

## STAKEHOLDERS' PERCEPTION OF THE LAGOS STATE LAND USE CHARGE ASSESSMENT METHOD

AYEDUN, C.A.\*<sup>1</sup>, SULAIMAN, I.B.<sup>1</sup>, ALIMI, R.A.<sup>2</sup>, AND AKINJARE, A.O.<sup>1</sup>

<sup>1</sup>Department of Estate Management, Covenant University, Ota, Ogun State, Nigeria

<sup>2</sup>Department of Estate Management, University of Ilorin, Ilorin; Kwara State Nigeria

<https://doi.org/10.37602/IJSSMR.2022.5107>

### ABSTRACT

Land Use Charge is one of the sources through which Lagos State Government is using to generate revenue internally by taxing both commercial and residential properties in the State in a bid to fund the provision of infrastructural facilities and other services within the State. Land Use Charge is a form of property taxation that was first enacted in 2001 and reviewed in 2018 in a bid to make the law more effective. This study was set out to ascertain the perception of the stakeholders on the operation and incidents of the Land Use Charge as currently being implemented by the Lagos State Government. To achieve the aim of the study, data were obtained through structured questionnaires administered on Sixty-one (61) respondent Estate Surveyors and Valuers and One Hundred and fifty (150) Residents within the study area. The data obtained were analysed with the aid of simple statistical tools such as frequency, percentage and relative importance index. The study revealed the current basis of assessment to be grossly inequitable as a form of taxation and amounts to double taxation on the part of the taxpayers. The study also revealed the current basis of assessment as being responsible for the increase in the tenants' rents. In conclusion, the study recommends the urgent need for the law to be reviewed and the new basis of assessment to be on the net annual income received from a property on an annual basis and the need for collaboration by the State Government with the Nigerian Institution of Estate Surveyors and Valuers (NIESV) in order to come up with more equitable law regarding Land Use Charge in the State which will ensure that tax is equitable and is carried out in line with current economic realities of the property market as a whole in the country.

**Keywords:** Land Use Charge, Evaluation, Estate Surveyors and Valuers, Lagos State

### 1.0 INTRODUCTION

The Government in charge of the affairs of any State is expected to make adequate provisions for infrastructure required to make such state function effectively and to enhance nationwide growth and development. However, one of the major challenges often encountered by such Governments in an attempt to provide the required infrastructure is in the sourcing of funds needed for such developments.

There have been concerted efforts by all tiers of governments in Nigeria to increase their internally generated revenue bases through various forms of taxes on land and landed properties with a view to enhancing their revenue base to help at boosting their infrastructure

and other services provided. This problem which is most pronounced in Lagos State has influenced the action of the State government to eliminate multiple taxes imposed on residents through the enactment of the Land Use Charge Law. The main objective of the law by the Lagos State Government is to generate the additional revenue needed to enhance the standard of the state in terms of physical and social infrastructure (Oserogho, 2002).

It is in the attempt to mitigate the problem of paucity of funds that led Lagos State Government to seek out in generating more revenue internally through property tax for the provision of public services that necessitated the introduction of property land taxation known as Land Use Charge (LUC) which is a form of tax centred on income chargeable on the real property per annum and the certain income received in perpetuity. Therefore, land use charge as a means of imposing tax ought to be equitable and fair; should take into consideration the ability of individual property owners to pay based on purchasing power; should also be acceptable and efficiently administered to payers, and must be consistent with the aim of improving the economy.

Land Use Charge (LUC) constitute one of the taxes being collected by the Lagos State Government. As a Collecting Authority, the Local Government Areas (LGA) is allowed to delegate the authority for its collection through written agreement to the State Government, in which its stated roles are in line with the imposition and collection of such rates. It is on the basis of the foregoing that this study seeks to assess the administration of Land Use Charge Law in Lagos State with a view to enhancing government revenue without undue hardship on the taxpayers.

## 2.0 LITERATURE REVIEW

Oserogho (2002) in his study of the Lagos State Land Use Charge law was the view that the decision of the State Government to take over the authorities for charging and collection of land use charge from the Local Government Authorities has resulted to the institution of various litigations by both landlords and tenants in the State. The paper cited the decided case of Knight, Frank & Rutley v. A.G of Kano State [1990] 4 NWLR (Pt 143) 210 where the Nigerian Court of Appeal had expressed the view that 'it was not constitutional for a tier of government to delegate its constitutional powers to another tier. This case was affirmed by the Supreme Court as reported in [1998] 7 NWLR (Pt. 556) 1; [1998] 4 S.C. 251.

Also, Oni (2010) in his study carried out an assessment of the provisions of the Lagos State Land Use Charge Law and determined the effects on stakeholders. In doing so, a process of inferences, interviews and evaluation of the law was carried out. The study found great disadvantages of the law and recommended an appropriate basis to determine the fair and equitable charges. Oni (2010) further attempted to determine the short and long-term effects of the law on housing delivery which is one of the thematic areas of Vision 20:2020 for Nigeria, by surveying 120 estate surveying and valuation firms, using desktop inferential review of the literature. The process of inference revealed that the basis for calculating the land use charge was inappropriate, that the provision for penalty for delayed settlement of the land use charge was considered too harsh and that Estate Surveyors and Valuers should not be held liable to make deductions for the Charge from rents collected on behalf of their clients, and also that the burden of land use charge should not be too much so as to encourage

investment in the provision of housing and prevent neglect of proper maintenance of existing housing stock.

Egwuatu and Egwuatu (2016) examined the imperatives of valuation as a prerequisite for effective assessment and enforcement of property-based taxation in Nigeria. Using a process of inferences and evaluation, it concluded that though the government generates much revenue from Land use Charge, the taxation exercise is not effective because of the raging controversies of over-assessment of properties which resulted in high charge; and that the inconsistency in the assessment 5 process impinges on the integrity of the process. The determination of appropriate values for property taxation requires expert opinion hence Estate Surveyors and Valuers should be involved in the assessment and allowed to apply the suitable methods for the valuation of assessed property.

