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RESEARCH ARTICLE

AN EMPIRICAL ANALYSIS OF THE MUNICIPAL TAXATION ON STRATA TITLES AGAINST TORRENS IN FIJI

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ABSTRACT

The paper examined the challenges and issues of UCV method in relation to strata title in Fiji. Strata properties is a relatively new but slowly emerging market in the real estate market in Fiji. An empirical analysis was utilized in this study to answer the research questions. Specifically, the study focused only in the town of Nausori. This research paper was anchored on the theory of Distributive Justice Theory and Ability to Pay Theory. The study found out that the Nausori rates makes up 30% of the total revenue for the council at around 60% potential. The findings of the analysis for this study provides evidence that UCV method as a formula for determining rates for property taxation purposes in municipalities in Fiji needs a serious review. The researcher hopes that this paper will assist the municipal councils and the Local Government Ministry hone in on the gap of the existing legislation and practises in using the UCV to determine town rates, in respect to new aspects of home ownership.

INTRODUCTION

Property tax or ‘town rates’ are the single, most important revenue earner for municipal councils, in the Fijian context and for the purpose of funding for provision of local level services and infrastructure, a key component of the national fiscal decentralization policy. Fijian town councils are mandated by law under Section 58 of the Local Government Act to levy and collect town rates from rateable properties within its boundaries, however, the current methodology of UCV to determine land value is becoming very cumbersome (Hassan-2003), due to the paucity of vacant lots in established subdivisions, and the further scarcity in sales of these vacant lots. This leads to distortion and gross undervaluation of properties than real market values. Strata properties is a relatively new but slowly emerging market in the real estate market in Fiji. Desire of urban living and property ownership, lack of available and affordable land, growing urban population density and the growing middle class are the main proponents of this market, necessitating what is termed a ‘vertical subdivision’ . To cater for this market, Fiji’s has enacted laws ; Unit Titles Act, Cap 274 of 1985 and recently the Land Sales Act Cap 137, has been amended by the Fiji Government in November 2014, under Section 7 (2)(a) to include strata as not only property ownership but also transfers. The current taxation system with its many drawbacks even on the Torrens titles has the potential to undermine not just the efficiency of rate administration but also the principles of good taxation. This research intends to provide empirical and conceptual data to validate this claim and propose necessary policy changes for better taxing mechanisms. Since the establishment and gazetting of Levuka as the first formal town in Fiji in 1887, during the colonial era, little has changed in the municipal tax collection system. The property tax system which was inherited by Fiji was initially established for colonial Australia and New Zealand (Mangioni 2015). The popular opinion of that time was that taxing on large undeveloped tracts of land will influence development of the land as a form of earned increment, and the revenue raised from this local tax will help in the administration of the town for law and order purposes as well as for provision of basic public services by the town councils. From that time hence, property and land taxation has undergone various changes in both form and manner in Australia, New Zealand and most of the de-colonised world. UVC in many instances has been replaced by CV valuation method and in some cases Annual Rental Value (ARV) are also used in conjunction with CV to justify the best possible usage of land. In Fiji, as Hassan, 2001, points out, little has changed apart from a preliminary review carried out by V. Narayan in 1999, on the current rating system. Additionally, very little research has been carried out on the current UCV system of taxation, of which Hassan (2003) remains the most prominent. Additionally, if one argues the benefit view, the case is made that the tax is used as a charge for local government services, and equitable services to a large extent, despite the different economic class ratepayers. In order to achieve equity in services without distinction, democratic governments tends to apply the principle of ‘ability

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to pay' so taxes does not become benefit charges and burden falls on the owners of capital, particularly when it is generally accepted that there exists a good correlation between property value and capacity of owner to pay. Based on this principle CV method has a distinct advantage over UCV method in applicability. This paper will provide an empirical analysis on the municipal taxation system of selected towns in Fiji. Capital value (CV) system of assessing rates, particularly in high urbanised cities, is slowly becoming the norm, not the exception, as the most recent survey on property tax undertaken (2007- 2013) by McCluskey, Bell & Lim; of the bases of the property tax across 122 countries (summarized by region), they found that the most common base of land taxation was assessed using is capital value, then Annual rental value (ARV). UCV analysis was the least commonly used basis of value.

