

# Comparative Analysis of Property Rate Charge between Local Authorities in Peninsular Malaysia

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## Abstract

The local authority Act 171 of 1976 intended uniformity in operations among local authorities, however, certain provisions were observed as hindrance to attainment of its objective thus the basis of the study. The study was conducted on a qualitative approach using purposive sampling technique with valuation officers to local authorities as respondents for interview. Documents were sought and acquired from local authorities, analyzed and used as triangulation to interview. Data was transcribed before categorization, sub-themes were found and refined before the final themes were formulated. Findings revealed non uniformity in operation within local authorities especially on areas of percentage rate charges and classification of properties/uses based on which rates percentages were applied thus diversity within intended uniformity.

**Keywords:** Rating, taxation, fairness, vertical, horizontal

## 1 Introduction

Attainment of sustainable development practices is dependent on our ability to effectively manage the environment as individual and as a country either by direct or indirect participation (Stockholm 1972). The rationale behind the levy of landed property tax known as property rates is not too far from the philosophy of sustainable development, because the proceeds from property rating are used to carry out such services as waste management, public health control, provision and maintenance of recreational parks/gardens, city landscaping and disease minimization/control among others. Discharge of such responsibilities by local authorities will affords present generation advantage of enjoying environmental comfort and convenience without negatively affecting the interest of future generation. These responsibilities are synonymous to all local authority councils whose greater proportion of income comes from property rates (Pawi, et al 2011). Property rates are deduced from a process called property rating.

Property rating is a process of determining annual/rateable values of property/hereditament using an acceptable method from the recognized methods of valuation to analyzing some key data on the subject property to arrive at how much the property could reasonably be exchanged for between a willing tenant and an owner in an arm length transaction as at the date of assessment by a valuation officer or his appointed agent (Hefferan 2007) and (Wyam et al 2011).

Article 6 of the British Local Government Act of 1988 defined rateable value of non domestic hereditament to be an equal amount estimated as rent that a hereditament might reasonably be expected to let from year to year assuming that the tenancy commences on the day the estimate was made, that the hereditament is in good/reasonable state of repair and that the tenant is responsible for the payments of all rates, taxes, insurance, and repairs necessary to keep the property in good state of repair to command the rent(Lichfield & Connellan, 1997).

The application of any of the various methods as most suitable method of valuation on any particular property in order to determine the annual value of such property/hereditament is solidified in the case of **Garton vs Hunter (1969)** where it was emphasized that an assessment surveyor or valuation officer may use more than one method to arrive at the annual value of a property taking into account nature of property and market characteristics, thus in appropriate for a surveyor to use direct rental evidence of comparable property on a subject property that have no similarities in use, structures, location and legal status as decided in **Imperial College of Science and Technology vs Ebdon (VO) and Westminster City Council [1984] LT RA 213** (Sayce & Connellan, 2003).

Property rating in Malaysia is constitutionally authorized by section 74 (2-4) of Malaysian constitution as revised up to 2006 empowering all states without prejudice to any power to make laws conferred on it by any other article, the legislature of any state may make laws with respect to any matter enumerated in the ninth schedule or concurrent list. Section 2 (e) provided for transfer of land, mortgages, leases, and charges in respect of land and easements. Therefore property rates are regarded as a source of revenue to the local authorities for the discharge of their official responsibilities (Plimmer, et al 2010).

Property rating assessment is built on certain basic principles which are; (a) The hereditament/property must be

assumed vacant and ready to let at the best price possible in an arm length transaction (b) The property must be valued based on its physical condition *rebus sic stantibus* (c) Rent passing on the property may only be considered if it is adjudged as market rent (d) Comparable assessment may be considered in the absence of a better evidence (e) A ratable unit is considered usually to include the whole of the land and whole of the building in the occupation of an occupier with a single cartilage. (f) That the property is subjected to its highest and best use (Olusegun, 2002).

The Act provided for valuation of hereditament in order to generate revenue for discharging statutory obligations resting on local authorities subject to approval from the state authority. They include but not limited to sanitary and solid waste management services, provision and Maintenance of neighborhood children play ground, public health and social welfare. Property revaluation should be done after every 5 years as provided in section 137 (3). This provision is similar to most other countries except for some countries who revalue properties on a three year basis as is the case in some states of the USA. Compliance to the provision for revaluation of properties after every five years has been a challenge in Malaysia due to inadequate trained manpower (Kelly & Musunu, 2000 & Jenkins 1992) and political pressure on the government (Othman, 1986). The situation provoked a research focused on the Development of e-rating valuation system on commercial and industrial properties in Malaysia with inclination on the principle of *rebus sic stantibus* (Nawawi, 2008), the research concluded with a regression analysis tested at 10% ahead or below actual valuation analysis for commercial and industrial property valuation in Malaysia.