## 2.1 Land Use Charge Law No. 11 of 2001

Land Use Charge Law (LUCL), No. 11 of 2001 was decreed on June 22, 2001, with the major aim of generating the revenue needed for the development of infrastructure within Lagos State. Prior to the introduction of LUCL, the other type of property taxes that operated in the state included Neighborhood Improvement Charge Law 1986 and the Tenement Law no. 90 of 1989. The essence of introducing the LUCL was to combine all property taxes accrued under the previously stated laws as one for property owners to pay as a single-rate tax on a yearly basis. According to the Law, once a Charge is applicable unto a property, any previous rates payable before will no longer be applicable and due on such property.

However, the Charge is not applicable to all properties in Lagos state. Certain properties have been exempted from the operation of this law. Such property includes Government-owned properties and properties used for public, religious and charitable activities. Such exemption would only be granted wherein an application for exemption is made to the Commissioner of Finance, Lagos State. According to the Law, the main role of the Commissioner in the administration of the LUC are outlined in Table 2.1

**Table 1: Role of Commissioner of Finance in the administration of 2001 LUC**

S/N	Sections	Provisions
	Section 3(1)	Carrying out of an undertaking on the assessment of chargeable properties in the areas of the state in line with his designation
	Section 5(2) and (3)	Setting of the value of the annual charge rate and the property code rate which will be reviewed from time-to-time by such individual in accordance with necessary approval from the House of Assembly
	Section 6(a and b)	Empowered to grant partial relief as appropriate

	Section 16	Empowers the commissioner to maintain a Land Use Charge collection fund consisting of all the payment made to the designated banks where each Local Government Council will be paid their respective monthly share of the Land Use Charge payments
	Section 17	By law he is able to recover all areas of the tax through legal means

Source: Land Use Charge Law 2001

Furthermore, there exist various penalties for default in payment of LUC which include:

- a) Payment increases of up to 25%, 50% and 100% respectively where the Chargee delays payment for up to 75, 105 and 135 days from the date of his receipt of the Land Use Charge Bill.
- b) Payment of a fine of up to N100,000.00 (One Hundred Thousand Naira) or three months imprisonment for non-compliance with the LUCL, the impediment of authorized officials, carrying out damages to property identification plaques or motivating other persons to refuse to pay such tax.

In essence, Section 5(1) highlights the approved formula that ought to be used to determine the annual amount of Charge applicable on any property, which is stated thus:

$$\text{LUC} = M \times (\text{LA} + \text{LV}) + (\text{BA} \times \text{BV} \times \text{PCR})$$

Where:

LUC = Annual amount of Land Use Charge

M= Annual charge rate expressed as a percentage of the assessed value of the property which may vary between owner-occupied residential property and commercial (revenue-generating) property

LA= Area of a parcel of land in square meters

LV= Average value of a parcel of land in a neighbourhood per square meter in Naira

BA= Total developed floor area of the building on the plot of land in square meters, or the total floor area of apartment units in a building in which each apartment has a separate ownership title

BV= Average value of a medium quality building in a neighbourhood, per square meter in Naira

PCR= Property Code Rate for the building, which accounts for the building being of higher or lower value than the average building in the neighbourhood.

## 2.2 Land Use Charge Law

The Land Use Charge Law was first promulgated by the Lagos State Government on June 22, 2001, and made applicable throughout the state as the sole legislation for the collection of land-based rates and charges. The law consolidates all property and land-based rates and charges into a new property land use charge, to make provision for the levying and collection of the charge and for connected purposes, as the stated objective. The law was introduced to generate more revenue for both the State and local governments by establishing a new regime as a means of eliminating the malpractices under the old law through an overhaul of the old tax payment procedure and on February 8, 2018, the 2001 LUCL was repealed and replaced by a new LUCL, which took effect from the date of enactment. The intention for the reenactment law was to simplify the process for assessment and payment of property tax and as overemphasized, to generate additional revenue for the State through effective assessment and enforcement of the tax. The key components of the 2018 LUCL are highlighted thus. For ease of payment and to ensure overall compliance, the new LUCL incorporates certain incentives in form of reliefs for different individuals. The rate applicable for computation of obligatory charge per property is itemized below in Table 2.2

**Table 2: Land Use Charge Annual Rate in 2018 LUCL**

S/N	PROPERTY OCCUPATION	CHARGE RATE
1	Owner-Occupied Residential Property	0.076% payable per annum of Assessed Property value
2	Owner-Occupied property for a Pensioner	Exempted from payment
3	Properties owned by Lagos State Government	Exempted from payment
4	Industrial Locations of Manufacturing Concerns	0.256% payable per annum of Assessed Property Value
5	Residential Property (Owner and 3 <sup>rd</sup> Party)	0.256% payable per annum of Assessed Property value
6	Residential Property (without owner present in residence)	0.76% payable per annum of Assessed Value
7	Commercial Property (For Business Purposes)	0.76% of Assessed Value
8	Open empty land and Vacant Properties	0.076% payable per annum of Assessed Value

Source: Land Use Charge Law 2018

Section 2(2), designates the Local Government Area (LGA) in the State with the duty of being the primary agent in authority for the collection of such Charge. This empowers them as the only body having the power to impose and collect such rates. ALGA is required to include a Local Council Development Area (LCDA). Under Section 9, payment

responsibility of LUC has now been placed on either the occupier or owner of a property on a lease agreement with less than ten (10) years; while leases from ten (10) years or above, obligation to pay the relevant LUC resides solely on the occupier. Section 12(1) makes provisions for properties that are not required to pay such Charge; they include any property:

- a) fully owned and occupied by any religious body, which is used specifically as a place of worship or religious education
- b) used as a public cemetery or burial ground
- c) Specified as a registered and certified educational institution for non-profit making

Section 12(1), specified that there are certain restrictions on the scope of exempted properties, such that properties used as private cemeteries and burial grounds are no longer exempted from the Law. In situations in which a property was relieved from such charge is thereby leased out to private entities for the sole aim of revenue generation, such property shall forfeit its exemption status and thus be liable for payment of land use. Hence, forfeiture of exemption status also occurs wherein:

- i. there exists a change in property use that does not qualify for exemption status; and
- ii. The property of a religious body is registered in the name of an individual or corporate body different from the corporate name of the religious body.

