
Analysis of Effects of Land Charges and Approval Fees on Housing Development in Anambra State

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Abstract

The study focused on the analysis of effects of land charges and approval fees on housing development in Anambra State. The populations of the study were one hundred and ninety-three (193) comprising of forty-two (42) registered Estate Surveyors and Valuers, land officers and other allied professionals in the state housing and urban development and those in the ministry of lands are sixty four (64) and eighty seven (87) respectively. Sample size of one hundred and sixty-four (164) were used which comprises of thirty-eight (38) Estate Surveyors and Valuers, fifty-five (55) land officers and seventy-one (71) from those in the ministry of lands. The data used was a primary data collected through structured questionnaire. The data collected was analyzed using simple percentage and Relative Importance Index (RII). From the analysis of land use charge payment, non-satisfaction of good tax system ranked first, non-provision of infrastructure second, bureaucratic procedure ranked third, frequency review of the charges ranked fourth followed by others. The researcher recommended among others that government should provide an enabling environment to enable the tax payers to embrace the system.

Keywords: Effect, Land charge, Approval fee, Housing, Development

1. Introduction

Housing is important to human existence as it ranks among the top three essential needs to man. Housing is one of those basic social conditions that determine not only the quality of life and welfare of people but also that of places. Housing literally is defined as buildings or other shelters in which we live; a place to live, dwelling, and to nations, a critical component in social and economic fabric. Its provision has always been of great necessity to man. Adequate shelter contributes to the attainment of physical and mental health of a nation and stimulates the social stability, work efficiency and development of the individual. Shelter is also a good investment and house owners often use their property as security. Shelter, both in units or multiple forms, is a significant component of the physical form and structure of a community, while the human and family content is part of the very spirit of life and prosperity of the society.

Land use charges in Anambra State, before the advent of Anambra State Property and Land Use Charge (APLUC) that harmonizes all land charges in the state, was characterized by corruption, personnel problems, ignorance, lack of adequate materials, apathy, poor street naming and house numbering among others and of course, poor revenue (Ezeudu, 2009). All these informed the decision of the State Government to undertake the tax reform. Anambra State Property and Land Use Charge (APLUC) which was adapted from the Land Use Charge of Lagos State took effect on the 29th day of November, 2011.

Approval fees are those levies imposed on any developer of real estate in the state and they includes application fee, file fee, registration fee, inspection fee, inspection per building fee, planning rate area fee, pegging per building fee, completion per building fee, monitoring and evaluation per building, computer fee, certification fee, revalidation fee, amendment of approved plan fee (Anambra State Physical Law, 2013). While processes involved in getting the approval requires submission of four copies of architectural and structural drawings with a covering letter addressed to the General Manager, State Physical Planning Awka, Anambra State or Awka capital Territory Development Authority if the structure is intended to be developed within the capital territory. All documents must be duly signed by members of relevant professionals, with addition of tax clearance certificate for three years, after which an inspection will be carried out by the Town Planner to see the compatibility of the land use, also an Architect and Structural Engineer will look at the drawings and certify that they are in conformity with the acceptable standard. In recent times government of many states in Nigeria have toed the path of upward review of land related fees, as a means of raising revenue for government. These reviews are mostly done without the input of the professionals who stand a better chance to educate the policy makers on the pattern of reviews that can yield the desired results.

No doubt, government at all levels must seek out ways of ensuring a smooth and general wellbeing of the people in the society through provision of basic infrastructure which can be attained by government revenue, attention must be paid to payers opinion and their suggestion as to what is affordable vis-a-viz what they want from government through their community annual chart of demand, so as to reduce defaulters, or fees evaders, who will rather run away than complying with the formal rule of procedure. Therefore this research looks at the land use charges and approval fees and its resultant effects on housing development in Anambra state, Nigeria.

