of revenue as it helps determine the values of properties registered and, thereafter, tax the owner to generate revenue for the municipality. However, by virtue of the fact that the City is characterized by a lack/shortage of qualified propertyvaluers, the city is currently under pressure to optimally generate revenue via property valuation. According to More (2015), the number of registered qualified property valuers in the whole of the RSA is very low compare to other developing countries, with the handful of qualified valuers highly in demand and currently shared between the public and private sectors. The challenge in this situation for the CoJ pertains to retaining qualified valuers in the City because they always get better financial offers in the private sector which the CoJ more-often-than-not cannot match and more importantly is also the training process that is not to appealing to new graduates (ibid). As a result of shortage of qualified city property valuers, and the neo-liberal approach, the City is forced to outsource this service from private companies, a process that is costly in the long run and affect the revenue of the municipality. The negative effects of this situation on the CoJ's own source of revenue are that it delays the process of collecting property tax due to lack of correct valuation that will lead to proper billing. Hence, local residents, property and business owners delay the payment because of irregularities in the billing and, by so doing, negatively affect the City's revenue base. The MMC Finance made this point succinctly clears upon lamenting thus:

> "*If the residents and customers don't pay, it reduces our cash cover and it means our ability to survive is threatened. The viability is threatened because we will now be in short to pay for the services we receive from Eskom, Rand Water, etc. and most importantly, salaries. So what tends to happen is that we cut back on basic service delivery to cover the costs*". (Makhubo, 2015)

That having been stated, the need for the City to adopt a new approach of training and strategies to retained qualified property valuers remains palpable.

4.3.2 Valuation timing

The valuation processes in the CoJ takes longer to complete. For instance, the mass valuation within the CoJ is done every four years. This valuation process takes longer to complete because of the inclusion of new property in the valuation roll, land and, more importantly, the inclusion of improvements done to existing registered property. This process is arduous and financially constraining due to a lack of qualified valuers in the City. , As was argued by the Head of the Property Unit, “The challenge in this situation is to capture the correct property information to the valuation roll” (More, 2015). Due to valuation timing issues, some properties are omitted from the valuation roll. In an instance such as this, the City might not be able to collect the accurate revenue but might attain a ‘fraction’ of what was supposed to be accumulated. In order to prevent the loss of revenue for the City, the actual valuation system must be adapted to some of other developed countries system, for instance the Amsterdam (Holland) system of conducting mass valuation every year (ibid).

4.3.3 Budget constraints

As has been mentioned earlier in this chapter, the valuation process involves both qualified human capital and financial capital, and the two are intertwined (More and Eloff, 2015). Due to the City’s lack of a sustainable budget, the property valuation is affected. As such, there is a need for a consistent financial support to upgrade the valuation techniques, instruments and training of new property valuers if the CoJ’s revenue base is to be retained and/or increased.

4.3.4 Property valuation System and integration

According to Eloff and More (2015), the CoJ’s current property valuation system has shown some form of limitations in terms of valuation process and the recovering of the planned property tax/rate from residents, property owners and business owners. The reason behind this situation is found in the complexity of the valuation system itself as indicated by the CoJ’s Acting Director of the Credit Control Department (2015) that “the Johannesburg Metropolitan Municipality does not have holistic frameworks that govern the property valuation system. What we have is tariff policy and billing control etc…” (Ntshinjuua, 2015). Hence, some local residents – property owners and business owners included - use the system itself to avoid the payment of property tax rates that are due to municipality. In order to improve the valuation system, especially in terms of collection, the executive mayor of CoJ proposed that “we ... adopt the self-assessment systems like SARS, which is easily administered by individuals/ratepayers. The community can be responsible for assessing and evaluating their affairs by following a general framework given by the municipality" (Tau, 2015).

5. Conclusion

As part of this study, there was a need to understand the challenges that the CoJ faces with regard to its property tax valuation system as well as municipal fee charges and collection. The chapter sought to evaluate the extent to which the property tax/rate and municipal service fees are paid to support service delivery and customer satisfaction. Although the interviews provided diverse and sometimes conflicting views about property tax and municipal service fees, the overall impression that the study uncovered from the feedback of the various respondents is that in general, most of the local residents (property and business owners) pay their utility bills and property taxes. This view was supported by the CoJ Executive Mayor in the excerpt below:

> *On what we bill we collect on average 92%. We are expecting to collect 96% and the other 4% is uncollectable (ESP people use more than what we give and then they can't afford to pay, another example is we charge the owner however sometimes you will find that the owner is deceased and no one is willing to take responsibility for the bill).* (Tau, 2015)

Yet, the payment of property tax which is part of the City's own source of revenue is under constant pressure because of escalating poverty and unemployment levels as well as the increase in job loss (es) in the City. Interviews conducted with heads and/or representatives of relevant departments in the City shed light on the actuality that the current property valuation system is also partly responsible for the shortfall in property tax administration. This is so in the sense that the mass valuation takes place every four years rather than every year; which translates to the changes in properties not being captured in real time. With regard to service delivery and the capacity of the City to cover the cost and delivery satisfaction, the City reveals that certain measures – for instance, communication through different media platforms, account notification, campaign and open day for client information is currently been used to ensure that local residents conform to their tax obligations (Ntshinjuua, 2015) Fortunately, this is now showing positive results in the form of increased revenue collections. As well, the interviews conducted with local residents reveal that in so far as the majority of local residents are happy with the current level of service delivery, more still to be done. Hence, the City needs to engage new ways of generating and improving its own source of revenue. It is therefore in the best interests of policy-makers and planning professionals to devise effective strategies/measures to improve property valuation, property tax collection and diversify the CoJ's own source of revenue.

CHAPTER FIVE:

RECAPITILATING AND RECOMMENDATIONS: EXPLORING HOW (COMMUNICATIVE/COLLABORATIVE) PLANNING'S INTERVENTION TO MITIGATE JOHANNESBURG'S PROPERTY RATES, FEES AND CHARGES VALUATION CHALLENGES

5.1 Introduction

As noted by Bell and Bowman (2002: 2), the administration and collection of property tax – "the major tax available to local government for raising their own revenues" (ibid.) – changes continuously. This, in essence, means that state institutions - and more specifically local government in the context of South Africa - have to regularly reassess and adapt property tax systems suited to local communities' socio-economic contexts through strategic planning. As planners need to concern themselves with improving the livelihoods of the poor, planners have to come up with development plans that will bring affirmative changes to the society. In the context of this particular study, we wonder how planning, as a discipline and profession, can help the CoJ lessen its property valuation challenges as well as improve its own source of revenue in the City's quest to finance its development projects, maintain existing infrastructure and provide sustainable service(s) to local residents. This concluding chapter unpacks ways in which planning can assist the City alleviate challenges linked to property tax/rate and services administration. This chapter argues that collaborative and/or communicative planning, by virtue of its emphasis on public reasoning as the basis for societal transformation, can help improve property tax valuation, collection as well as lessen challenges and threats posed by non-payment of property tax and municipal services. Nevertheless, it is important to note from the onset that communicative planning is not the definitive solution to the improvement of the CoJ's own source of revenue as well as socio-economic and political problems arising from property valuation, property tax collection and municipal fees. Rather, communicative and collaborative planning may provide a backbone for the improvement of the City own source of revenue.