The Commissioner for Finance is empowered under Section 12(2) to grant partial relief for certain properties which include:

- i. ones occupied by a non-profit making organization;
- ii. ones used specifically for carrying out social activities such as community games, sports, or recreation for the benefit of the general public; and
- iii. ones used majorly for a charitable purpose and for non-profit making, which would be an advantage to the public

Also, there exists according to Section 10(3) partial reliefs for property owners, in which certain factors such as their age, retirement status, physical disabilities; duration of residency, and the speed and efficiency with which the property owner usually pays the LUC are being considered.

**Table 3: 2018 Annual LUC Relief Rate**

S/N	Item	Relief Rate	Remarks
1	General Reliefs	40%	Its applicable to all properties that are liable to pay Land Use Charge
2a	Specific Reliefs: This is applicable to Property Owners and Leasee that are of 10years and above		
	Pensioner	100%	Specified for owner occupiers from 60 years & above

	Individuals with disability	10%	Owner occupied
	Aged Persons	10%	Specified for owner occupiers from 70 years & above
	Age of Property	10%	Properties from 25 years and above
	Long occupation by Owners	5%	Individuals occupied from 12 years and above
	Federal and other state Government Properties	20%	Should be a none revenue generating property
	Partial Relief under the Land Use Charge Law	20%	Essentially for none profit making
2b	The burden is on a person seeking a relief specific enough to provide relevant documents as proof thereof		
3	Payment within 15 days of receipt of Demand Notice	15%	Timely payment Discount
4	Modes of Application for relief	All applications must be made to the Commissioner for Finance for necessary approval supported with relevant documents	
5	Minimum Land Use Charge Payable	₦5,000.00	No property liable to Charge shall pay a sum less than N5,000.00 (Five thousand Naira) irrespective of any relief granted upon such property

Source: Land Use Charge Law 2018

According to the law, the main roles of the Commissioner of Finance in administering LUC include:

**Table 4: Roles of Commissioner of Finance in the Administration of LUC in 2018 LUCL**

S/N	SECTIONS	PROVISIONS
1	Section 10(5)	Authorized in making regulations in line with Regulation Approval Law of Lagos State, which would assist in providing for self-billing and electronic payment of the LUC by stakeholders
2	Section 14(1)	Delegated solely with the duty of dispensing a LUC Demand Notice every financial year, which is applicable to charged properties



3	Section 14(5)	Empowered with the right to reduce LUC payable by way of discounts upon a written application by the taxpayer.
---	---------------	--

Source: Land Use Charge Law 2018

Also, provisions are made for stakeholders to willingly self-assess the LUC applicable to their properties as itemized in Section 10(5). They can also employ use of electronic platforms approved under the Laws of the State, to make required LUC payments. As established in Section 17(1) and 23, An Assessment Tribunal for appeal purposes has been constituted under the 2018 LUCL as a quasi-judicial body, recognized to obtain and control complaints from the public on overvaluation or exemption of their respective properties. It also makes consideration to adopt Alternative Dispute Resolution (ADR) mechanisms to sort out issues relating to LUC.

As stated in Section 29, the maximum penalty for nonpayment of LUC has been increased to a fine of Two Hundred and Fifty Thousand Naira (N250, 000.00).

The Law empowers the Commissioner for Finance to appoint Professional Valuers and other Consultants such as Property Identification Officers as highlighted in Section 51, who shall not be less than six (6) in numbers, to carry out property assessments and levying of the LUC. This is based on the clause that such property identification officers must be registered with the Lagos State Valuation Office for professionalism, transparency and accuracy in determining tax rates.

The current basis adopted for 2018 LUCL is the commercial value accrued from a property, hence, the prescribed new mode of calculating applicable Charge payable for any property as described in the Schedule thereto:

$$(\text{Land Value} + \text{Building Developments Value}) \times \text{Relief Rate} \times \text{Charge Rate}$$

Interpreted as

$$\text{LUC} = [(\text{LA} \times \text{LR}) + (\text{BA} \times \text{BR} \times \text{DR}) \times \text{RR} \times \text{CR}]$$

Where:

LUC= annual amount of Land Use Charge in Naira.

LA= Area of a parcel of land in square meters.

LR= Average Market Value of parcel of land in the neighbourhood, on a per square meter basis in Naira based on the market value of the Property as determined by professional Estate Surveyors Valuers

BA= Total developed floor area of the building on the plot of land in square meters, or the total floor area of apartment units in a building in which each apartment has a separate ownership title



BR= Average construction value of medium quality buildings and improvements in a neighbourhood, on a per square meter basis in Naira based on the market value of the property

DR= Depreciation Rate for the buildings and improvements of land which accounts for the building being of higher or lower value than the average buildings in the neighbourhood

RR= Rate of relief from tax if applicable to the Owner Occupier in cases determined and reviewed by the Commissioner of Finance

CR= Annual charge rate expressed as a percentage of the assessed Market Value of the Property which may, at the State Government's decision, vary between (a) owner-occupied and other Property; (b) residential Property and commercial (revenue-generating) Property; (c) physically-challenged persons; and (d) persons who have been resident at the same location for at least 12years, minor, and retired Owners and Occupiers, on the one hand and other Owners and Occupier on the other.

$[(LA \times LV) + (BA \times BV \times DR) \times CR \times RR]$  = the assessed value of the Property.

Based on the formula stated above, 2018 LUC is an annual charge rate conveyed as a percentage of the calculated market value of the property, which empowers Lagos State Government to vary between an owner-occupied property and any other property, as well as residential property and commercial property.

Hence, the manner in which the new higher rates for LUC in Lagos State were introduced pursuant to the newly prescribed Law has no reverence for the harsh economic situation in the Country and the challenging nature of property acquisition and leasing of properties in Lagos State; such reasons lead to the resistance against the implementation of the Law. There seems to be a consensus of opinions that the State Government did not take cognizance of the effect the legislation will have on leasing transactions in Lagos State, as landlords will likely pass on the responsibility for paying the new higher rates to tenants by way of increase in rent.