Statement of the Problem: This study was carried out to analyse current UCV method of analysis being used to determine land value and 'viz a viz' town rates was effective and purposeful for the principles of taxation particularly for Strata titles in respect to the ratepayers. . Specifically it seeks to answer the following?

- What are the challenges and issues of UCV method in relation to strata title?
- Why there is an existence of inequality in the current taxation method?

Significance of the Study: The significance of this research will hopefully assist the municipal councils and the Local Government Ministry hone in on the gap of the existing legislation and practises in using the UCV to determine town rates, in respect to new aspects of home ownership. Developments in the housing and real estate sector is getting more complex, and land scarcity has had the pushing effect of introducing into Fiji, innovative ideas for maximum usage of land and strata title holdings is one of these innovations. Council rating system should also evolve from the status quo to address this. The research, upon completion and acceptable by Nausori and other municipal councils, should be able to open further discourses and policies for more effective taxing system to complement this new type of property ownership. Overall the ratepayers will also benefit as equity of service provided would be more evenly shared.

Theoretical Framework: This paper can be studied through several broad approaches. Two theories are anchored on this study: Distributive Justice Theory and Ability to Pay theory.

Distributive Justice Theory: which was introduced by John Rawls which states in simple terms meaning the public resources is to be equally shared, while equity for the same to be borne by individual's ability and adjustments made accordingly. Also, for taxing purposes, should be voluntary. This theory used for this study is very apt, as it intends to examine the shortfalls of the current taxation system, when viewed against this theory, as municipal provided services and facilities are enjoyed by maximum residents within the town boundary, but or expense incurred, which is payable thru property taxes are not vertically equitable

Ability to Pay Theory (Trickle Down): is an economic and taxation theory of M.Slade Kendrick , which is a most popular and commonly accepted principle of equity or justice in taxation is that citizens of a country should pay taxes to the government in accordance with their ability to pay. It appears very reasonable and just that taxes should be levied on the basis of the taxable capacity of an individual. Land ownership alone, cannot and should not be accepted as the basis to gauge ability, particularly when it is not generating revenue or reducing costs. Improvements in terms of building or dwelling on property, or ownership of stratas', while might not increase revenue base (unless rented out), but will save money in the form of non- recoverable rent paid out , and thus increase the base net income, and increase wealth, and simultaneously increase ability.

Review of Related Literature

This chapter looks into the review of published literature, journals and papers on property rating. Particular focus is on the current methods of property taxation employed by both developed and developing and transition states.' Gap Analysis' method of review of literature has been employed for this paper, to show apertures and deficiencies that may exist in Fiji's current system, predominantly, apart from stratas, on matters equity and tax emolument capacity or 'ability to pay'. Disparate, sales and income tax, which are a 20th century phenomena (Gomez 2011), property tax has a very rich and varied past. Ancient records of property tax can be even found as far back to the Bible's Old Testament. In Leviticus (1445 1406 BC – timeline most scholars agree) the Bible notes

> " *And concerning the tithe of the herd or flock, - every tenth animal passing under the shepherd's rod, - shall be holy unto the LORD".* (Lev 27:32 New International Version).

Furthermore, the Bible records in II Kings 23.15:

> " *Jehoiakim, paid the silver and gold tribute to Pharaoh, but he passed on the costs to the inhabitants of the land in taxes, in keeping with the Pharaoh's orders. He exacted the silver and gold from the people who lived the land, from each according to his assessment..*"

(New International Version) Both verses not only records property taxes to the state (Prophets/ Leaders in Leviticus and Pharaoh in II Kings) paid thru trading commodities of the era (cattle/ gold & silver), but also equity on tax paying ability. Susan Hamill –Professor of Law, University of Alabama comments that Judeo-Christian teachings on wealth foist a greater moral obligation on the more prosperous members of society. In quintessence, a progressive tax structure. Taxes, in particular property taxes, as the above shows, have tried to achieve equity, even in its infancy. Fiji's first property tax or town rates, which came about in 1930, after declaration of Levuka, and Suva are the very first townships. The declaration of these towns, under the Town Ordinances Laws, laid the duties of a municipality, and hence also provided for its revenue generation, laying the groundwork of property valuation for rating.