2. Concept of Housing Development

There is need to particularly focus on the development of housing in the rural areas because a considerable proportion of Nigerians live in the rural areas (Toyobo et al, 2014). According to Okoye (1992) the relationship between the urban and rural areas are symbiotic and if any development strategy must be successful, it must recognize that the phenomenon of rural–urban dichotomy in the national landscape is unacceptable and connotes underdevelopment. Moreover, many of the problems of the urban areas can be traced to shortcomings in the rural areas. The mass exodus into the towns is worrisome. The high costs of urban housing and services, the health hazards of shanty towns, the security and political threat posed by the urban unemployed and the adverse economic implications of rural depopulation –these are all challenges which result from the influx into towns and cities (Omonigho, 2013). Major Nigerian cities grow at annual rates of 5 to 17.5% and suffer from severe pressures on available resources, such as housing, thereby worsening already bad situations in urban employment, management, service delivery and liveability (Akpomuvie, 2010). Also the wide gap in the development levels between the urban and rural areas in Nigeria seems to be threatening the political and social stability of the country. For example, the massive drift into urban areas and the so called “Big cities” due to low level of development in rural areas is one of the basic factors responsible for the sharp reduction in agricultural activities and consequent overreliance on the oil sector in Nigeria. This in turn has resulted in a less stable and less diversified Nigerian economy, springing up several political and social consequences like poverty, crime, employment, etc. (Iwayemi, 2006). Nigerian cities such as Lagos, Port-Harcourt, Kano, Onitsha among others where most immigrants settle are characterized by human traffic, vehicular congestions, environmental pollution, consistent in migration and spurious expansion of territories to accommodate human additions (Aworemi et al. 2011). Despite having a considerable proportion of the national population, the rural areas are characterized by pervasive and endemic poverty, manifested by widespread hunger, malnutrition, poor health, inadequate access to formal education, deplorable housing state and various forms of social and political menace. Most of these challenges are not as severe in urban areas when compared to the rural areas (Akpomuvie, 2010). One way of plummeting these is the improvement in rural housing and rural housing conditions in general. It is being recognized that the problems of our urban centres cannot be solved unless those of the rural areas are solved, or at least contained. A relevant way to tackle the unequal level of development between the two areas is addressing the housing problems in the rural areas. This will enable other developmental activities to spring up. In addition, Gyuse (2009) stated that rural housing serves as an abode or place of habitation as it accommodates most rural small scale industries like pottery, dyeing, among others.

Charges on Land for Its Administration

Ground Rent

Ground rent is a sum of money payable on an annual basis for the right to use and enjoy a parcel of land that belongs to another; or rent payable for land that is leased for the purpose of improvement by building. It is an annual rent payable under a ground lease or a building lease (usually for a substantial term of year), or a rent based on the value of land excluding building and improvements.

The ground rent depends on the location, size and type of the property, as per the schedule issued by state government and revised from time to time. Ground rent is usually higher in urban areas than in rural and agricultural areas. In Sokoto state ground rent for residential property is currently #9,000 per hectare per annum; commercial property, #3,000 per hectare per annum; and industrial properties, #6,000 per hectare per annum. In Niger State, it is

charged at 3% of the estimate capital value of the property. In Bauchi State, ground rent is fixed at # 10,000 per annum for residential areas in Bauchi metropolis, and #25000 for industrial areas elsewhere. In Anambra State ground rent is #5 per square meter, non-profit organizations pay 25% of the applicable rate while agricultural lands pay 25k per square meter (2015).

Premium

A premium is a lump sum paid by a tenant to a landlord in consideration for a lease granted at a low rent (a rent below full rental value), or for some other benefits will be as a rule, financial, having the same effect as a reduction in rent. A premium is often paid on the grant or renewal of a lease, but there may be more than one premium, payable at any time during the lease term, It entails a cash gain coupled with a loss of rent for the landlord because the usual result of charging a premium will be a leasing at less than full rental value. The landlord is therefore selling part of income. The tenant will be paying a lump sum in return for a lease at a rent below full rental value, effectively buying a profit rent. Valuation is usually required to determine the premium payable in lieu of a given reduction in full rent or to determine the reduction in rent that is commensurate with a given figure of premium.

The premium depends on the location, size and type of the property, as per the schedule issued by State Governments and revised from time to time. In Enugu State premium is charged at between #10,000 and #20,000 per sq. meters depending on the land use. In Anambra State it is between #400 to #1000 per square meter depending on the location of the subject property. In Ebonyi State, it is between #10 to #40 depending on the location of the subject property.