### 3.0 STUDY AREA

The city of Lagos State is located in the southwestern fragment of Nigeria. Surrounded on the West by the Republic of Benin, the South by the Atlantic Ocean and Easter and Northern parts by Ogun State; Lagos has a landmass of 3,577 km<sup>2</sup> of which 22% of it is made up of lagoons and creeks. Based on the 2016 census, Lagos has a population of 9,113,605 residents as compared to the estimate carried out by Government Officials in 2012, which reflected a higher value of 17,552,940 residents. Lagos is broadly divided into Island and the Mainland; in which both areas are linked through three bridges; Third Mainland, Eko and Carter Bridges. Lagos is made up of metropolitan Lagos, Epe, Badagry and Ikorodu. According to the NIESV Business Directory (2018) and Oni et al (2019) there exist about 371 registered Estate Surveying and Valuation firms in Lagos state. The major parts of Lagos State which would be looked into based on this study are Lagos Island and Lekki.



Figure 1: Map of Lagos State

Source-Google Images

Primarily, Lagos Island is the central-local government area in Lagos State with a population of 209,437 inhabitants in an area of 8.7 km<sup>2</sup> based on the 2006 Nigerian census. Consequently, it has been described as the Central Business District of Lagos, because it serves as a host to most government head offices and buildings, as well as major head branches of various banks and businesses.

Lekki is a mini-city located in the eastern part of Lagos State, with a total population of 401,272 inhabitants as of 2011. Adjoining to its western side is Victoria Island and the Ikoyi axis, with the Atlantic Ocean to its south. Presently, Lekki is a host to numerous private gated estates, farmlands, and the renowned Free Trade Zone located in that area, which is under development and is inclusive of a proposed air terminal and a seaport.

## 4.0 RESEARCH METHODS

For the purpose of this study, primary data were collected through the use of a set of questionnaires administered on both the residents of the study area and Estate Surveyors and Valuers responsible for the management of properties in the study area. As stated above, the questionnaires were administered to Registered Estate Surveyors and Valuers practising in Lagos Island, Ikoyi and Lekki axis of Lagos State and residents of Crown Estate and Cooperative Villa, Badore, Ajah. The questionnaires were administered to Sixty-one (61) Estate Surveyors and Valuers as well as One Hundred and fifty (150) Residents. The data so collected were analyzed with the aid of simple statistical tools such as frequency, percentage and relative importance index.

## 5.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

### 5.1 Preliminary Survey Details

#### Table 5: Questionnaire Administered and Retrieval Rates

Respondents	Questionnaires Administered	Questionnaires Retrieved	Percentage (%)
Estate Surveyors and Valuers	61	61	100%
Occupants of residential properties	150	100	66.7%
<b>Total</b>	211	161	76.30%

As shown in Table 5 above, a total of Sixty-One (61) questionnaires were administered to ESV with a response rate of 100% while another set of One Hundred and Fifty-One Questionnaires was administered on residents out of which One Hundred questionnaires could be retrieved which represents 67% retrieval rate.

## 5.2 The Respondents' Profile and Bio-Data

This comprises the analysis of the bio-data of the respondent ESVs as well as that of the residents to whom the questionnaires were administered. Information regarding the ages, gender, academic qualifications of both respondents were addressed. Also, the professional qualification and years in the practice of each professional were gathered in order to ascertain their eligibility regarding the study at hand.

**Table 6: The Respondents' Profile and Bio-Data**

Parameter	Respondents	Subdivision	Frequency	Percentage Distribution (%)
<b>Gender</b>	Estate Surveyors and Valuers	Male	53	87.0
		Female	8	13.0
	Resident	Male	90	90.0
		Female	10	10
<b>Age</b>	Estate Surveyors and Valuers	21-30 years	22	36.1
		31-40 years	30	49.2
		41-50 years	6	9.8
		51-60 years	2	3.3
		Above 60 years	1	1.6

	Residents	21-30 years	14	14.0
		31-40 years	15	15.0
		41-50 years	19	19.0
		51-60 years	36	36.0
		Above 60 years	16	16.0
<b>Academic Qualification</b>	Estate Surveyors and Valuers	HND	17	27.9
		B.Sc.	34	55.7
		M.Sc.	10	16.4
	Residents	HND	11	11.0
		B.Sc.	68	68.0
		M.Sc.	21	21.0
<b>Professional Qualification</b>	Probationer	26	42.6	
	ANIVS	28	45.9	
	FNIVS	7	11.5	
<b>Professional Experience</b>	<b>Work</b>	1-5 years	16	26.2
		6-10 years	35	57.4
		11-15 years	8	13.2
		16-20 years	1	1.6
		21 years and above	1	1.6

The data collected on the respondents shows that out of the Sixty-One (61) ESVs, Fifty-Three (53) approximately 87% were Male, while the remaining eight (8) representing 13% were Female. The gender distribution of the respondent residents in the area of the study revealed that out of the One Hundred (100) respondents, ninety (90) Residents were male representing 90% of the respondents while Ten (10) residents were female representing 10% of the respondents. This showed that the number of males that responded to the questionnaire was

more than that of females amongst the two groups of respondents. This suggests that the real estate industry is male-dominated with a few numbers of females participating actively in the industry. As highlighted in Table 4.2, amongst the residents, the male gender is more in number than the females perhaps due to the payment involved and general understanding of LUCL.

Table 6 further shows that the respondent ESVs' age bracket to be 31-40 years (49.2%), 21-30 (36.1%), 41-50 (9.8%), 51-60 (3.3%), while those above 60 years of age constitute 1.6% of the respondents. In the case of the respondent occupants, those within the age group of 51-60 years constituted 36% of the respondents, while those with 41-50 years comprise 19%, those above 60 years were 16%, and 31-40 representing 15% of the respondents, while the age group of 21-30 years represented 14% of the respondents. This implied that the respondents are equally mature and their individual opinions would be based on their individual personal experience.

The Table 6 displays the academic qualifications possessed by the two categories of respondents sampled for the study. With respect to the respondent ESVs, thirty-four (55.7%) possess B.Sc. degrees, seventeen (27.9%) possessed an HND, while Ten (16.4%) had M.Sc. degrees. On the part of the respondent residents, sixty-eight (68.0%) have a B.Sc. degree, twenty-one (21.0%) possessed a M.Sc., while Eleven (11.0%) were able to obtain an HND. This deduced that both respondents are equally literate with a B.Sc. and M.Sc. degree; hence their judgment would be significant.