Current Taxation System

Richard Bird and Enid Slack (2002) argue that property tax is an effective tax due to:

- It's very visible- in the sense that it's not withheld, but paid in lump sums, mostly on an yearly basis. Also, the revenue generated thru this tax, is 'visibly' utilised in the form of municipal services and infrastructure, e.g. roads, footpaths, refuse collection etc.

- Its inelasticity – taxes does not change automatically over time. Property values respond more slowly annually to economic fluctuations. Moreover, mass valuations are hardly carried out annually, in any city or country for rate determination, but mostly are for a fixed term.
- As a mean to achieve autonomy- this is always country specific, but as rates are determined locally, gives the necessary support for self –reliance and autonomy.

Fiji to a large extent does show these traits in its property taxation, however, certain limitations do exist. In the Fijian context, the visibility is affected, as awareness on the usage of taxpayer fund is hardly questioned formally by ratepayers as any formal issue networks currently exist. Additionally, this awareness is supposed to improve accountability, both from an economical and political viewpoint. However, apart from occasional oversight from ministry and/or the Auditor General's office, is often neglected. Similarly, inelasticity, as with visibility, also improves accountability. Increases in rates often face huge resistance from the ratepayers, and unless councils cannot fully justify the increase, both to the ministry and minister responsible and the ratepayers, it should not arbitrary increase the rates, or any other charges for the matter. On the matter of autonomy, however, Fijian townships have thru legislations, sufficient self -governance powers, and localised decision making privileges, with support and direction provided from the ministry. Local level property taxing, as a policy, is legalised either thru central government's laws or decentralised under local authorities. For most, democratic setting, however, as noted by Bahl (2009) as part of fiscal decentralization strategy, property taxes come under the ambit of local councils or shires. Fiji,s property tax is legislated under the Local Government act, Cap 125, and singularly states the Unimproved Capital Value method as a taxation mode. This method has remained relatively unchanged from the time of the Town Ordinances law, in the 1930s (Hassan citing Narayan. 2001).

Unimproved Capital Value Method

UCV taxation, also known as site value tax, is potentially, as noted by Bird and Slack (2002), the best taxation for improvement of land efficacy. As only land is taxed, it provides an incentive for land owner to develop the land to its maximum legal usage, thus improving local investments. Similar sentiments are also echoed by Mcluskey (1997), in support of the UCV method. It has also been pointed out by these authors that this method should be the preferred method for developing states.

The whole argument for UCV method as Bahl (2009) states rests on the premises of:

- There should be enough records of actual sales of vacant plots within the appraisal area to be utilised for current value benchmarking.
- Assumption of continual supply of vacant land

While, the countries where UCV method is still used according to Bird and Slack (Kenya, South Africa and some parts of Australia), the above two conditions are mostly well met, (land supply particularly) however for the major towns and cities of Fiji, the paucity of actual sales of vacant lots, and limited land for growth, poses serious questions on the credibility of UCV method.

Improved Capital Value

Capital value, or total property, includes the value of both land and buildings or improvements for a site. This method, in effect, also satisfies the term 'Real Estate' in its 'common law' description, due to its incorporation of both land and structures. Hassan (2003) notes that application of the Capital Value system is common in countries where property markets are mostly on capital value basis, implying the majority sales are of land with improvements. He also argues that this system also provides a wider tax base that the traditional UCV method. Gomez echoes similar sentiments in asserting that tax assessment through real estate value, incorporates the concept of 'relative wealth' upon the paradigm, and additionally adds that upon setting a fixed rate on value, the incorporation of the wealth component (of the real estate/ land + building value) ensures equity in the form of progressive tax. Adam Smith (1784) in his widely acclaimed *Wealth of the Nations* works canonises that "

> *a tax upon the rent of land, which varies with every variation of the rent, or which rises or falls with the improvements or neglect ……is recommended as the most equitable of all taxes.*

Hence, justifying the need of equity in taxation, in relation to its improvement (or neglect, if the case may be).