The remainder of this chapter is divided into three sections. The next section recapitulates the key findings generated through field work and analysis of data collected. The second part is based on general recommendations made by the researcher regarding how issues linked to property tax valuation and tax collections can be addressed or if not redressed by state and local institutions and/or organizations. The last section delves into how planning, particularly communicative/collaborative planning, can intervene and mediate the challenges associated with the non-payment of property tax rates, service fees and utility charges, and how these can further improve service delivery.

5.2 Key Findings:

The main objective of the study was to investigate the current procedures, practice challenges and prospects of property rating and municipal charges. Therefore, in order to achieve this objective, a research question was elaborated as a point of departure to deal with the matter at hand. Hence the research question was to know whether the city of Johannesburg Metropolitan has the ability/capacity to generate sufficient revenue through tax rate and charges revenue, to cover the cost of service delivery. By doing so, the study had to identify and classify challenges hindering the smooth administration of property tax rate and charge. Data collection was done through survey of users (property tax payer and charges). The use of this particular technique was detrimental to the study because it helps the study to identify challenges within the current process and practice of property tax rate administration system. Also, the survey of users was of assistance to get tax payers perception about the use of taxes by the municipality and service delivery in one hand and the city management challenges for a smooth running of property tax rate system on the other hand. Before answering the research questions, the next section delve into reporting about challenges identified as obstructing the city of Johannesburg better administration of tax rate system.

5.2.1 Challenges associated with Property tax/rate Valuation to cover the cost of service delivery in the City of Johannesburg

Using the intricate yet interesting case of CoJ – Africa's business hub and a largely self-funding city whose profits are heavily reliant on property tax rates and utility charges - the main question of the study was to know if the COJ have the ability to generate sufficient revenue and efficiently distribute it back to the city trough service delivery. The use of a case study research method shed the light on the current property tax system administration in the CoJ and its limitations as a source of municipal revenue. More so, the case study method allows the study to answer to the research question based on factual result from both the community and management of the City of Johannesburg. The study shows that there are many issues/challenges associated with the manner in which the big cities generate their own revenues. In the case of the City of Johannesburg metropolitan, these challenges are very complex than meets the eye because not only do they negatively affect cities' revenue base(s) they also place strain on cities' capacities to support and provide services to local communities as enshrined in the Constitution of the Republic of South Africa Act 108 of 1996 and stressed by Bell and John (2002: 3) that "local government as a distinct sphere of government system is responsible for promoting the social and economic well-being of the community and meet the basic need of its citizens." In order to achieve this mission – and thus finance development projects - local government must generate its own revenue through property taxes and fees, in addition to financial support from the national government in the form of the National Treasury (see Chapter Two). Nevertheless, the study found a number of limitations which collectively pose a threat to a smooth property valuation process and property tax/rate collection to cover the cost of service delivery in the CoJ. Some of the challenges are a lack of human capacity and retention strategies, poor timing for upgrading and maintaining property data information, budget constraints and valuation system, and a lack of City-community relations/communication.

With reference to human capacity-related issues, the study noted that there is a significant shortage of registered property valuers in the whole of the RSA and for the CoJ. The shortage of qualified registered valuers has in turn impacted negatively on the CoJ's quality of property valuation as well as on the City's source of revenue, mostly due to inaccurate property valuation mechanisms. Legislative documents such as the Municipal Systems Act 32 of 2000 place emphasis on municipal fairness and equitability in the process of valuing and determining property rates. This quintessentially means that in the event that the City's valuation is inaccurate, the client reserves the right to lodge a complaint against the CoJ, a process which is time consuming and financially constraining for the City. Thus, in order to avoid miscalculation in the valuation process, the City is forced to make use of private valuers which is again impacting negatively on the city financially, seeing as the City incurs exorbitant costs hiring private personnel.

The second major limitation to City's own source of revenue is related to the issue of valuation roll/timing. Valuation roll processes in the case of CoJ take about four years to be completed and, for a rapidly growing/expanding city such as Johannesburg, four years is quite a long period. The City has more or less 845 000 identified property, and valuation roll processes require time, money and qualified human capacity – which the City has a shortage of - to be accomplished properly. This means that if one has less time to complete the valuation roll, the valuer might be forced to do 'a rush job' and, in the process, risk making errors which are likely not to be rectified (More, 2015). More importantly, because it takes approximately four years to complete a valuation roll, the information collected on a particular property today may be used for taxation purposes much later; meaning that the changes that will have taken place to a particular property in four years' time are bound to be discordant with the calculations made four years prior. In addition, upgrading property data information of buildings, such as building size, is a big problem and takes a long time to be done. The municipality is ultimately forced to look at historical data to value a future data. This is a major limitation in the sense that some buildings that were built before and during the 1950s, information of such buildings is not always (readily) available.

The third major limitation is the valuation system or the legislation itself. As was noted by the Head of the Property Valuation Unit, the current property valuation legislative system is very descriptive in rating what the City must do. This means that all valued properties must be categorized according to residential, businesses, industrial, to mention but a few. Whilst this approach of categorizing properties is good, it affects the municipality's own source of revenue in the sense that some properties categorized as public service properties – for instance schools and hospitals - are almost exempt from paying property taxes/rates. Hence, the municipality is deprived of one part of its source of income due to the fact that the state government owns many properties in the City. The implications of this situation are that the income lost from tax arising from government owned buildings/properties would have to be recovered from other property taxes/rate payers (private business owners/operators and local residents). Additionally, the legislation makes provision for any changes to the value of properties to be submitted to the objection process. This process in some cases may take too long to be completed; meaning that in the event that any property value changes for some reason, the new value must automatically be submitted to the appeal board for review. The implications of this system to municipality's own source of revenue is that if the rate is charged upward or backward, this affects the tax payers who might end up losing confidence in the property valuation system. More importantly, this system affects the valuation process because of the number of properties that the municipality aims to assess.