In terms of professional qualification, out of the Sixty-one (61) ESVs sampled respondents, twenty-eight (28) of them which represent 45.9% were Associates; Twenty-six (26) representing 42.6% were Probationers, while seven (7) respondents which indicates 11.5 % were Fellows. This is evident that that majority of the sampled ESVs are professionally qualified, which implies their expert opinion is deemed relevant. Of the ESVs sampled, Thirty-Five (35) of the them which represents 57.4% of the respondents had up to 10 years practicing experience; Sixteen (16) representing 26.2% had less than 5years; Eight (8) respondents representing 13.2% had up to 15 years work experience; while only one (1) respondent representing 1.6% has worked for about 20 years and one (1) respondent which represents 1.6% had 21 years and above experience as presented in Table 4.6. This is evident that the respondents have acquired substantial professional experience which in turn implies they would have sufficient professional experience that qualifies them to provide information for the study.

### 5.3 Sampled Residents' Status and Level of Income

The Occupancy status of residents and their level of income were examined to ascertain their responsibility towards the payment of the charge and ability to make such payment.

**Table 7: Sampled Residents Status of Residents and Income Level**

Parameter	Subdivision	Frequency	Percentage Distribution (%)
Occupancy Status of	Tenant	34	34.0

<b>Residents</b>	Landlord/ Owner	66	66.0
<b>Level of Income</b>	Up to 1,000,000.00	18	18.0
	1,001,000.00 -5,000,000.00	40	40.0
	6,000,000.00 – 10,000,000.00	11	11.0
	11,000,000.00 – 15,000,000.00	18	18.0
	Above 15,000,000.00	13	13.0

Table 7 shows that the majority (66%) of the respondents are the owners of the properties they are occupying while only 34% of them are tenants in the properties they are living in. With respect to the level of income of the residents, as shown in the table above, 40% of the residents are earning between N 1,001,000.00 -5,000,000.00 per annum; 18% are earning between N 11,000,000.00 – 15,000,000.00 per annum; 18% were earning up to N 1,000,000.00 per annum; 13% of the residents earn above N 15,000,000.00 per annum; while 11% were earning N6,000,000.00 – 10,000,000.00 per annum. As shown pending on the rate charged per property would determine each respondent’s ability to pay and still be able to cater for their basic needs on an annual basis.

**5.4 Level of Awareness of stakeholders about the concept of LUCL**

This section is devoted to assessing the awareness level of stakeholders about both the 2001 and 2018 Laws.

**5.4.1 Respondents Awareness of 2001 LUCL**

This section finds out how much the respondents know about the previous law which is the 2001 LUCL and to ascertain their level of understanding of the law because this would assist in responding to consequent questions asked about the current law (LUCL 2018) and how it affects them. In this section, each set of respondents was asked to describe the 2001 Law.

**Table 8: Respondents Classification of 2001 LUCL**

Respondents	Parameter	Subdivision	Frequency	Percentage Distribution (%)
<b>Estate Surveyors and Valuers</b>	It is a form of property tax	Yes	34	55.7
		No	27	44.3
	It is a levy for the general use of land	Yes	15	24.6
		No	46	75.4
	It is a source of Government Revenue	Yes	25	41.0
		No	36	59.0



<b>Residents</b>	It is a form of property tax	Yes	49	49.0
		No	51	51.0
	It is a levy for the general use of land	Yes	24	24.0
		No	76	76.0
	It is a source of Government Revenue	Yes	34	34.0
		No	66	66.0

The respondent ESVs were asked about their awareness of the 2001 LUCL, thirty-four (34) of the respondents representing 55.7% viewed it to be a form of property tax, fifteen (15) respondents representing 24.6% were of the view that it is a levy for the general use of land, while, twenty-five (25) respondents representing 41% described it as a source of Government Revenue. Out of the One Hundred (100) respondent residents, forty-nine (49) of them representing 49% agreed to the fact that it is a form of property tax; Twenty-four (24) of the respondents representing 24% viewed it as being a levy for the general use of land, while Thirty-four (34) respondent residents classified the 2001 LUCL as being a source of Government Revenue. As shown in the table above, the analysis revealed that the greatest percentage of the respondent ESVs (55%) and the residents (49%) regarded the 2001 Law as a form of property tax.

**5.4.2 Respondents Awareness of 2018 LUCL**

This section is basically meant for comparing the two laws (i.e. 2001 and 2018) and to ascertain the respondents understanding of the 2018 law.

**Table 9: Respondents Classification of 2018 LUCL**

Respondents	Parameter	Subdivision	Frequency	Percentage Distribution (%)
<b>Estate Surveyors and Valuers</b>	It is a repeal of the 2001 LUC Law	Yes	27	44.3
		No	34	55.7
	It is a levy for the general use of land	Yes	11	18.0
		No	50	82.0
	It is a source of Government Revenue	Yes	37	60.7
		No	24	39.3
<b>Residents</b>	It is a repeal of the 2001 LUC Law	Yes	34	34.0
		No	66	66.0
	It is a levy for the general	Yes	3	3.0



	use of land	No	97	97.0
	It is a source of Government Revenue	Yes	67	67.0
		No	33	33.0

The respondent ESVs were asked about their awareness of the 2018 LUCL, twenty-seven (27) of the respondents representing 44.3% viewed it as a repeal of the 2001 Law, Eleven (11) respondents representing 18% were of the view that it is a levy for the general use of land, while, Thirty-seven (37) respondents representing 60.7% described it as a source of Government Revenue. Thirty-four (34) respondent residents representing 34% agreed to the fact that the law is a repeal of the 2001 LUCL; three (3) respondents representing 3% viewed it as being a levy for the general use of land, while Sixty-seven (67) respondent residents representing 67% classified the 2018 LUCL as being a source of Government Revenue.

As shown in Table 4.10, the responses revealed that a higher percentage of the ESVs (37%) and residents (67%) viewed the 2018 LUCL as being a source of Government Revenue.