## 2 Aim of the Study

Consequent upon the creation of local authorities council in peninsular Malaysia, the local authority Act 171 of 1976 was enacted for the purpose of ensuring uniformity of law, policy and operations with respect to local authorities in peninsular Malaysia. Section 130 (1-3) of the Act provided for levy of rates on annual value at a percentage rate not exceeding 35% of assessed annual value or a levy on improvement value not exceeding 5% of assessed improvement value. This research seeks to explore how uniformity is achieved among the local authorities with such varying bases and percentage charges with reference to principles of fairness and equity in taxation.

## 3 Literature review

Property rating is a form of compulsory levy on annual income generated in actual or implied from land and landed property adjudged rateable and captured in the rating valuation list of the local authority. It is usually a source of revenue to local authorities in most countries including Malaysia, proceeds from rates are utilized in providing public services. Several literature suggest certain principles or requirements of a taxation system. Although land and landed property taxation differs with other forms of taxation, yet most of the principal requirements are equally applicable to property rating system; (Palil, 2010) such principles are considered below

### 3.1 Principle of fairness based on benefits enjoyed from the authority

Fairness in a tax system as presumed by most people to be achievable through a tax structure by way of differentiating tax burdens according to economy among tax subject. Achieving fairness in tax system is some worth complex and difficult on progressive and a flat rate tax burden as is illustrated by (Francis & Foster 2008). A progressive system is considered more fair than a flat rate system especially on middle class people who are most affected by tax burden where they are made to pay higher than the rich who earn more. Conversely the rich would pay higher as they earn higher if the rate were to be progressive as against flat rate. This situation is similar to flat rate percentage on properties subjected to the same kind of use regardless of amenities, occupancy ratio for a given space as is the case with low density residential neighbourhood and high density neighbourhood. This can be explained in situations where you find the same area of land say measuring 2000m<sup>2</sup> accommodating over one hundred families in a high rise building pattern is also used to accommodate one family mansion in a low density residential neighbourhood subjected to the same rate of tax liability which ultimately produce lower income than in the case of high density due to multiple occupation. This made the rich to have surplus savings/net income than those in middle class who lives in high density neighbourhood. According to (Berniaz, 2009) a tax system is only fair when it does not charge the poor, charges low on the medium income earners and leaving the greater tax burden with the high income earners on the notion that the higher income earners have a lot surplus that need to be brought to the centre for common benefit of all. These controversies as what constitute a fair tax system left a lot of illusions in the mind of tax payers especially within low income earners thus the rationale behind adoption of a common approach by Economist to assume a fair tax system as that built on vertical and horizontal equity.

### 3.2 Vertical Equity

The philosophy behind vertical equity emphasized the need to consider well being of the tax payers in apportioning tax burden thus the need for graduation according to levels of economic status of the tax payers, this implies that individuals on higher level of economic status are presumed high income earners over individuals with low level of economic status thus the need for those on higher economic status to pay higher rates than those on the lower economic status. Although administrators finds difficulty in determining who earns higher than who but seems clearly easy in property rate charges as is it is based on either the annual or capital value of the property while the property is fixed, visible and can be assigned monetary values thus economic status can be determined by value of the property he or she owns or occupied as the case may be. Therefore, property value in this circumstance provides a good measure of ability to pay tax burden imposed on the owner or occupier of the property. Although (Slemrod, & Bakija, 2001) contended that higher income earned are only a measure of individuals productivity in a given economy and not ability to pay tax thus should be encouraged for being productive with low tax burden. Others opined that individuals be taxed on the basis of consumptions which is hardly determinable and even where determined, there exist some contention as whether savings will be considered, because an individual who spend all of his income may likely be taxed higher than an individual who saves more while an individual who spent all of his income may not necessarily be the highest income earner (Stiglitz, 2000). Continued pursuit of most fair way of taxing individuals brought the issue of discounted life time income from all sources as against annual income to be the bases of taxation, this is again faulted on the basis that individuals could have the same life time but different pattern and volume of income over their lifetime period thus their discounted income will obviously differ and so their tax burden. From the foregone narration and analysis, it could be seen that none of those bases in the vertical equity have provided a solution to the problem of fairness in taxation (O, Roatry, et al 1997).