Strata Tittles

The common law principle of *superficies solo credit* entails that traditionally, a land owner was also the owner of the structure (s) on the property, and up until 1985, was the state of affairs of Fiji. The enactment of the Unit Titles Act, Cap 274, introduced the concept of ownership of units within a sectional title structure, with private ownership of flats or 'units' and joint ownership and obligations for common parts or facilities like foyer, parking areas, elevators and including the surrounding un-built land. Strata's serve a variety of social and economic functions and according to Booysen (2014), strata or sectional title apartments are an ideal form of accommodation as they are easily maintained with shared burden, and are almost always conveniently located. It also encourages efficient building construction and enhanced utilisation of land. Furthermore, it addresses the social need for home ownership and provides a hedge against inflation, as unit ownership is generally made possible, and cheaper, then rental over a long term period with an end result of hard asset ownership. Property taxation which was originally designed for Torrens title, in either form (UCV or CV), needed to be adjusted to cater for this new market of property ownership, and legislators in the neighbouring states of Australia and New Zealand (which used to also have UCV as the prime mode of taxation), incorporated strata and/or high density residential land, using CV method as a tool of assessing and levying rates. Hence:

The Queensland Local Government Act 2009 under Section 93 (*Lands on which Rates are levied:*

- *Rates may be levied on rateable land.*

- *Rateable land is any land or building unit, in the local government area, that is not exempted from rates.*

Similarly, the NSW Local Government Act 1993 No: 30, under Section Chapter 15 *How are councils financed?*

- *Each lot in a strata plan that is registered under the Strata Schemes (Freehold Development) Act 1973 or the Strata Schemes (Leasehold Development) Act 1986, and*
- *Each dwelling or portion of the kind referred to in section 547 (1), is taken to be a separate parcel of rateable land*

Unfortunately, in the case of Fiji, no such amendments have taken effect, to cater for the Strata market. The current rating mechanism, has remained since 1930s. and the enabling legislature captured under Section 58 of the Local Government Act Cap 125 still invokes the term 'Unimproved Capital Value' as the basis of property assessment for taxing purposes, which puts the strata owners, as shared land owners, but equal users of council services as that of their Torrens counterparts, essentially at an unfair advantage in the levying of town rates and in turn results in vertical inequity.

DATA ANALYSIS AND DISCUSSION

This section looks into the results achieved through the tests undertaken and how it relates and best answers the research question of how in its current form, the municipal taxation can provide an opportunity of abuse of taxation principles and the 'free riding' of some property holders on other ratepayers.

Nausori Town

Nausori town like all other municipalities, being a statutory authority in designation, needs to generate its own revenue in large extent to function normally. Conventionally, rates, fees, charges and fines makes up the bulk of most municipalities revenue stream, as proceeds collected in a year are planned out not to make a profit but to ensure that the broad delegated duties of health, welfare and convenience of the residents are met, indiscriminately (at least in theory). Dillinger (1991), explains that for local governments globally, Property tax is to a large extent, is the most common adopted local tax and appears to be the most stable in terms of revenue generation. It can be gleaned from the table, rates makes up 30% of the total revenue for the council at around 60% potential. Rates are charged at Unimproved Capital Value of the property, assuming zero value of development or improvement on land. Rating on properties is determined in the $1 each year by the Council, to correspond to their operating expenses. Another area of this research is the Wainibuku HA Subdivision; it contributed $36,020.00 in rates to Council coffers in 2016, assuming 100% collection. This comes from the 259 Residential Class properties and 1 Commercial C property within the subdivision. Religious lots (1), Public Open Spaces (5) and Pump Station (1) are exempted from taxation as per legislation. Wainibuku HA Subdivision therefore contributed or have the capacity to service 3.73% of the total rate collected for year 2016. Additionally, Wainibuku HA Subdivision, had a Capital Value of $204, 820, 04.00 (assessed using NTC Valuation Guide and Valuation Roll- 2015) for the 244 Residential lots (excluding the 15 lots set aside for Strata development) until August, 2017.