These are not the only municipality's own source revenue limitations. Other common limitations that the study uncovered are mainly linked to non-payment of property taxes/rates. The study found that the main reason for non-payment pertains to the livelihoods of local residents and communication between the City and local residents. Most people do not pay their bills because of their living conditions. This means that some people were living beyond their means and therefore prioritizing the payment of other expenses such as car, DSTV, clothes and food to the detriment of property taxes. Unemployment and joblessness are other issues affecting the payment of property taxes and municipal service fees. The study has also discover that many tax payer are not well informed about their, right and obligations regarding property tax/rate. Thus some people still believe that the government should pay for them as argued by one of the respondent.

In view of the identified challenges that the CoJ is facing to properly manage property rate/charges and fees to generate revenue, the research finds that the main consequence of these challenges on the CoJ own source of revenue, will be the continuous loss of CoJ income. Therefore, the study can conclude that, the actual rates/fees and charges collected by the CoJ are not enough to cover all service deliver cost to the community. Thus the study suggest that, based on the outcome of data analysis it will be beneficial from the planning perspective for the city to work closely and in partnership with local community for an efficient property tax rate/charge system administration and accountability in one hand and bring the community to understand about the necessity of their tax commitment in the other hand. Based on these conclusions, the study has identified planning theories that can help mitigate some challenges in order for the CoJ to optimize its own revenue base and cover the cost of service delivery. These theories are discussed in detail in the next section, and emphasis is placed on the extent to which communicative and collaborative planning could help improve the CoJ's own source of revenue.

5.2.2 Collaborative/Communicative Planning to the Rescue of Municipal Property Valuation Challenges

According to the United Nations report on World Urbanization Prospects (2014), by 2050, over 66% of the world population will be living in cities, and Johannesburg is a fast growing city. This means that new properties are 'mushrooming' all over the city. This quintessentially implies that the city growth will have an impact on the municipal own source of revenue because more money might be needed to finance new development projects as well as maintain existing infrastructure. In order to generate revenues to finance new development projects and maintain existing infrastructure, the City may need to make use of revenues from property taxes/rates to achieve these objectives. Yet, from the review of data and discussion of challenges - and based on findings generated by this study - it can be safely said that the most cross-cutting issues for better generation of municipal own source of revenues is property valuation. However, there are several obstacles to the achievement of this mission. After careful analysis of findings, the study linked the challenges to a lack of proper collaboration/communication between property rate/tax payers and the CoJ. This is important, because effective collaboration/communication between the city and other stakeholders will ensure that all tax payers across board are aware of the reasons why they must pay their tax and when they should pay it in one hand and on the other hand, it ensures accountability form City toward it community. This then solicits the need for a shared vision and transparent/ inclusive participation among different stakeholders.

5.3 Unpacking Collaborative/Communicative planning to improve Municipal Own Source of Revenue

Healey (1993) argues that collaborative planning is the starting point for the (re)configuration of (modes of governance) in fragmented societies. This is important for the modern city management approach to work in a form of network communication. As stressed by Booher and Inner (2002: 225), the notion of "network power‟

> ...emerges from the communication and collaboration among individuals, public and private agencies and businesses in a society. Network power emerges as diverse participants in a network focus on a common task and develop shared meanings and common heuristics that guide their action. (Booher and Innes 2002: 225)

Furthermore, Booher and Innes (2002) argue that (urban) societies are more and more characterized by people from different cultures with different ideas/understanding/concepts of issues that equally have an effect on them, and thus have to rely on one another's information in forums for the engagement that must encourage transparency and freedom to articulate without hindrance/intimidation (authentic dialogue) (ibid.) in this context, the state's function should to be to serve and act on the interest of its citizens, and planners – in their capacity as a support to government and planning authorities - they have the capacity and knowledge to work through these agencies. Yet, the state is not in total control because of external influences, and global force in the city settings. Thus, communicative and collaborative approaches between different City stakeholders is important in order to maximize the municipal own source of revenue. Planning has an important role to play in the balancing of the needs of the City (such as the growth and the need of local residents, property owners and business owners). This is made clear by Friedmann (1971: 317 - 318) who remarks that, "The planning done by these organisations must, therefore, be exceedingly flexible, adaptive, and opportunistic with respect to changes in the external environment." Planning is therefore executed in different ways.

Given that there are externalities that may affect the local planning context, collaborative planning may be one approach that tries to navigate well into this context via talking and communicating with all stakeholders for a common goal. As argued by Healey (1997) that, collaborative planning is a deontic and dialogical procedural form of planning. This means that it emphasises and/or focuses on governance and politics of planning and policy makings a way to strategically generate plans through inclusionary argumentation. Collaborative planning therefore, values societies and its element by taking into account the needs of all stakeholders for public good. In summery the quintessence and value of collaborative planning according to Healey (1997) are achieving common goals and shared urban environments in increasingly fragmented societies through communicative and collaborative models. The relevance of this approach is that it emphasises the necessity of a consensus in processes of planning and place making as noted by Harrison (2006: 321) that collaborative planning is "concerned with consensus building, mediated negotiations, constructing shared discourse, strengthening institutional capacity and generally, developing and strengthening the networks of human interaction within formal and informal contexts." Watson (2002) also argues that civil society's involvement in collaborative planning is possibly a way of legitimising interventions and compelling the state to be generous.

The findings of the study show that there are constraining challenges for the City's own source of revenue. What is more important is how the local residents, property/owners, planners and politicians view the concepts and needs of municipal own source of revenue. In view of municipal needs for financial resource to develop the City, maintain existing infrastructures and provide sustainable services for local residents; all stakeholders must be involved in the process of raising the money and giving the reasons why the City need the funds. Planners' role in this context will be to facilitate the dialogue communication between local authorities and business owners, non-government organizations, local residents and property owners alike. The engagement process will help each party to share their views on city's plan and new developmental projects as well as the necessity to raise money through property taxes/rates and municipal service fees. The cruciality of this approach lies in its propensity to bring and revive a sense of ownership and stewardship toward the City's vision. Not only that, through communication/collaborative for a new ideas may be hatched and may lead to the development of other streams of municipal sources of revenue that deviate from the traditional ones. In this way, local authorities and local residents may have a shared common view about the needs and means for 'A better life for all' residents.