Consent Fee

Consent fees are mandatory payments to State Government for the legal validity of any alienation of interests in landed property in Nigeria. Though the LUA does not expressly provide for any payment to be made or fees to be paid as condition for obtaining the Governor's consent for the purpose of alienating Customary Right of Occupancy under S21(a) or statutory Right of Occupancy under sections 15(b), 22(1) or section 24(d), consent fees is commonplace in virtually all the States, where Governor's consent on transactions in land and property is required. Valuation of subject land and improvements are therefore usually required to determine the amount of fee payable.

While the responsibility for determining the value of land or property for the purpose of obtaining Governor's consent should ordinarily rest with land officers in the ministry of land or land bureau, in some States, applicants for governor's consent are allowed to bring valuation certificate or valuation consultant estate surveyors and valuers while in some other States, Government Land Officers carry out the valuation using a table of rates per square metre of lands prepared for that purpose as guides. At the Federal level and in the FCT, the Land officers in the ministry of land are responsible for carrying out the valuation in accordance with their predetermined. Rates fixed per square meters vary from the federal to the state level; and usually depend on the location of the land/property

Section 21(b) of the LUA makes it lawful for a customary right of occupancy (CRO) to be alienated by way of assignment, mortgage, transfer of possession, sublease etc, without the approval of the local government in cases other than those in which property subject to CRO is to be sold by or under order of court under the provision of the sheriffs and civil process

law. Like with the Governor's consent, the LUA makes no mention of any fee as condition for the grant of statutory right of occupancy.

However, in Akpabuyo local government area of cross-river state, before such an approval is granted, a percentage of the consideration for the sale as declared by the parties to the transaction is payable. This particular local government council has no registered estate surveyor and valuers in its employment. Consent fee is usually calculated at a fixed percentage of the sales prices or the open market value as may be determined by a government assessor, whichever is higher.

The percentage varies from 1% (Enugu) to 15% (Ekiti) across Nigeria and, within each State, may vary according to the property location (urban area vs. rural areas) or the type of properties (undeveloped vs. developed). In Ekiti State, consent fee is 15% of the exchange value for undeveloped land, and 10% for developed land. In Kogi State, consent fee for transfer of Right of Occupancy are charged at 4% of the value based on valuation prepared by applicant's valuer; while consent fee on mortgage is 3% of property value. In Lagos State, consent fee is 8% of assessed value. Ministry of Land in Abuja fixes consent fee at 5% of capital value of land or property as determined by the Ministry's officials who use a band of value as guides. However, an increasing number of state, flat rate is being adopted ranging from N2, 000 (Nasarawa and Yobe states) up to N55, 000 (FCT). In case of a mortgage, consent fees are a fixed percentage of the loan amount, percentage that varies from state to state.

Withholding Tax on Rent

Withholding tax is an advance payment of income tax. Its purpose is to capture taxpayer's income, which may otherwise not be reported, by requiring a 'paper' to withhold a proportion of the payment due to the taxpayer and to pay the same to the relevant tax authority at source and thereby helping to combat tax evasion.

The legal basis for the withholding tax system in Nigeria is to be found in three separate laws:

- a) The personal income tax decree no. 104 of 1993, as amended
- b) Companies income tax act, as amended
- c) petroleum profits tax act, as amended

Sections 68, 69, 70 and 71 of decree 104 deal respectively with withholding tax deductions from rent, interest or royalties, dividends and directors' fees paid to individuals. Sections 60, 61 and 62 of the Companies Income Tax Act Cap. 60 LFN 1990 deal respectively with deductions from interests, rent and dividends paid to corporate bodies. However, the taxes and levies (approved list for collection) Decree No. 21 of 1998 states that States can collect withholding tax on companies, residents of the Federal Capital Territory, Abuja and non-resident individuals.

Persons authorized to deduct withholding tax include companies, statutory bodies government departments, parastatals, institutions and other bodies approved for the operation of the PAYE Scheme. Withholding tax payments for corporate beneficiaries are made through selected banks to the Federal Board of Inland Revenue while payments relating to individuals/partnerships are made to the State Board of Internal Revenue in the State in which the individual/ partnership resides or operates.