### 3.3 Horizontal Equity

The principle of horizontal equity in taxation is also geared towards fairness in taxation to ensure equal treatment among tax payers who are seen equal in most relevant aspects, it is therefore expected that individuals with the same taxable capacities be levied the same tax burden without preferences. Equal treatment to hundreds or millions of people is rather difficult to achieve as various people will ask the question how are two individuals identical in most aspects? is it of age, sex, marital status, expenditure, income? what does equal treatment mean to me and others? Income is a major factor of consideration in horizontal bases of taxation on the assumption that individual earning the same income pays the same tax but that is not always the case as there may be some discrimination as can be seen in the home mortgage interest deductions where owner occupiers are favoured while those on rented apartments are extorted in a way. Therefore income of individuals could be the same but tax burden may differ depending on the considerations of the tax system on such issues as reliefs and exemptions thus the difficulty to simply classify individuals as the same in most aspect notwithstanding their income status, hence application of equality in taxation may be difficult (Stiglitz, 2000).

### 3.4 Principle of fairness based on ability to pay and benefit

Constant attempt to define fair distribution of tax burden among the various classes of income earners within societies brought about the philosophy of fairness based on benefit derived and ability to pay tax liability by individuals. Ability to pay principle is sometimes difficult to ascertain especially where able people claim in ability except where the obvious is used as against individual declaration. While the principle of benefit driven by the tax payer is built on the premise that individual tax burden should be proportional to the benefit they receive from Government in terms of services, infrastructural facilities and business working conditions necessary to turn productive abilities into stream of income (Musgrave & Musgrave 1976). The benefit principle requires major beneficiaries of services to pay higher than those benefiting lesser in a systematically graduated manner based on the benefits driveable from the services and infrastructures provided by the Government. This principle is practically hard to apply except where the benefit driveable by the individual can be ascertained for quantification to determine who benefit most over others, such as the fees payable on bridges and road tolls where it is charged based on the distance covered on the specific lane in question. Other common examples are the water and sewage charges where it is based on the individual actual consumption or discharges using the appropriate measuring implements installed for monitoring. Despite this parameters, the benefit principle fails to guide how tax burden should be fairly distributed as it is difficult to determine exactly the benefit derived by individuals on certain services provided by the government to the public as members of the public enjoys certain important services provided by the government as Defence, fire service, police, public fumigations, aesthetic environments and most others whose extent of individual benefit are difficult to determine. Another identified set back of the principle of benefit is that, it limit government from using tax machinery in income redistribution among individual since everybody is compelled to pay only the benefits he enjoyed from services provided by

government, then of course there is apparently no room for exempting the poor from tax burden or subsidizing the services they enjoy and thus living the rich with surplus net income that would have been brought to the centre in order to be subsidized for the poor and weak individuals as provided in the poor relief Act of 1601. The consequential effect of the scenario is on the poor and low income earners who constitute majority to live without basic social welfare services and necessities as defence, policing, education, health care and others (Umar, et al, 2012).

Ability to pay principle refers to the quantum of tax burden that an individual could afford to pay regardless of the benefit he or she derived from services provided by Government. Therefore tax burden is dependent on level of sacrifice made by way of payment so that as the rich makes sacrifices also the poor makes relative to their ability as a low income earner could pay ten Ringgit Malaysia and see it a big sacrifice just as the rich sees payment of one thousand Ringgit Malaysia as a big sacrifice. Therefore, every member of the society should make sacrifice commensurate to his abilities (Stiglitz, 2000). The problem here is also how to measure level of sacrifice by individual tax payer as it is difficult to measure relationships between individual income and tax burden levied on them.

### 3.5 Principle of Neutrality

Property tax like any productive tax system is not expected to distort the tax payers economic well being thus should not make the tax payer worse but a contributor to the central funding without jeopardizing tax payers interest, therefore the principle of neutrality seeks to avoid situation of distortion to tax payers economic wellbeing (Aluko, 2005). It is seen to maintain a balance between individual payment obligation and net income available for upkeep.

### 3.6 Principle of Accountability

Tax payers make part with their hard earned income not because they have surplus but because it is important for the well being and development of the country thus require a sound accounting system that will place them in a comfortable situation as to the way and manner such funds are handled. Administrators of tax must therefore be made accountable to the people on expenditure incurred based on fiscal policies for tax payers to assess benefits and utilization in order to retain public confidence and loyalty, tax payers are better convinced on visible beneficial services provided and accessible public expenditure record (Monkam, 2010).