5.4 General Recommendations

In light of identified challenges linked to better management and generation of municipal own source of revenue, the study sheds light on the need for local authorities/City institutions to collaborate with each other and with other stakeholders for the amelioration of the property valuation system, collection of property taxes/rates (on the one hand), and the property valuation process in order to avoid any form of misunderstanding and conflicts arising from errors and mistrust between local authorities and tax payers (on the other hand). A collaborative/communicative planning approach is therefore suited for better management and mitigation of challenges arising from property valuation processes. This is because in the past, most of the proposed solutions to the issues at hand were taken in isolation without proper, holistic involvement of stakeholders such as local business owners, property owners and non-government organizations.

Based on the research findings, the study arguably has sufficient grounds to justify the need for the improvement of the current property valuation system in order to take into consideration issues that may have been overlooked by the City. The researcher strongly believes that it is imperative to make recommendations that will help in the forging of strong associations/relationships between the CoJ and local residents; improving collection of property taxes/rates as sources of municipal revenue; as well as improving property valuation systems in terms of time constraints and human capacity issues. The study makes the following recommendations:

1. Communication/relationships and awareness between local community and the municipality on the issue of property taxes/rates, property valuation and the payment of municipal service is one of the challenges to the CoJ's optimal collection of municipal owned source of revenue. Thus, the study suggests that the City embark on citywide educational campaigns via introducing property valuation as a necessary program in school curriculums. This may go a long way in building citizen consciousness and ownership of financing development projects through the payment of property taxes/rates (on the one hand) whilst reducing the level of misunderstanding between all stakeholders re the topic of property valuation and tax rate (on another hand).
2. CoJ is a fast-growing city, and the fact that Johannesburg will have a high percentage of the urbanized population of South Africa, this will put more pressure on local authorities to provide good services whilst simultaneously maintaining existing infrastructure and embarking on new development projects. Property valuation may be playing a key role in helping generate municipal own revenue and it must be done timely and accurately. Time optimization is very important for municipal own source of revenue in the sense that property valuation system must be conducted in real time. In the light of this fact, the study recommends that property information be upgraded quarterly or, at the very least, once every year. This approach may assist the CoJ address, if not redress, valuation errors and long arbitration processes between the City and local communities/property owners.
3. In view of the challenges posed by lack of human capacity and qualified property valuers, the study recommends that the CoJ develop a training and retention program of new graduates. The retention programs will consist of scholarships and retaining graduates for at least a period of 6 years after qualifying as professional

valuers. As the study revealed, most valuation errors occurred often because of a shortage and/or a lack of qualified valuation personnel within the CoJ. The training and retention program will most likely put an emphasis on the in-house training programs coupled with market financial benefit in a bid to attract new and existing talent as well as boost the municipal source of revenue.

5.5 Concluding Note

Property taxes/rates – as a source of municipal own revenue - is necessary to finance future development projects, maintain existing infrastructures as well as provide various services to local residents. This is a precious source of revenue that needs to be managed properly in order to generate income for the City.

A lack of revenue or any challenges to municipal own source of revenue pose a threat to local communities in its entirety – it cripples the financial capacity of the municipality, reduces the level of service provision and, more importantly, it negatively affects the livelihoods of local residents. In the context of the CoJ, professionals such as planners need to take it upon themselves to not only protect a sustainable wellbeing of all local communities but to ensure that the municipality has the necessary revenue to finance all development projects and maintain existing infrastructure. Measures need to be put in place to ensure a smooth and reliable property valuation for generating municipal own source of revenue. Perhaps the most effective of these measures is the training of new property valuers; the reinforcement of communication channels between the City and tax payers about the necessity of paying; the encouragement of new graduates to enroll in property valuation training programs; and better incentives (as an employee retention strategy).

While non-payment of property rates and municipal service fees may be largely attributable to unemployment and poverty, it still remains that challenges linked to property valuation system have their roots in the legislation, particularly the 'misapplication' of the legislation, and non-cooperation between different spheres of government. For instance, certain enforcement measures cannot be implemented without the approval of national government (cf. The Constitution of the Republic of South Africa Act 108 of 1996). Additionally, the City will also need the political will to embark on diversifying its own sources of revenue.

The question of municipal own source of revenue is a critical one for professionals such as (development) planners because it places planners in a very difficult position. It means that planners, as 'social scientists' concerned with the public needs and the livelihoods of the vulnerable societal members, are caught in the middle of "the politics that characterises their work" (Udy, 1994). Facing the pressure from the politicians that planners work for, as well as that of a civil society characterised by difference/diversity; the planners may have to reconcile and find common ground. With its emphasis on collective consensus attained through public reasoning and deliberation, sensitivity to context, the public sphere, communicative/collaborative planning may just be a way of smoothing out conflicts/differences between the local state and non-state actors/tax payers, differences caused in large part by the challenge property tax valuation system and the needs of municipal own source of revenue in this context. The planner is tasked with the responsibility of not only being an 'experiential learner' (and learning from community the impact of municipal own source of revenue and the non-payments of property tax/rate on their lives and livelihoods and environment). The planner must create a favourable/conducive environments in order for the local state to engage with the local communities/ business owners and property owners about how best to improve municipal own source of revenue in the CoJ. The results of these debates and the empirical learning can be used to guide property tax valuation system policies and municipal own sources of revenue strategies in the CoJ.

5.5 Future research avenues

The issues related to challenges of municipal own source of revenue are very complex and require government to take into consideration a number of internal and external key elements such as finance, socio-economy, employment, city competitiveness, city growth, infrastructure development and service delivery for better management. This research could not cover all the aspects involved in the generation of municipal own source of revenue. That having been said, future research may look into the ways in which local municipality can diversify its source of revenue in addition to property tax with little-to-no pressures/constraints on local residents. The focus should be on creating a space where local residents, business owners and property owners can take active responsibilities.

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Annexure 1

SAMPLE QUESTIONNAIRE

AppendixA: Local Residents Questionnaires

A research questionnaire to be filled by Business Operators/Owners and Land & Property Owners in Johannesburg Metropolitan

Section A: I would like to ask you some background questions

A1. Are you a breadwinner?

Yes	
No	

A2. What is the source of income of the breadwinner?

a. Formal employment	
b. Self-employment	
c. Social grants	
d. Help from family members	

Other, please specify: ____

A3. What is the level of income for the breadwinner?

a. < R 1 000	
b. R 1000 – R 5000	
c. R 5001 – R 10 000	
d. > R 10 000	

A4. How much do you spend on the following items per month?

a. Grocery	
b. Electricity	
c. Water	
d.School fees	
e. Clothing	
f. Entertainment	

Other, please specify; ____

<u>Section B: Next I will ask you questions regarding the City of Johannesburg municipal services</u>

B1. What type of property do you own/live in?

e. Stand-alone house	
f. Cluster home	
g. Townhouse	
h. Flat	
i. Commercial	

Other, please specify: ____

B2. How would you describe the property rates paid on this property (specifically tax)?

a. Over-evaluated	
b. Average/ Fair	
c. Under-evaluated	

B2. Do you receive any services from the municipality?