### 5.5 Self-Assessment Computation/ Formula of Charge applicable on properties

The 2018 LUCL states that occupants can self-assess and compute the charge payable on their respective properties by using the prescribed formula:

$$LUC = (\text{Land Value} + \text{Building Developments Value}) \times \text{Relief Rate} \times \text{Charge Rate}$$

$$\text{Interpreted as, } LUC = [(LA \times LR) + (BA \times BR \times DR) \times RR \times CR]$$

Where,

Land Value (LA×LR) =Area of land in sqm ×Average market value of land in the neighbourhood.

Building Developments Value (BA×BR×DR) = Total developed floor area of building in sqm× Average construction value of building quality× Depreciation rate for building and land improvements.

Relief Rate (RR) =Rate of relief from tax applicable to the owner-occupier.

Charge Rate (CR) = Annual charge rate expressed as a percentage of the assessed market value of the property.

As shown in Table 12 below, fifty-eight (58) of the respondent ESVs representing 95.1% of the sample size was in agreement with the formula applicable for computing the amount of LUC payable, while only three (3) respondents ESVs (4.9%) were in disagreement. Ninety-eight residents (98) of the sampled residents (98%) concurred with the view that the prescribed formula is accurate, while two (2) of the respondents' residents (2%) disagreed with such belief.

**Table 10: Respondents that agreed with the LUC Computation formula**

Parameter	Respondent	Subdivision	Frequency	Percentage Distribution (%)
<b>Agree with LUCL Formula</b>	Estate Surveyors and Valuers	Yes	58	95.1
		No	3	4.9
	Residents	Yes	98	98.0
		No	2	2.0

The three (3) of the sampled ESVs disagreed with the prescribed formula on the following basis: Firstly, that the use of land value as the basis of taxation is grossly against best practices in taxation; Secondly, that basing the rate applicable on market value as inadequate; and thirdly, that the application of cost method for the tax is wrong and that the best approach is the use of investment method (net income). On the part of residents, the two (2) of the sampled residents disagreed with the adoption of self-assessment computation, as they were of the opinion that: such calculation has the tendency of not reflecting the reality of the owners’ current income and basing the rate on the market value of the property is subjective.

**5.6 Basis of Assessment of Applicable Charge and Necessary Recommendations toward its Amendment**

This section considers the appropriateness of the 2018 Laws’ basis of assessment, which is the market value of a property. Thirty (30) of the sampled ESVs were of the opinion that the basis of assessment to be a good one, while the remaining Thirty-one (31) ESVs disagreed with the basis. Thirty-five (35) of the sampled residents also agreed with the adopted basis of assessment, while the remaining Sixty-five (65) sampled residents disagreed with the prescribed basis.

**Table 11: Basis of Annual Land Use Charge Assessment**

Parameter	Respondent	Subdivision	Frequency	Percentage Distribution (%)
<b>Basis of Annual Tax Assessment</b>	Estate Surveyors and Valuers	Market Value of a Property	30	49.2
		Net annual income of a property	25	41.0
		Capital value of income received in perpetuity	6	9.8
	Residents	Market Value of a property	35	35.0

		Net annual income of a property	52	52.0
		Capital value of income received in perpetuity	13	13.0

As shown in Table 11 above, 52% of the respondents were not in support of the current basis of assessment and stated what basis would be fit for tax assessment. Twenty-five (25) respondent ESVs representing 41.0% that disagreed with the basis of assessment preferred that the Net annual income of the property should be the basis of annual tax assessment; while six respondents representing 9.8% referred to the Capital value of the income received on the property in perpetuity. Fifty-two (52) respondent residents representing 52.0% suggested that the Net annual income of the property should be the basis for tax assessment, while thirteen (13) respondent residents mentioned the Capital value of the income received on the property in perpetuity.

As highlighted above, a higher percentage of both responses that disagreed with the current basis of market value, suggested the Net annual income of the property should be the appropriate basis of annual tax assessment for LUC billed per property.

### 5.7 Perceptions of Stakeholders about the Lagos State Land Use Charge

This section examines the factors that show the respondents views on LUC. Relative Importance Index (RII) was employed in the analysis of the Likert scale questions which helps to determine how strongly the respondents agrees to the options given, the respondents were asked to rate their views using a 5-point Likert scale in which 1 represents “Strongly Disagree”, 2 represents “Disagree”, 3 represents “Undecided”, 4 represents “Agree”, 5 represents “Strongly Agree”.

**Table 12: Comparison of Respondents perceptions about LUC**

S/ N	Perceptions of LUC	Estate Surveyors and Valuers		Residents		Mean	Average RII	Ranking
		Mean	RII	Mean	RII			
1	Tenants rent will increase due to LUC imposition	3.80	0.76	4.40	1.44	4.10	1.10	1 <sup>st</sup>
2	LUC will increase the cost of property	3.70	0.74	4.17	1.37	3.94	1.06	2 <sup>nd</sup>
3	Basing the annual LUC rate on market value serves as a subtle form of double taxation as Capital Gains Tax is paid every time the property is bought or sold; alongside payment of LUC	3.72	0.74	3.98	1.29	3.85	1.02	3 <sup>rd</sup>

4	Due to imposition of LUC, tenants may default in rent payment	3.23	0.65	4.42	1.39	3.83	1.02	3 <sup>rd</sup>
5	Basing the annual LUC rate on market value is an inequitable form of taxation, as owners do not receive market value of property on annual basis	3.72	0.74	3.94	1.30	3.83	1.02	3 <sup>rd</sup>
6	The lack of review of 2001 LUCL in over 15 years has led to the increase in LUC rates	3.89	0.78	3.54	1.16	3.72	0.97	6 <sup>th</sup>
7	Tax burden of LUC will be passed on to tenants occupying properties	3.38	0.68	3.76	1.23	3.57	0.96	7 <sup>th</sup>
8	Tax burden of LUC will be passed on to Landlords	3.46	0.67	3.48	1.18	3.47	0.93	8 <sup>th</sup>
9	Net Income Receivable from a property ought to be taxed as LUC	3.33	0.69	3.59	1.14	3.46	0.92	9 <sup>th</sup>
10	LUC as a form of property taxation has negative effects on property development and Investment	3.25	0.65	3.35	1.10	3.30	0.88	10 <sup>th</sup>
11	LUC would discourage mortgages and the perfection of land titles	2.98	0.60	3.23	1.06	3.11	0.83	11 <sup>th</sup>
12	Capital Value of a property should be taxed on annual basis as Land Use Charge	2.92	0.58	3.09	1.01	3.01	0.80	12 <sup>th</sup>
13	LUC rates takes into consideration prevailing economic realities in Nigeria	2.26	0.45	2.40	0.79	2.33	0.62	13 <sup>th</sup>

As shown in Table 12, respondents were of the opinion that the most significant factor that has an effect on tenants and landlords based on their perception about LUC is that tenants rent will increase as a result of its imposition as identified by an average RII of 1.10 and was hence ranked first. This implied that in properties for example, in which landlords are faced with the burden of paying such charges, landlords would want to outweigh such costs and as a result increase their tenants' rent. This in turn leads to the second factor that was ranked next with an RII of 1.06, which is LUC will increase the cost of the property; which implies that pending on the property in question, the charge applicable to such property might result in an increase in the purchase of such property in the long run.

