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Treasury seeks to overhaul 64-year old property rates

National Treasury is seeking to overhaul the 1956 property valuation laws in bid to determine new land rates and bring more property owners across counties into the tax bracket.

In recently published tender documents, the Treasury wants to hire a consultant to develop a draft national rating legislation to replace the outdated Valuation for Rating Act of 1956 and the Rating Act of 1963.

Treasury says the project is part of its efforts to enhance county governments' own source revenue which hit four-year low of Sh32.49 billion in 2017/2018 financial year before recovering slightly to Sh35.48 billion in 2019/2020

"Outdated property legislations imply low coverage by valuation rolls and tax base of properties that are ratable which further undermines the property rates," says Treasury.

Treasury says best practice requires valuation rolls— a list of ratable properties showing owners, their addresses, locations of land, tenure, acreage and assigned value—to be updated every 10 years but this has never been achieved.

The value assigned to a property determines the amount of rates to be paid and therefore the overhaul potentially sets stage for higher payments by property owners given the rise in value over time.

Most counties are currently using valuation rolls based on outdated rating and valuation laws which cite entities that no longer exist such as "rating authorities."

"This means that the valuations can be legally challenged hence the urgency to have a new legal framework that would correct these anomalies. In this context, the quickest solution is to have legislation at the national level," says Treasury.

Property rate is a tax on the value of property, including land, and is usually assessed by a rating authority with help from a valuer.

The rates are the single largest owns source revenue for counties but it has been problematic to collect, condemning them to continually miss collection targets.

Revenue from property taxes grew from Sh3.81 billion or 12.5 percent of local collection in 2013/2014 to Sh6.2 billion or 17.4 percent in 2015/2016, Treasury analysis shows.