Yes	
No	

B3. If **yes,** which of the services do you receive?

a. Water	
b. Electricity	
c. Refuse Collection	

Other, please specify: ____

____

B4. Do you pay for municipal services?

Yes	

No	

B5. If **yes, to Q3** which of these municipal services do you pay for?

a. Water	
b. Electricity	
c. Refuse Collection	
d. Property rates	

Other, please specify:____

____

B6. Do you receive bills for the services?

Yes	
No	

B7. If **yes,** how often do you receive municipal bills?

a. Monthly	
b. Every two months	
c. Once in three months	

Other, please specify: ____

B8. How are the bills sent to you?

a. Postal Service	
b. Email	

Other, please specify: ____

B9. Where do you pay your municipal bills?

a. Municipal Office	
b. Debit order with Cty of Joburg	
c. Stop order with the bank	
d. Internet transfer	

Other, please specify: ____

B10. When did you receive your latest municipal bill?

a. Within the last week	
b. Two weeks ago	
c. More than two weeks but less than a month	
d. A month or more ago	

B11. Have you settled the latest bill?

Yes	
No	

B12. If **no,** Q11 why have you not settled the bill?

____

B13. How do you get to the payment office?

a. Walking	
b. By taxi/bus	
c. Drive myself	
d. Internet transfer	

Other please specify: ____

B14. How long does it take you to get to the place of payment and back?

a. 30min or less	
b. 30 min-1 hour	
c. more than 1 hour	

B15. On average how much do you pay for municipal services per month?
____

B16. How do you rate the affordability of the service fees?

a. Very affordable	
b. Affordable	
c. Not affordable	

B17. How do you rate the provision of services by the municipality?

a. Very good	
b. Good	
c. Poor	
d. Very poor	

B18. Do you base your payment of municipal services on affordability and satisfaction of delivery?

a. Yes	
b. No	

Explain

____

B19. Do you believe people should be paying for municipal services?

a. Yes	
b. No	

B21. If **no,** who do you think should pay?

a. Government	
b. NGO's	

Other, please specify: ____

Appendix B: State Officials Interview

A research questionnaire to be filled by the executive mayor City of Johannesburg Municipality ("CoJ")

<u>Section A: General Information/ Personal Information</u>

A1. For how long have you served **CoJ** City Local administration?

a. Less than a year	
b. 1-3 years	
c. 2-5 years	

d. 5-10 years	
e. More than 10 years	

Section B: The enabling environment for local Government autonomy

B.1 Enabling Environment for Municipal Responsibilities

B1.1.Is there an explicit/formal assignment of municipal service responsibilities?

Yes	
No	

B1.2. If yes, where is this assignment found? (Check what applies):

The Constitution lists the functions to be covered by the national government. All the other functions are assigned to other levels	
The Constitution lists both the functions to be covered by the national government and the concurrent responsibilities. All the other functions are assigned to other levels	
The Constitution lists the functions to be covered by sub-national governments. All the other functions are assigned to national government.	
The Legislature may delegate specific functions to sub-national through specific legislation.	

Other, please specify:

____

B1.3. If no, how does the municipality know what its responsibilities are? Describe.

____

B2. The relationship the municipality shares with provincial and national government

B.2.1. Describe the relationship between the city, provincial and national government:

B.2.2. Is there a conflict between your position at the centre of the system of governance and being a representative of the citizens of the city?

B.2.3. Are the provincial and national departments adequately aware of the revenue requirements of the city?

Yes	
No	

If so, have they been supportive? And if not, are there steps in place to rectify the lack of awareness?

Yes	
No	

Briefly explain

B.2.4. how often do you meet with the mayoral committee?

B.2.5. Are you comfortable with the amount of information you receive about the revenue issues on the ground from the mayoral committee?

Yes	
No	

If not, are there mechanisms in place to change that?

B.3 Enabling Environment for Municipal Revenues

B.3.1 What taxes, if any, is the municipality legally authorized to levy?

In the table below, for each tax that the municipality levies, in the comment boxes, indicate with the appropriate letter which level of autonomy applies to each of the taxes as follows:

Levels of Tax Autonomy	
Set the tax rate and tax base	A
Set the tax rate only	B
Set the tax base only	C
Set neither the tax rate or tax base	D
Tax is shared/ or piggybacked	E

Tax Assignment Tax on:	"x"	Comments (Level of tax autonomy)
Land & Property		
User charge on		
Water		
Electricity		
Gas		
Sewerage & drainage		
Collecting & disposing solid Waste		
Excises (fuel, alcohol,)		

Other, please specify:

____

B.3.2. Is there a municipal department of revenue administration

Yes	
No	

B.3.3. Are there taxes that the municipality does not administer from the taxes that the municipality is legally authorized to levy?

Yes	
No	

If yes, which are these? ____

B.3.4 Have regulatory structures been established to set utility tariffs, user charges, and rates for other revenue sources?

Yes	
No	

B.3.5. Does the framework specify: policies, procedures, pricing rules, regulatory system, billing and collection systems, periodic reviews and updates? Describe

____

Section C: Payments of rates and service charges

C.1. Are you aware of the proportion of revenue that comes from rates and taxes?

Yes	
No	

If so, how much is it?

____

C.2. Is the City's annual revenue consistent?

Yes	
No	

If not, how does the City meet its budgetary and service delivery requirements?

____

C.3. Can you describe the measures the City takes to maximize its revenue collection?

____

C.4. Are there any punitive measures in place for the non-payment of rates and taxes?

Yes	
No	

C.5. Do these measures make any substantial impact on revenue collected?