Therefore, the increase in the cost of property resulted in three factors being ranked third with an RII of 1.02 which are basing the annual LUC rate on market value serves as a subtle form of double taxation as Capital Gains Tax is paid every time the property is bought or sold; the annual basis of assessment by using market value is an inequitable form of taxation, as

owners do not receive such value of a property per annum. This reveals that respondents completely disagree with the current basis of assessment which in turn makes LUC an inequitable form of taxation in the long run. As a result of these two factors, tenants may default in rent payment which was thereby ranked in comparison with the same RII of 1.02. They were also of the opinion that the lack of review of 2001 LUCL in over 15 years led to the recent increase in LUC rates as this factor was ranked sixth with an RII of 0.97. as a result of such increase in its rates, respondents were of the view that obligatory payment of such charge will be reflected on the tenants occupying properties rather than to landlords, as this was reflected with the former having an RII of 0.96 and ranked seventh, while the latter has an RII of 0.93 and was ranked eight.

In light of respondents disagreeing with the current basis of tax assessment, in their opinion, the income receivable from a property yearly ought to be the basis of LUC, as this factor had an RII of 0.92 and a ranking of nine. LUC as a form of property taxation may have negative effects on property development and investment was ranked tenth with an RII of 0.88. However, the factors that LUC would discourage mortgages and the perfection of land titles was ranked eleventh with an RII of 0.83; using the capital value of the property as a basis was ranked twelfth with an RII of 0.80; and LUC rates take into consideration prevailing economic realities in Nigeria as it was ranked thirteenth with an RII of 0.62, which signifies that all three factors were the least ranked because they were the least associated with respondents concerns about their personal views about LUCL.

## 6.0 DISCUSSION

The study has shown from the perspective of Estate Surveyors and Valuers the use of land value as the basis of taxation is grossly against best practices in taxation that basing the rate applicable on market value to be inappropriate and that the application of cost method for the tax as the wrong method of assessment while suggesting investment (net income) method to be the best approach. While on the part of residents, they strongly disagreed with the adoption of self-assessment computation while noting that such calculation has the tendency of not reflecting the reality of the owners' current income and that basing the rate on the market value of the property as is subjective. This is in line with Sanni (2012) and Edori, Edori and Idatoru (2017) both of who opined that tax assessment should be based on universally accepted tax assessment principles that are in line with the principles or canons taxation.

Finding from the study further disagreed with the current basis of property tax assessment but rather suggested basing the assessment on the Net annual income of the property to arriving annual land-use chargeable to be the best approach. Fifty-two per cent (52%) of the respondent residents supported basing the assessment on Net Annual Income while only about 10% of the resident residents preferred basing the assessment on the Capital Value of the properties. This could be due to the ignorance on the part of the few residents who were ignorant of the implication of basing the assessment on Capital Value. From the foregoing, it can be seen that the majority of both respondents (ESV and residents) favoured using Net Annual Value as the basis of assessment for the Land Use Charge per property. This finding is in tandem with that of Smith (2003), Ogbuefi (2004) and Jarczok-Guzy (2017) who all

favoured basing property tax assessment on Net Annual Value as against Capital Value which the Land Use Charge tends to adopt.

## 7.0 CONCLUSION AND RECOMMENDATION

This study set out to assess how the Lagos State enacted Land Use Charge law is being administered and its performance so far. Some of the findings from the study include the fact that:

First, most residents and stakeholders were aware of the 2001 LUCL and that of the 2018 LUCL. Second, the study revealed that most respondents viewed LUC as mostly being a source of government revenue to assist in the creation of basic amenities for the general public, however, due to the current basis of annual tax assessment, it would form as a means of double taxation and can create avenues in which its further administration might experience difficulties in collection of such tax and non-compliance from citizens in the long run. Third, the study showed that most respondents disagreed with the current basis of tax assessment (market value of a property), and LUC ought to be taxed on the Net annual income received from a property every year. Most respondents were of the opinion that the present basis of tax assessment would lead to an increase in the rates attached to the charge per property. They also highlighted the need for changes in order to ensure the law be applied equally amongst citizens. Most tenants were of the opinion that current basis of assessment would result to increase in rents being paid and an increase in the cost of developing and purchase of properties; all of which would have a negative effect on property investment in the long run.

In conclusion, the study come up with the following recommendations based on the generated findings from the study with a view to ensuring the sustainability and smooth administration of the enacted Lagos State Land Use Charge: An amendment to the law regarding the administration of LUCL to ensure equitability amongst all citizens. In this regard, the basis of a tax assessment to be on Net income received annually from a building while the owner-occupied property's tax should be based on an assessment of comparable properties. This is to ensure that the tax follows the four main cannons of a decent tax system which includes convenience, certainty, equity and benefits to the entire economy. If the need is to ensure the charge is not subjective in nature, certain rates and reliefs should be made in adjustment to ensure that all occupants of properties pay the rate suitable to their funding and ability to also pay such tax in the long run. Also, there is a need by Lagos State Government to seek ideas or information from professionals, especially the ESVs with in-depth knowledge as to the property market to ensure the rates attached to each property is both feasible and viable for occupants to pay as at when due. In this light, the Nigerian Institute of Estate Surveyors and Valuers (NIESV) is required to collaborate with the Lagos State government to ensure that such professionals have a seat at the table to make all necessary evaluations and recommendations as to the rate to be applied per property.