### 3.7 Principle of Economy

A tax system is most efficient if it causes little or no interference in the perfect functioning of an economy thus not causing distortion in a competitive economy where resource allocation is adjudged efficient. Allocation of resources is considered pare-to-optimal if no arrangement of resources could make one person better off without making someone else worse off. Practically, payment of money to the government in form of tax by individual leaves him or her with lower purchasing power or savings and subsequently affecting his or her economic behaviour and sometimes independence in so many respect (Stiglitz, 2000). As a result, individual have to either increase their man hour productivity to be able to earn more and sustain their consumptions or are compelled to cut down consumption to meet up with the after tax income thus causing an income effect or consumption/substitution effect depending on tax payers behaviour. Where a commodity tax is imposed, the average cost of good or service changes thereby motivating or forcing consumers to change from one commodity or service to the other, this act of change from one commodity to another given a certain level of income influenced by taxation is termed as substitution effect. This substitution effect usually interferes with consumers choice and consequently leading to economic inefficiency (Municipality & West, 2009) (Aluko, 2011).

Taxes affecting average price of goods or services and subsequently forcing consumers into substitution due to disposable income variation occasioned by tax liabilities are termed distortionary taxes. Distortionary effects are not just associated with commodity taxes but also income taxes as individual could decide to cut their tax liabilities by working less hours which on overall affects national productivity and GDP. Situation may arise where distortionary effect may be programmed by government to shape the economy towards a more desirable resource allocation pattern presumed better than the existing pattern. A typical example is the imposition of high taxes on certain commodities to discourage their consumption thus consumers of such commodities would have to pay heavy taxes which in the long run may force them reduce such consumption or substitute if not total abstinence. Effects of taxation does not only ends on individual tax payers but also affects companies where a product of a company is taxed higher than its substitute, thus making the average price of that commodity to be higher than the substitute which impliedly force a change in the consumption of individual in favour of its substitute which affects the companys' production since there is a drop in demand/income, shareholders also suffers loss of income, employees losing their jobs and government also loosing revenue accruing from production of the commodity if it were not stopped.

Having established the negative severity of taxes on individuals consumption patterns, individuals do make some

efforts to reduce their tax burden by way of objections, seeking for relief or exemption or even sometimes tax avoidance or tax evasion depending on individuals. The consequences are loss of revenue and consequential distortion in taxation which in the long run affects government dealing in the provision and discharge of her primary responsibilities to public thus beginning of system failure. Therefore, distortionary taxes results in economic in efficiency and greater economic loss to the community and public at large (Lymer & Hancock, 2002).

Lump sum taxes are alternatives to distortionary taxes where lump sum taxes are fixed and taxpayers could do nothing to alter the taxes while it raises more revenue to the government and leaving the tax payer on the same level a distortionary tax would have left him without causing severe negative effect as in the case of distortionary tax, thus raising more revenue without consequential negative effect on the tax payers welfare. Therefore, it is more ideal for government to impose lump sum taxes on individuals to avoid the effects of distortionary taxes. Lump sum tax levies are practically difficult for government to achieve fairness especially where the government lack adequate information about individual tax subjects thus distortionary taxes are inevitable in such imperfectly observed situation of income and expenditure as a yard stick to levy taxes. There is the need to institute an efficient tax system but rather too hard and difficult to attain in our contemporary world situation. The tax system should also be seen not to encourage less work as economic growth is a key developmental element that is influenced by work done and should also not be seen as such that inhibit the productive growth of investment and savings (James & Nobes, 2000). Therefore, the most balanced situation is for a tax system to ensure fairness among payers especially on vertical and horizontal equity such that class boundaries could be used in determining tax liability between class boundaries and within class boundaries. It is achievable in property rates where class boundaries in term of values within uses, locations and neighbourhoods are introduced.