Yes	
No	

Section D: Challenges in revenue collection

Please state to which degree you agree or disagree with the following statements:

D.1. Political interference is a challenge to revenue collection.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

D.2.The City is proactive about anticipated revenue collection challenges

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

D.3. Municipal rules and regulations pose some challenge as far as revenue collection is concerned

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

D.4.The challenges encountered in revenue collection are inherent in the whole tax system

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

Section E: Improvement in Revenue Collection

E.1. Are there additional steps that can be taken by Local Government to improve Revenue collection? If so, please specify:

____

Please state to which degree you agree or disagree with the following statements:

E.2.The central government should take a more active role in assisting local governments improve on their revenue collections

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

E.3.The central government should increase the grants allocated to district governments to improve on revenue collection.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

E.4. There is a need to amend the existing rules and regulations that guide Local Governments in the collection of revenue.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

E.5. Local Governments should enact strong laws that deal with tax evasion and tax avoidance in the collection of revenue.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

Section F: Budgeted versus Actual Collections, Reports and Records

F.1.The municipality has budgeted allocations to revenue collection and service delivery

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.2.The municipal budget deviates substantially from actual revenue

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.3. Local government records are up to date and well managed.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.4. Local government records are a valuable tool in assessing the efficiency of revenue collection and service delivery activities.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

<u>Section G: Relationship between revenue collection and service delivery</u>

G.1.The City is able to respond to service needs through the revenue collected

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

G.2.Effective services delivery depends on the revenue collected by the City

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

G.3.Service provision is a priority as far as the expenditures of the City are concerned

a. Agree	
b. Strongly agree	

c. Disagree	
d. Strongly disagree	

Research questionnaire to be filled by the MMC of Finance for City of Johannesburg Municipality ("CoJ")

<u>Section A: I would like to ask you some questions regarding the payments of rates and service charges</u>

A.1. Who is supposed to pay for rates and service charges to the municipality?

a. All property owners are supposed to pay rates	
b. All consumers of municipal services, who are officially registered as consumers by the municipality are supposed to pay for municipal services	
c. Both a and b	

Other, please specify____

____

A.2. Why must the parties mentioned in 1 pay for rates and service charges to the municipality?

____

A.3. Do you think these parties are aware that they should pay for rates and service charges?

Yes	
No	

A.4. If they are not aware, why do you think this is the case?

____

A.5.How do you inform the parties who are supposed to pay rates and services about the amounts they are supposed to pay to the municipality?

____

A.6. Are rates and service charges paid regularly to the municipality?

Yes	

No	

A.7. Are there any outstanding payments for municipal rates and service charges currently?

Yes	
No	

A.8. If yes, for how long has the municipality had outstanding payments for rates and services?

a. Less than a month	
b. Month-6months	
c. 6 Months- 1 year	
d. Over a year	

A.9. Can you describe what the municipality does in order to collect outstanding payments for municipal rates and service charges?

____

A.10. Can you say what the causes of non-payment of municipal rates and service charges in the CoJ Local Municipality are?

____

A.11. Are you addressing the causes for non-payment of municipal rates and service charges in the CoJ Local Municipality?

Yes	
No	

If yes, how?

____

A.12. Does the payment or non-payment for rates and service charges affect the financial viability of the municipality and service delivery?

Yes	
No	

A.13.What are the implications of non-payment for municipal rates and service charges in the financial strategy of the Municipality?

A.14. What do you think should be done to enhance regular payment of municipal rates and service charges in the CoJ Local Municipality?

Section B: Thank You. I am going now to shift to asking questions about billing and collection

B.1.What procedure do you follow to get the bills/tax demand notice to the taxpayers?

B.2.How do you ensure property tax demand notices are delivered to the taxpayers?

B.3.What methods do you employ in property tax collection?

B.4.How does actual revenue compare with the revenue that was expected from the properties captured in the property tax database?

B.6.How much of the collected revenue is allocated for the collection task?

B.7. Do you know what proportion of the property tax revenue collected goes to service delivery and local expenditure beneficial to the taxpayer?

Yes	
No	

If yes state the proportion

B.8.Can you give a detailed description of the problems you encounter in property tax collection?

B.9.What do you consider to be the most significant factors affecting property tax collection?

B.10. In following up non-compliance what reasons do taxpayers give for not paying property tax?

B.11. Why have you been involving local leaders in the distribution of property tax bills?

___

B.12.Has the involvement of local leaders had any influence on property tax revenue collection?

___

B.13.Is there a mechanism to ensure that the local leaders act within the specified ?

___

Section C: I will now be asking requesting information on challenges in revenue collection

C.1. Does the **CoJ** Local Government face any challenges in revenue collection?

Yes	
No	

C.2. Tax avoidance, tax evasion, and political interference are the main challenges in revenue collection.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

C.3.The challenges in revenue collection are recurrent /frequent.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

C.4. The Local Government is partly responsible for poor revenue collection

a. Agree	
b. Strongly agree	
c. Disagree	

d. Strongly disagree	

C.5. The complicated Local Government rules and regulations are partly a challenge as far as revenue collection is concerned

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

C.6.The challenges encountered in revenue collection are inherent in the whole tax system

Yes	
No	

C.7. Briefly state two challenges faced by the Local authorities in revenue collection

1. ____
2. ____

<u>Section D:Thank you for your time. I will now be asking you questions regarding the improvement in revenue collection</u>

D.1. Revenue collection in **CoJ**Local Government needs to be improved.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

D.2.What steps should the Local Government take to improve on Revenue collection? State two.

1. ____
2. ____

D.3.The central Government should help Local Governments to improve on their revenue collections

a. Agree	
b. Strongly agree	

c. Disagree	
d. Strongly disagree	

D.4.The central Government should increase on its grants to the District Local Governments to improve on revenue collection.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

D.5. There is a need to amend the existing rules and regulations that guide Local Governments in the collection of revenue.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

D.6. Local Governments should enact strong laws that deal with tax evasion and tax avoidance in the collection of revenue.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

Section E: Thank you for your time thus far. I will now ask you some questions about the budgeted versus actual collections, reports and records

E.1.The Local Government uses the budgeting process to ensure revenue collection and service delivery?

a. Agree	
b. Strongly agree	
c. Disagree	

d. Strongly disagree	

E.2.The **CoJ** Local Government formulates deficit budgets to enhance revenue collection and service delivery?

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

E.3. Does the Local Government keep records?

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

E.4. Records greatly assist as far as revenue collection and service delivery are concerned.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

Section F: Lastly I will ask you questions regarding the relationship between revenue collection and service delivery

F.1.Does the **CoJ** Local Government utilize its revenue to provide services to the people?