Lastly, all calculations and enumerations of specified rates should be carried out by Registered ESVs as authenticated by law as the only certified property enumerators, who are eligible to assist in the property assessment stage of the administration process in the sense that, they should be able to assist in valuing specific properties on an annual basis.



## REFERENCES

- Adebayo, M. A. & Arimoro, T. A. (2018). Administration of land use charge in Lagos state, Nigeria. *Covenant Journal of Research in the Built Environment*, 6(1), 1-13.
- Ahmad, E., Brosio, G., & Poschl, C. (2014). Local Property Taxation and Benefits in Developing Countries- Overcoming political resistance? Research center working paper 65. Asia. Retrieved from: [www.lse.ac.uk/collections/AsiaResearchCentre](http://www.lse.ac.uk/collections/AsiaResearchCentre)
- Azubike, J.U.B. (2009). Challenges of tax authorities, tax payers in the management of tax reform processes. *Niger. Account.* 42(2): 36-42.
- Babawale, G. K., & Nubi, T. (2011). Property tax reform: an evaluation of Lagos state land use charge, 2001. *International Journal of Law and Management*, 53, 129-148, Retrieved from: <https://doi.org/10.1108/17542431111119405>
- Coker, B .O. (2007). The Nature and Causes of Coastline Squatter Settlements in Lagos Metropolis. An Unpublished Thesis.
- Ebi, U., Okoh, V. P. O., & Soetan, T. (2017). Lagos State land use charge: Appropriateness of the assessment method and payment liability. *International Journal of Research in Applied, Natural and Social Sciences* 5(1), 35-44.
- Edori, D. S., Edori, I. S., & Idatoru, A. R. (2017). Issues and challenges inherent in the Nigerian tax system. *American Journal of Management Science and Engineering* 2(1), 52-57.
- Idowu, A. M., Kamarudin, N., Achu, K., & Solomon, I. A. (2016). A review of valuation impact on property tax. *International Journal of Real Estate Studies* 8(6), 17-23.
- Jarczok-Guzy, M. (2017). The principle of tax law equality in the context of direct taxation. *Journal of Economics and Management.* 30(4), 70-84.
- Land Use Charge Law (2001), Law No. 11 of Lagos State of Nigeria. *Lagos State of Nigeria Official Gazette Extraordinary* , 34(20).
- Land Use Charge Law (2018), of Lagos State, Nigeria. Retrieved from: <http://pwcnigeria.typepad.com/files/2018-land-use-charge-law-lagos-state.pdf>
- Leijon, L. H. (2015) Tax policy, economic efficiency and the principle of neutrality from a legal and economic perspective. Working Paper 2015:2. Uppsala. Retrieved from: <http://uu.diva-portal.org>
- Muhammad, M. S., & Ishiaku, B. (2013). An assessment of the prospects of property tax administration in Nigeria: A case study of Bauchi board of internal revenue. *Elixir International Journal* 59, 15284- 15289.
- Neill, J. R. (2000). The benefit and sacrifice principles of taxation: A synthesis. *Social Choice and Welfare*, 17(2), 117-124.



- NIESV (2018). NIESV Firms. Retrieved from: <http://firms.niesv.org.ng/niesva-zfirms.php>
- Ogbuefi, J. U. (2004): Comparative property rating and taxation; Institute for Development Studies; Enugu Campus.
- Ogunde, A.O., Ademola, A., Omuh, I., Owolabi, D., Ayedun, C.A., & Ogunde, A. (2018). Integration of Software to Improve Quality of Project Delivery: How Effective? International Journal of Mechanical Engineering and Technology, 9(8) PP. 660-668.
- Ojo, A .E, & Oladipo, F. O. (2017). Tax and taxation in Nigeria: Implications on the construction industry sector. International Journal of Civil Engineering, Construction and Estate Management.
- Olusegun, K. (2002): Principles and Practice of Property Rating; Olusegun Kuye and Associates, with the Estate Management Institute, 5, 44-57.
- Oni, A. O. (2009). An estate valuer's assessment of the Lagos state land use charge law 2001. Journal of Public Administration and Policy Research, 1(7), 125-132, Retrieved from: <http://academicjournals.org/Jpaper©2009> Academic Journals
- Oni, A.O. (2010). The Lagos state land use charge law (2001) and vision 20:2020 housing theme. A paper presented at the 40th National Conference of the Nigerian Institution of Estate Surveyors and Valuers at the Expo Center, Eko Hotel Victoria Island, Lagos.
- Oni, A.S., Oloyede, S.A., Durodola, D.O., Ayedun, C.A., & Akinjare, O. (2019). Estate Surveyors and Valuers' Involvement in Outdoor Advertising Billboards Valuation in Lagos, Nigeria. International Journal of Civil Engineering and Technology, 10(1) PP. 1672-176
- Oserogho, E. O. (2002). Land use charge law No. 11 of 2001 of Lagos state. Retrieved from: [http://www.oseroghoassociates.com/news/news\\_2002\\_07.shtml](http://www.oseroghoassociates.com/news/news_2002_07.shtml)
- Rabiu, S. A. (2001): Tax compliance and administration. A paper presented at a seminar organized by Rahmad Research and Consultancy Services in Association with the Chartered Institute of Taxation of Nigeria, Lagos, Nigeria.
- Sani, A. M. (2015). An appraisal of the legal framework for taxation in Nigeria. Journal of Law, Policy and Globalization, 34, 82-86.
- Sanni, A. (2012). Multiplicity of taxes in Nigeria: Issues, problems and solutions. International Journal of Business and Social Science, 3(2), 229-236.
- Smith, A. (2003): The Wealth of Nations, Chapter II of Book V, Edited by Krueger A.B; New York: Batman Dell; ISBN 0553-58597-5.
- Wachiuri, R. N. (2015). Effect of assistive technology on teaching and learning of integrated English among visually impaired learners in special secondary schools in Kenya

(Doctoral dissertation, University of Nairobi, Kenya). Retrieved from [https://www.researchgate.net/post/How\\_to\\_determine\\_the\\_sample\\_size\\_in\\_a\\_large\\_population](https://www.researchgate.net/post/How_to_determine_the_sample_size_in_a_large_population).