3.0 METHODOLOGY

The data for the research work was obtained through the use of structured questionnaires from registered Estate Surveyors and Valuers (Associates and Fellows), land officers and other allied professionals working in the state housing and urban development and also those in ministry of lands. The population of the study comprises of 42 registered Estate Surveyors and Valuers, 64 land officers and other allied professionals in the state housing and urban development and 84 for those in the ministry of lands. 164 structured questionnaires were distributed. The scores used is five-point scale likert-type or ordinal scale. The respondents were requested to tick the following keys:

SA	Strongly Agree
A	Agree
U	Undecided
D	Disagree
SD	Strongly Disagree

4.0 RESULTS AND DISCUSSIONS

4.1 Basis of assessment of the land use charges in the state

The study presents the analysis of the basis of assessment of the land use charges in the state.

Table 1: Respondents on the basis of assessment of the land use charges

S/N	Items	SA	A	UN	D	SD	Total
1	It is based on Percentage of the land value	16(11%)	12(7%)	10(6%)	54(34%)	66(42%)	158(100%)
2	It is based on location of the land	59(38%)	4(3%)	7(4%)	7(4%)	81(51%)	158(100%)
3	It is based on size of the land	11(7%)	13(8%)	11(7%)	67(42%)	56(35%)	158(100%)
4	It is based on state executive council prescription	2(1%)	15(10%)	13(9%)	48(30%)	80(50%)	158(100%)
5	The assessment is in line with the provision of the state land use charge law	78(49%)	51(32%)	8(5%)	13(8%)	8(5%)	158(100%)

From the analysis in Table 1 above, it shows that 11 percent of the respondents strongly agreed that the basis of assessment of the land use charges in the state is on percentage of the land value, 7 percent agree, 6 percent were undecided, 54 percent disagree while 42 percent of the respondent strongly disagree that the basis of assessment of the land use charges in the state is on percentage of the land value.

Also the analysis shows that 38 percent of the respondents strongly agreed that the basis of assessment of the land use charges in the state is on location of the land, 3 percent agree, 7 percent were undecided, 4 percent disagree while 51 percent of the respondent strongly disagree that the basis of assessment of the land use charges in the state is on location of the land.

The analysis shows that 7 percent of the respondents strongly agreed that the basis of assessment of the land use charges in the state is on size of the land, 8 percent agree, 7 percent were undecided, 42 percent disagree while 35 percent of the respondent strongly disagree that the basis of assessment of the land use charges in the state is on size of the land.

The analysis shows that 1 percent of the respondents strongly agreed that the basis of assessment of the land use charges in the state is on state executive council prescription, 15 percent agree, 9 percent were undecided, 30 percent disagree while 50 percent of the respondent strongly disagree that the basis of assessment of the land use charges in the state is on state executive council prescription

The analysis shows that 49 percent of the respondents strongly agreed that the basis of assessment of the land use charges in the state is in line with the provision of the state land use charge law, 32 percent agree, 5 percent were undecided, 8 percent disagree while 5 percent of the respondent strongly disagree that the basis of assessment of the land use charges in the state is in line with the provision of the state land use charge law.

Table 2: Ranking of factors that influence land use charge payment in the state

		Mean	Rank
a.	Non-satisfaction of good tax system	4.4	1
b.	Non-provision of infrastructure	4.2	2
c.	Bureaucratic procedure	4.1	3
d.	Frequency review of the charges	4.0	4
e.	Non-proportional to the benefit received from government	3.9	5
f.	Poor administration	3.8	6
g.	Non-transparent procedure	3.7	7
h.	Poor assessment	3.7	8

From the analysis in table 2 above, it shows that non-satisfaction of good tax system ranked first, non-provision of infrastructure second, bureaucratic procedure ranked third, frequency review of the charges ranked fourth followed by others.

5.0 Conclusion

The study has been investigated, data collected and analyzed which lead to the decision that the basis of assessment of the land use charges do not significantly affect housing development and that the land use charge application in the state does not satisfy good tax administration. It should be noted that a good tax system should be equitably fair, transparent, and open for public inspection, seen as a benefit tax. There are factor that significantly influence land use charge payment in the state like non-satisfaction of good tax system which was ranked with mean of 4.4 from the factors that influence land use charge payment in the state.

6.0 Recommendations

From the study the following recommendations were made.

1. Government should provide an enabling environment to enable the tax payers to embrace the system.
2. Government and policy maker of the state should gazette the land use charge in such a way that it will satisfy the good tax administration.
3. Government should as a matter of necessity tackle the factors that influence the payment of land use charge that affect housing development in the state.

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