Table 1. The significant of property rating for Nausori can be seen from the table depicting Revenue Collection Analysis for 2016, below

Revenue Source	Total YTD as @ 31/12/16 (VEP)	Percentage of Revenue
Rates	$965,033.00	30%
Business License	$273,878.70	8.2%
Market	$979,263.74	30.5%
Garbage	$126,154.64	3.9%
Commercial Stand	$169,717.91	5.3%
Commercial Properties	$193,532.12	6.02%
Parking Meter Fine	$54,830.90	1.7%
Parking Meter Toll	$35,283.68	1.1%
General	$417,319.71	13%
Total	$3,215,014.40	100%

(Source: Finance Section-NTC)

Research Analysis for Vertical Equity and Ability to Pay

Vertical Equity

Several studies shows that taxation principle promotes the basic idea that affluent people or properties generating higher income or value should contribute more if conditions are to be considered vertically equitable. The current situation on the ground using the UCV rating actually is showing the reverse, as the sample of the study analysis shows: Lots 7, 8 ,9 on DP 10672, using UCV value are paying $180, $161, $180 respectively as annual rates, and looking at the rate figures alone, false assumptions may be made that owner of Lot 8 DP 10672 is either has less wealth than his/her neighbours of Lot 7 & 9, or Lot 8 is of lower value, while Lot 7 and 9 have the same value. However, in reality this is not the case, as Lot 8 has improvements on his building worth $236,544.00, which is a much higher value than Lot 7 and 9, showing actual affluence higher than Lots 7 & 9. Similarly, Lot 9 despite having similar UCV has an improvement of $150,000.00 which is $100,000.00 more than Lot 7. The fact that Lot 8 is paying the lowest rate, despite having the highest value of property, is therefore against any good taxing principle, and is therefore regressive in practise, particularly against Lot 7. However, on application of the CV rating system, the taxes are more equitably distributed , as Lot 7 is paying the lowest, and Lot 8 the highest according to the total property value, inclusive of land and improvements. Additionally, CV rate application also shows a drop in rate for Lot 7, from $180.00 under UCV to $138.04 in CV system. Similarly rates, for Lots 8 & 9 has increased, to reflect their economic status.

For critics of the CV system, it should be noted that Lot 7 is a single storey single flat dwelling, Lot 9 is a double flat double storey structure, and Lot 8 is a double storey, multiple flat development. Lots 8 and 9 are therefore revenue generating properties, and the fore should be taxed on higher scale than Lot 7. The same principle of vertical equity should also apply to strata titles, but in the current form, achieving equity is far from possible. A case in point is the 8 unit Strata complex named Davuisoqosoqo located on Lot 6 DP 5416 Cakau Estate, Newtown, in Nasinu. As the property is being charged under the UCV method, the following tables give the rate distributed for the 8 units The 179 strata units allocated for Wainibuku Subdivision also show similar trends, as each unit will be levied an average rate of only $18.66. The Mass Valuation of Wainibuku Subdivision cost NTC $12,000.00 in Valuation fees for 267 lots. This amounted to $44.94 per lot. If using the same average ratio as valuation guide for strata units also, the total valuation would come to $8044.94. The rates received from the 179 lots for Strata under UCV would only yield $3340.14. This revenue (on assumption 100% collection) does not even cover the administration costs and shows actual loss of $4704.80, or $26.28 per strata unit on valuation costs alone. equity principle of taxation becomes iniquitous. However, when property tax is applied thru the CV method, much relief is provided on all levels of costs, including valuation and administration.