#### **4 Method of data collection**

Interview sessions were held with local authorities valuation officers cutting across Eight local authorities of city hall status throughout Peninsular Malaysia. The choice of valuation officers as respondents was based on a purposeful sampling technique been the scheduled officers for those services with an established long working experience in the field thus most knowledgeable and could provide a good insight on the subject of investigation. Their primary responsibility included among other things to identify rateable properties, assess rate liability of properties based on approved approach adopted by the local authority, despatch and collect rate charges as well as maintaining records on all matters relating to property rating within the rating area of the local authority. Choice of eight local authorities is influenced by the nature of local authority classification in peninsular Malaysia. These local authorities selected are classified as city hall status considered advanced. Interview with the valuation officers was conducted between February 2012 to July 2012. Documents on previous rating exercises showing the different classification of properties as well as rate percentage applied on each of the classification among all the local authorities were acquired from the local authorities. The documents assisted in understanding the diversification/differences and similarities among local authorities despite the intended uniformity as enshrined in the legislation. Use of existing documents were employed to serve as triangulation to the facts unfolded during interview sessions. Interviews were recorded and later transcribed before coding. This made categorization of data possible before formulating themes as tentative findings of the research.

## 5 Data presentation and Discussion

### Table showing classification and percentage rate charge among local authorities

**Key:** AV= Annual Value, IV= Improvement Value, IP= Ipoh, SA= Shah Alam, MK= Melaka, JB= Johor Bahru, PG= Penang, AS= Alor Star, DBKL= Dewan Bandaraya Kuala-Lumpur, PJ= Petaling Jaya

S/ N	Classification	IP(AV )	SA(AV )	MK(AV )	JB(IV )	PG(AV )	AS(AV )	DBKL(AV )	PJ(AV )
1	Residential (planned)	10%	4%						
2	Residential (Kampung)	8%		6%	0.01%				
3	Residential (Traditional Village)	5%						2%	
4	Industrial	10%	7.5%	13%	0.28%		10%		
5	Industrial(vacant land)		7%	6.3%					
6	Agric land	6%	2%		0.07%	1%	-		5.5%
7	Agric land(vacant)		1%						
8	Mining land	2%							
9	Residential			11.5%	0.13%				7.7%
10	Commercial	7%		13%	0.26%	10.3%	14%		
11	Commercial (vacant land)		6.5%						
12	Residential (Malay reserve)				0.05%				
13	Residential (permanent)						10%		
14	Residential (semi permanent)						10%		
15	Residential (temporary)						7%		
16	Industrial (new area)						65		
17	Residential (strata titles)					8.3%			
18	Residential (low-cost)		3.5%	11%		7%			7.7%
19	Residential (condomunium)		5%			7.5%			
20	Special (hotel, filling stations)					13.5%			
21	Residential (within 36 miles)							6%	
22	Commercial (within 36 miles)							12%	
23	Vacant land for comm (within 36 miles)							10%	
24	Vacant land for Residential (within 36 miles)		3.5%					7%	

	miles)								
25	Residential (outside 36 miles)							6%	
26	Commercial (outside 36 miles)							12%	
27	Vacant land for Res & com (Outside 36 miles)							6%	
28	Buildings for all purpose in other areas and villages							3%	
29	Vacant land in village							2%	
30	Vacant land for development		3.5%						6.6%
31	Conservation land			5%					
32	Govt cont.			12%					
33	Residential (Vacant land)			6.3%					
34	Others								8.8%
35	All village								5.5%

**Source:** Documents and Interview Extracts constructed by authors

#### 5.1 Uniformity in operations

Article D in the preambles of the Act made the objective clear to be the attainment of uniformity in operations within the local authorities of Peninsula Malaysia. It can be seen from data presented above that the Act did actually achieved adoption and by extension acceptance throughout the study area. However, data presented have revealed divergence in classification and approaches to determining rates liability which is primarily in the Act thus difficult to achieve uniformity in approach as all the approaches are statutorily approved. Glaringly, the two approaches provided in the Act are not the same, this can be attested from the percentage charge adopted by the local authority using improvement or capital value approach where none of the classification under the local authority is charged as much 0.30% while others are charging percentage rate on whole numbers

#### 5.2 Classification of holding for rating purpose

Section 129 of the Act states that the local authority may divide its area into two or more parts and may in respect of such separate parts impose rates considered just and proper and may further impose differential rates in accordance with the usage. Logical interpretation of this section will mean that local authorities could make differential classification even within the same use as residential. That is to classify residential uses or properties into various categories perhaps based on location or value. If this is done, it will give room for vertical and horizontal fairness in the classification such that properties located for example in a low density neighbourhood are charged higher percentage rate than those in the high density neighbourhoods, or a classification that will differentiate low income housing from high income housing either by space coverage, design, structure, accommodation and value. So also with the case of commercial and industrial properties which could be classified as low, medium and heavy industrial or commercial property/neighbourhood as the case may be. However, this will also mean from the content that every local authority have such powers with approval from respective states to determine the percentage rate of the classifications/area differently from others thus likely to produce varying percentage rate across local authorities which does not portray uniformity.

