

Glittering prospects

The State Governments of Nigeria are sitting on "gold mines" – the rising value of land, argues the author, who is a lecturer in estate management at Anambra State University of Technology. In the *Nigerian Herald* he wrote: "This 'gold mine' can be compared to a 'sleeping' volcano which can erupt anytime." In this article for *Land & Liberty* he argues that State governments ought to tap this revenue for investment in social services.

IT IS THE duty of a responsible and progressive government to ensure that land, its most valuable resource, is carefully managed and utilised with maximum efficiency for the benefit of all generations.

Some basic social services are in danger of immediate collapse. Most state governments have been hard put to find the funds with which to meet even recurrent commitments. To stay afloat, state governments have had to borrow from domestic and foreign banks and the federal government. This is not to say that the funds are not there in the real sense, but that it has failed to tap revenue from vacant land.

Vacant land is different from other private real estate in the following ways:

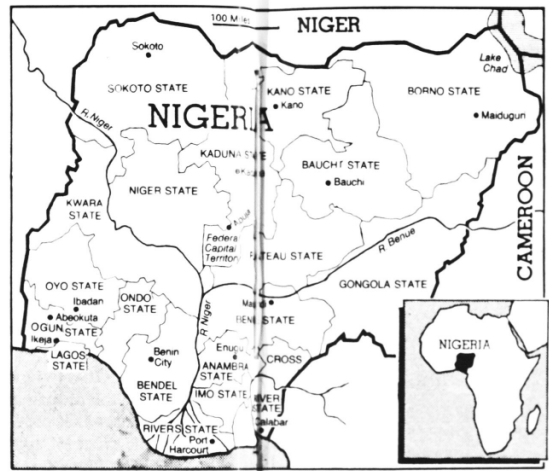
- Vacant land is the only private real property which produces nothing;
- The value of vacant land appreciates, thanks to social efforts: the land owner contributes nothing to this process;
- Vacant land is the only private real property which does not depreciate and requires no maintenance.

Vacant land causes unrest because its owners will one day enjoy unearned income, as prices rise. A tax on this land would prevent speculation and bring more land onto the market. This would increase the supply of housing and reduce housing prices. It would also stimulate the development of the construction industry and promote economic progress and prosperity.

FOR THE purpose of taxation in Nigeria, urban vacant land should be defined as private land on which the buildings and other improvements have a value less than the open market value of the vacant land.

Public services and developments enhance site or land values: hence the moral argument that these community-created values should be taxed.

The taxation of urban vacant land encourages new development, stimulates better land use, promotes the replacement of obsolete property and enables local authorities to obtain substantial revenue. Innocent investors lose millions of naira annually through property tax on



real estate, while speculators keep productive lands "idle" and thereby create unemployment. The result is that owners are encouraged to hold prime sites vacant and thus capitalise on the growth of the community's need for space on which to work and live.

These speculative acts can be curbed by shifting the property tax onto urban vacant land. It is common practice to assess vacant land at a percentage of its open market value. In Enugu, a vacant plot of land measuring 18.29 x 30.48 m situated in Uwani sells for between Naira 30,000 - 45,000 in the open market.

If an urban vacant land tax of 5% on the capital value is applied, the government will realise between Naira 1,500 - 2,250 per annum. A plot of land is known to have been sold for over Naira 1m in Lagos and Kano and Naira 10,000 - 30,000 could be an average price in choice places of most urban areas in Nigeria.

Since vast areas in Nigeria are held vacant, even at the centre of most towns and cities, the urban vacant land tax would be an appropriate base for a property tax to aid economic development and generate revenue for the provision of roads, electricity, good drinking water, etc.

The owner of vacant land should be told to use his land within two years, and the owner of land on which the building is valued at less than the open market value of the land should be notified to alter, extend, or reconstruct his building within two years. An urban vacant land tax of, say, 5% of the market value of the land should then be applied in case of failure to use the land.

Obstacles that hamper the introduction of such a tax include: ineffective land administration and valuation systems, excessive politicisation of the exercise, absence of suitable appeal machinery for handling disputes, lack of qualified personnel, opposition from some property owners, and an unprogressive conservative government.

Urban vacant land tax should be pursued with all the zeal that it deserves. It is operating in the Ivory Coast, Kenya, Zambia, Denmark, Australia, United States, Taiwan, South Korea, Colombia, South Africa etc., with satisfactory if not startling beneficial results. Hence it can also work in Nigeria.

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