Table 2. UCV Rating

DP 10672	ucv $	ucv rate (0.01/$)	building value	capital value(B+l	cv rate (0.00203c/$)
1	27500	275	83000	110500	224.315
5	19800	198	110000	129800	263.494
6	19800	198		19800	40.194
7	18000	180	50000	68000	138.04
8	16100	161	236544	252644	512.86732
9	18000	180	150000	168000	341.04
10	18200	182	200000	218200	442.946
11	18500	185	70560	87760	178.1528
15	17800	178	49275	67075	136.16225

Table 3. Distribution of Rates

UCV rate on Lot	Lot/ Strata Number	UCV rate charged
$78.56	Strata 1	$9.82
	'' 2	$9.82
	'' 3	$9.82
	'' 4	$9.82
	'' 5	$9.82
	'' 6	$9.82
	'' 7	$9.82
	'' 8	$9.82

Table 4. Summary increase of CV over UCV against Torrens title

Group Statistics

	group	N	Mean	Std. Deviation	Std. Error Mean
CV	torrens	246	169.0182	132.96815	8.47774
	strata	179	111.3836	.48082	.03594
UCV	torrens	246	168.4756098	29.53740995	1.88323647
	strata	179	18.6518550	2.32491665	.17377243

Table 5. Results of Paired Samples Statistics; Paired Samples Correlations and Paired Samples Test

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	UCVrate	171.6590	261	32.14640	1.98981
	CVrate	172.6128	261	220.27402	13.63462

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	UCVrate & CVrate	261	.443	.000

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	UCVrate - CVrate	-.95375	208.03599	12.87710	-26.31045	24.40294	-.074	260	.941

These costs will be further exacerbated on the administration costs of rate levying and collection. The purpose of application of rates is hugely defeated by UCV on rates, as instead of providing revenue for Council for service and facility provision, the rate collected by this method would require 2.4 years of monies generated by each stratum to service its valuation costs alone. Therefore, not only the costs of service provision become prejudicial to the Torrens title holders, the The CV method imposes a tax of $111.39, that after costs, still contributes to the general fund and potentially provides the much needed reprieve for the expenses incurred in service provision, particularly so, when voluntary rate collection is only around 60% annually. In synopsis, the application of CV with a mean value of $111.39 over the UCV mean of $18.65 agrees that the CV method liberates the vertical inequity present in the current method for strata holdings.

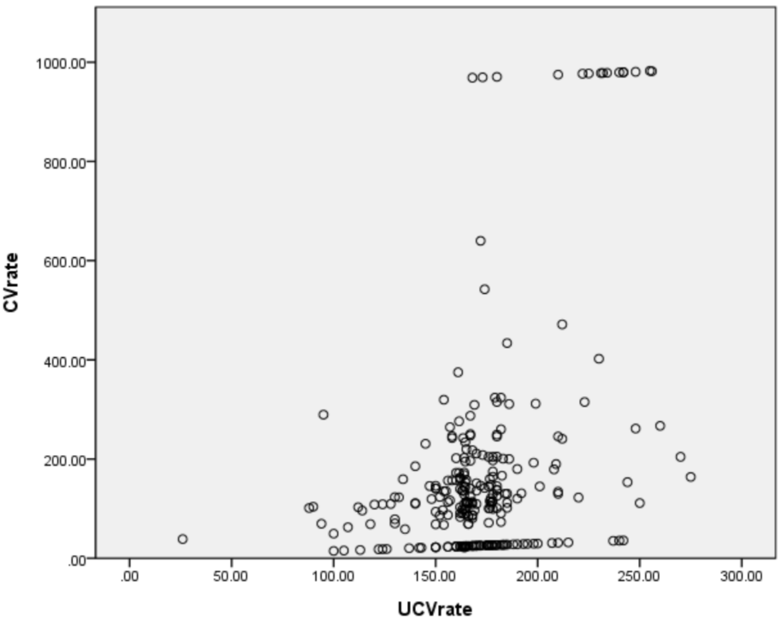

Figure 5. Scatter plot of CV rate and UCV rate

DP- Lot	UCV ($)	Building Value ($)	Capital Value ($)	CV rate (0.0203c/$)
10673- 16	18200	31,150	49350	100.18
10684- 11	17600	30700	48300	98.049
10684- 20	13000	34300	47300	96.019
10679- 2	16200	40000	56200	114.086
10679- 23	13500	26000	39500	80.185
10758- 13	15000	31180	46180	93.795
10758- 22	16600	40000	56600	114.898
10759- 26	16800	37500	54300	110.23
10760- 21	16600	30100	46700	94.801
10761- 7	16600	30000	46600	94.598
10762- 8	13000	40000	53000	107.59
10763- 1	10700	31500	42200	85.666
10763- 14	11800	34595	46395	94.18