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.2.The public gets services depending on the revenue collected by the **CoJ** Local Government

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.3.The Local Government provides various services from the revenue it collects

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.4.Service provision reduces with reduction in revenue collection and vice versa.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.5.Service provision is a priority as far as the expenditures of **CoJ** Local Government are concerned

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.6.The Local Government follows various rules and regulations during revenue collection and service delivery

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

A research questionnaire to be filled by the head or revenue for City of Johannesburg Municipality ("CoJ")

<u>Section A: I will start by asking you some questions regarding the environment for local Government autonomy</u>

A.1 Enabling Environment for Municipal Responsibilities

A.1.1 what taxes, if any, is the municipality legally authorized to levy? Indicate with the letter "x" in the table below. For each tax that the municipality levies, in the comment boxes, also indicate with the appropriate letter which level of autonomy applies to each of the taxes as follows:

Levels of Tax Autonomy	
Set the tax rate and tax base	A
Set the tax rate only	B
Set the tax base only	C
Set neither the tax rate or tax base	D
Tax is shared/ or piggybacked	E

Tax Assignment Tax on:	"x"	Comments (Level of tax autonomy)
Land & Property		
User charge on		
Water		
Electricity		
Gas		
Sewerage & drainage		
Collecting & disposing solid Waste		
Excises (fuel, alcohol,)		

Other, please specify: ____

A.1.2 Are the municipalities authorized to administer its taxes?

Yes	
No	

A.1.3 Is there a municipal department of revenue administration?

Yes	
No	

A.1.4. From the taxes that the municipality is legally authorized to levy, are there taxes that the municipality does not administer?

Yes	
No	

A.1.5. If yes, which are these?

____

A.1.6. Have regulatory structures been established to set utility tariffs, user charges, and rates for other revenue sources?

Yes	
No	

A.1.7. Does the framework specify: policies, procedures, pricing rules, regulatory system, billing and collection systems, periodic reviews and updates? Describe

____

Section B: I will now ask you questions about payments of rates and service charges

B.1. Who is supposed to pay for rates and service charges to the municipality?

a. All property owners are supposed to pay rates	
b. All consumers of municipal services, who are officially registered as consumers by the municipality are supposed to pay for municipal services	
c. Both a and b	

Other, please specify____

____

B.2. Why must the parties mentioned in 1 pay for rates and service charges to the municipality?

____

B.3. Do you think these parties are aware that they should pay for rates and service charges?

Yes	
No	

B.4. If they are not aware, why do you think this is the case?

____

B.5.How do you inform the parties who are supposed to pay rates and services about the amounts they are supposed to pay to the municipality?

____

B.6. Are rates and service charges paid regularly to the municipality?

Yes	
No	

B.7. Are there any outstanding payments for municipal rates and service charges currently?

Yes	
No	

B.8. If yes, for how long has the municipality had outstanding payments for rates and services?

e. Less than a month	
f. Month-6months	
g. 6 Months- 1 year	
h. Over a year	

B.9. Can you describe what the municipality does in order to collect outstanding payments for municipal rates and service charges?

____

B.10. Can you say what the causes of non-payment of municipal rates and service charges in the CoJ Local Municipality are?

____

B.11. Are you addressing the causes for non-payment of municipal rates and service charges in the CoJ Local Municipality?

Yes	
No	

If yes, how?

____

B.12. Does the payment or non-payment for rates and service charges affect the financial viability of the municipality and service delivery?

Yes	
No	

B.13.What are the implications of non-payment for municipal rates and service charges in the financial strategy of the Municipality?

____

B.14. What do you think should be done to enhance regular payment of municipal rates and service charges in the CoJ Local Municipality?

____

Section C: Thank You. I am going now to shift to asking questions about billing and collection

C.1.What procedure do you follow to get the bills/tax demand notice to the taxpayers?

____

C.2.How do you ensure property tax demand notices are delivered to the taxpayers?

____

C.3.What methods do you employ in property tax collection?

____

C.4.How does actual revenue compare with the revenue that was expected from the properties captured in the property tax database?

____

C.6.How much of the collected revenue is allocated for the collection task?

____

C.7. Do you know what proportion of the property tax revenue collected goes to service delivery and local expenditure beneficial to the taxpayer?

Yes	
No	

If yes state the proportion

____

C.8.Can you give a detailed description of the problems you encounter in property tax collection?

____

C.9.What do you consider to be the most significant factors affecting property tax collection?

____

C.10. In following up non-compliance what reasons do taxpayers give for not paying property tax?

____

C.11. Why have you been involving local leaders in the distribution of property tax bills?

____

C.12.Has the involvement of local leaders had any influence on property tax revenue collection?

____

C.13.Is there a mechanism to ensure that the local leaders act within the specified ?

____

Section D: I will now be asking requesting information on challenges in revenue collection

D.1. Does the **CoJ** Local Government face any challenges in revenue collection?

Yes	
No	

D.2. Tax avoidance, tax evasion, and political interference are the main challenges in revenue collection.

a. Agree	
b. Strongly agree	
c. Disagree	

d. Strongly disagree	

D.3.The challenges in revenue collection are recurrent /frequent.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

D.4. The Local Government is partly responsible for poor revenue collection

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

D.5. The complicated Local Government rules and regulations are partly a challenge as far as revenue collection is concerned

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

D.6.The challenges encountered in revenue collection are inherent in the whole tax system

Yes	
No	

D.7. Briefly state two challenges faced by the Local authorities in revenue collection

3. ____
4. ____

<u>Section E:Thank you for your time. I will now be asking you questions regarding the improvement in revenue collection</u>

E.1. Revenue collection in **CoJ** Local Government needs to be improved.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

E.2.What steps should the Local Government take to improve on Revenue collection? State two.

3. ____
4. ____

E.3.The central Government should help Local Governments to improve on their revenue collections

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

E.4.The central Government should increase on its grants to the District Local Governments to improve on revenue collection.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

E.5. There is need to amend the existing rules and regulations that guide Local Governments in the collection of revenue.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

E.6. Local Governments should enact strong laws that deal with tax evasion and tax avoidance in the collection of revenue.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

<u>Section F: Lastly I will be asking you questions on the relationship between revenue collection and service delivery</u>

F.1.Does the **CoJ** Local Government utilize its revenue to provide services to the people?

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.2.The public gets services depending on the revenue collected by the **CoJ** Local Government.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.3.The Local Government provides various services from the revenue it collects.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.4.Service provision reduces with reduction in revenue collection and vice versa.

a. Agree	
b. Strongly agree	
c. Disagree	

d. Strongly disagree	

F.5.Service provision is a priority as far as the expenditures of **CoJ** Local Government are concerned.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

F.6.The Local Government follows various rules and regulations during revenue collection and service delivery.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

A research questionnaire to be filled by the City manager of City of Johannesburg Municipality ("CoJ")

<u>Section A: I will start by asking you some questions regarding the environment for local Government autonomy</u>

A.1 Enabling Environment for Municipal Responsibilities

A1.1.Is there an explicit/formal assignment of municipal service responsibilities?