Table above provide a long list of classifications obtainable within the local authorities, a tour undertaken during the period of interview with local authority valuation officers provided an insight to the researcher that most of those classification are localized to particular local authority while there are few of them found common within some local authorities. It is logically observed during the interview that certain classification are obtainable across all the local authorities yet not all of those local authorities have them as classification such as

the planned residential area. It will certainly amaze the reader if a town is classified as city to exclude such a classification as planned residential area when others are using the classification. An interrogative perception was raised by the researcher during interview with those local authorities who do not have it as a classification whether their residential area were not planned. The response was that we are not responsible for making such classification but the government (politician) who are certainly temporal in occupation of those esteem offices made the classification without recourse to seeking advice from professional civil servant. In some others, the response was that it was a long standing classification that was never reviewed to reflect contemporary status. Whatever be the case, non existence of harmony between the classification is visible.

Other local authority have a classification as permanent residential property that is built of sand Crete block bonded in cement mortar signifying a permanency in their nature, a characteristic that is also found in all the local authorities but only used as a classification in one local authority. Other classifications were the temporary properties whose nature included the properties built of ply wood or wood planks, coated aluminium and pre-fabricated iron sheets. These kind of properties are commonly found in all the local authorities within certain locations but were not captured as a classification in most of the local authorities except in one local authority. Towns classified on the city hall status in Peninsular Malaysia are characterized with existence of condominium kind of buildings where you have multiple titles on strata basis whether a commercial or residential property but to the contrary of this peculiar attribute that is common to all is the non existence of such classification in most local authorities except in some few. Further investigations into revealed that the classifications existed before most of those developments and we are yet to review but in the process.

### 5.3 Rate Percentage charges

Section 130(1) of the Act empowers local authority to impose rates assessed on annual value of a property from 1% to a maximum of 35% while Section 130(3) provides for the imposition of property rates on such properties assessed on improved value at a maximum of 5% of the assessed value. Consequently, local authorities charge different rates on the same kind of property which obviously does not portray uniformity. In fact the only one state with two local authorities of city hall status have different percentage rate charge; they are Shah Alam and petaling jaya where for example Shah Alam charges residential in condominium like design 5% while petaling jaya charge 6% on the same type. Shah Alam is regarded as one of the most industrialized local authority in Malaysia charges 7.5% on industrial properties while Petaling jaya charges 8.8%, Shah Alam charge residential low cost housing 3.5% while Petaling Jaya charge 8.8% and Shah Alam charge 6.5% on commercial properties while Petaling Jaya charge 8.8% . These local authorities are located next to each other, in fact hardly differentiated by a passerby except those familiar with the administrative boundaries. These cities together with Majlis bandaraya Kuala Lumpur makes the capital city Kuala Lumpur. Further comparison could be closely made with Kuala Lumpur where dichotomised classification exist as those within 36 mile and outside 36 miles. Within 36 miles will be used for the purpose of comparison with Shah Alam and Petaling Jaya. Commercial properties are charged 12% when Shah Alam and Petaling Jaya charge 6.5% and 8.8% respectively, Majlis Bandaraya Kuala lumpur charge 6% for residential when Shah Alam is charging 4% & 3.5% as against Petaling Jaya who charges 8.8% & 6%. Another common classification between the three is vacant land for residential development where Majlis Bandaraya Kuala Lumpur charge 7%, Shah Alam is charging 3.5% and Petaling Jaya 8.8%.

## 6 Conclusion

Act 171 of 1976 have clear policy objective of achieving uniformity in operation within peninsular Malaysia which is viewed as intention to achieve fairness within property rate payers as a taxation system. Analysis of its content revealed some provisions negating the attainment of set objective due to some leverages provided for the local authorities. These leverages do not only negate the attainment of uniformity in operations but also making the possibility of achieving vertical and horizontal fairness among rate payers difficult. Because every local authority have different classification with varying rate percentage charge despite similarities in city structure and service provision as classified by the Government. Therefore, achieving the desired uniformity requires certain amendments in the Act to make certain uniform provisions on areas of classification and percentage charge. This can be better achieved with major contribution from local authority valuation officers who are directly involved in the field operations to achieve harmony and uniformity.

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