Ability to Pay

Adam Smith (1784) in his works "*Wealth of the Nations*" canonized the modern principles of taxation, which have relatively remained unchanged till date. On property taxation, he says that

> *"the subjects of every state ought to contribute to the support of the government, as nearly as possible, in proportion to their respective abilities; " (pg. 639)*

He then further goes to add:

> *"In the observation or neglect of this maxim, ability to pay [sic] consists what is called the equality or inequality of taxation.*

The ability to pay for the Wainibuku HA Subdivision is intact, as according to Mr. Lalesh Narayan (Leader- Customer Services- HA), the demand exceeded the supply to a ratio of 4:1. Also, lot allocation was determined through assessing financial eligibility (Narayan 2017 –personal conversation). The lot value as per 2015 valuation range from $9000- $27500, which also is a representative of around 90% of the total rateable properties for Residential Class within NTC boundary. Under assumption of the above, a paired sample T test was done to ascertain the difference in rates generated thru both. UCV and CV methods for the sample (Wainibuku) table below gives the results. The test reveal that the mean value of UCV rate ($171.66) for any Residential class lot within the sample, as representative of the total population, , is almost equal to the mean value for CV method ($172.62) . The two tailed test for significance reports a value of 0.941, which is higher than the threshold value of < 0.05, indicating presence of no statistical significance between the variables tested. The results revealed that for mean rate payable does not change whether UCV or CV method is applied, as rate set on by any council on the cents in $1 is proportionally adjusted to cushion any significant fluctuations.

The scatter plot depicts that most rateable properties are clustered around $150.00 t0 $200.00, irrespective of the valuation method applied, the outliers being a figure around the $1000.00 for CV and around $220.00 for UCV for the lots containing strata titles, implying the rate payable per strata unit being $18.65 for UCV and thus leading to 'free-riding' of strata holders on the public goods, services, infrastructure and facilities provided by the municipal council at the expense of Torrens title holders. The owners of strata for the sample hold an average value of $48,413.39, inclusive of both land (portion of) and structure, and therefore should contribute similarly. In essence, as the strata title holders fall within the same rateable category (using capital asset as an appraisal tool) as the above Torrens titles, and therefore the rate paying ability should also be similar , and not distorted as is currently via the UCV method. Then only the Smith's canon of taxation of ability to pay principle can be achieved.

Conclusion

The findings of the analysis for this research paper provide evidence that UCV method as a formula for determining rates for property taxation purposes in municipalities in Fiji needs a serious review. Market trends in real estate and property development has led to maximum urban land development, as was the intention of UCV method of taxation. Development now has become saturated and now urban living demand is creating over-development of land and a strain on council's resources and services. The new market of strata holding, and high density land developments will further add to the burden and lead to social injustice, unless addressed. Therefore, this paper supports the work of Dr. Abdul Hassan in addressing vertical inequity for property taxation, and further appeals for a reform of the current taxation method to a capital based modus operandi, particularly for strata and other high density holdings. The CV method provides the opportunity for a wider tax base, and as the research proved, a lower tax rate. This strategy adopted can also discourage land speculation and artificial land prices (Hassan, 2001). Additionally, Ability to Pay principle as the Smith's Canon of Equity and Canon of Economy, needs also be robustly approached by Fiji's municipalities. Current course, generally, is not reflective of this principle, as land value alone, is being used to levy rates. Developments/ improvements which make a key component of any real estate, is conveniently overlooked. This not only abuses the above mentioned principles of Equity and Economy, it also tends to burden the poor in society in paying more, and is socially unjustifiable.

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