Yes	
No	

A1.2. If yes, where is this assignment found? (Check what applies):

The Constitution lists the functions to be covered by the national government. All the other functions are assigned to other levels	
The Constitution lists both the functions to be covered by the national government and the concurrent responsibilities. All the other functions are assigned to other levels	
The Constitution lists the functions to be covered by sub-national governments. All the other functions are assigned to national government.	

The Legislature may delegate specific functions to sub-national through specific legislation.	

Other, please specify:

____

A1.3. If no, how does the municipality know what its responsibilities are? Describe.

____

A2. How much autonomy does the municipality enjoy in making service delivery decisions?

A.2.1. Describe the relationship between the municipalities with higher level governments regarding:

Municipal control over finances, organization and operations

____

Are there special provisions for capital expenditures?___________________________________

Does the municipality have the autonomy to decide on the amount to be spent?_____________

Does the municipality have the autonomy to define the structure of the expenditure? _________

Does the municipality have the autonomy to execute the expenditure? _____________________

Does the municipality have the autonomy to supervise and set standards?

____

A.3 Enabling Environment for Municipal Revenues

A.3.1What taxes, if any, is the municipality legally authorized to levy? Indicate with the letter "x" in the table below. For each tax that the municipality levies, in the comment boxes, also indicate with the appropriate letter which level of autonomy applies to each of the taxes as follows:

Levels of Tax Autonomy	
Set the tax rate and tax base	A
Set the tax rate only	B
Set the tax base only	C

Set neither the tax rate or tax base	D
Tax is shared/ or piggybacked	E

Tax Assignment Tax on:	"x"	Comments (Level of tax autonomy)
Land & Property		
User charge on		
Water		
Electricity		
Gas		
Sewerage & drainage		
Collecting & disposing solid Waste		
Excises (fuel, alcohol,)		

Other, please specify:

____

A.3.2 Are the municipalities authorized to administer its taxes?

Yes	
No	

A.3.3 Is there a municipal department of revenue administration

Yes	
No	

A.3.4 From the taxes that the municipality is legally authorized to levy, are there taxes that the municipality does not administer?

Yes	
No	

A.3.5 If yes, which are these?

____

A.3.6 Have regulatory structures been established to set utility tariffs, user charges, and rates for other revenue sources?

Yes	
No	

A.3.6 Does the framework specify: policies, procedures, pricing rules, regulatory system, billing and collection systems, periodic reviews and updates?
Describe____________________________

____

<u>Section B: Thank you. I will now ask some questions about the payments of rates and service charges</u>

B.1. Who is supposed to pay for rates and service charges to the municipality?

a. All property owners are supposed to pay rates	
b. All consumers of municipal services, who are officially registered as consumers by the municipality are supposed to pay for municipal services	
c. Both a and b	

Other, please specify____

____

B.2. Why must the parties mentioned in 1 pay for rates and service charges to the municipality?

____

B.3. Do you think these parties are aware that they should pay for rates and service charges?

Yes	
No	

B.4. If they are not aware, why do you think this is the case?

____

B.5.How do you inform the parties who are supposed to pay rates and services about the amounts they are supposed to pay to the municipality?

B.6. Are rates and service charges paid regularly to the municipality?

Yes	
No	

B.7. Are there any outstanding payments for municipal rates and service charges currently?

Yes	
No	

B.8. If yes, for how long has the municipality had outstanding payments for rates and services?

i. Less than a month	
j. Month-6months	
k. 6 Months- 1 year	
l. Over a year	

B.9. Can you describe what the municipality does in order to collect outstanding payments for municipal rates and service charges?

B.10. Can you say what the causes of non-payment of municipal rates and service charges in the CoJ Local Municipality are?

B.11. Are you addressing the causes for non-payment of municipal rates and service charges in the CoJ Local Municipality?

Yes	
No	

If yes, how?

B.12. Does the payment or non-payment for rates and service charges affect the financial viability of the municipality and service delivery?

Yes	

No	

B.13.What are the implications of non-payment for municipal rates and service charges in the financial strategy of the Municipality?

____

B.14. What do you think should be done to enhance regular payment of municipal rates and service charges in the CoJ Local Municipality?

____

Section C: Thank you for your time thus far. Lastly I will ask you some questions about the budgeted versus actual collections, reports and records

C.1.The Local Government uses the budgeting process to ensure revenue collection and service delivery?

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

C.2.The **CoJ** Local Government formulates deficit budgets to enhance revenue collection and service delivery?

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

C.3. Does the Local Government keep records?

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

D.4. Records greatly assist as far as revenue collection and service delivery are concerned.

a. Agree	
b. Strongly agree	
c. Disagree	
d. Strongly disagree	

Appendix C: Private valuars questionnaires

Section A: I would like to ask you questions about the valuation technique of your company

A.1.Which local authority did your firm work for?

____

A.2.How many properties did you value in a single assignment?

____

A.3.How much time was given to accomplish the job?

____

A.4.How many valuers were engaged for that assignment?

____

A.5.Could you describe the duties that the engaged valuers assumed in the course of undertaking the rating valuation contracted to your firm?

____

A.6.What was the average amount paid for valuing one property?

____

A.7.What administrative procedures did you follow to finally produce the valuation roll for the council you worked for?

____

Section B: Thank you. I will now ask you questions on the property information

B.1. Does the local authority you worked for have comprehensive property databases to facilitate identification and easy accessibility to the properties being valued?

___

B.2.How was properties identified during the property inspection stage?

___

B.3.How did you ensure that you obtained the right information about each property considering that it is difficult to find people at home when carrying out property inspection?

___

Section C: Thank you for your cooperation. Lastly I would like to ask you questions on your valuation procedure

C.1.What approach did you adopt in valuing real properties for rating?

___

C.2.The recommended valuation procedure in the tender document specified value ranges and depreciation rates applicable to different property categories. Did you find the specified values per square metre and depreciation rates useful in the whole rating valuation exercise?

Yes	
No	

Explain

___

C.3.How realistic were the specified value and depreciation rates?

___

C.4.How did you ensure quality control in your work?

___

C.5.What limitations did you encounter in the process of undertaking the rating valuation?

___

C.6. Is there anything that you think the local council should do to improve the situation?

____

C.7.Given the choice would you be comfortable to be left to estimate real property values independently instead of using the specified value rates?

____

C.8. what are your views on the possibility of introducing Mass Appraisal Techniques in our rating valuation environment?

____

____