

**THE EFFECT OF TEXATION POLICIES ON  
PROPERTY MARKET TRANSACTION  
(A CASE STUDY OF TANKE ILORIN KWARA STATE)**

**BY**

**BELLO MEDINAT FUNMILAYO**

**HND/23/ETM/FT/0122**

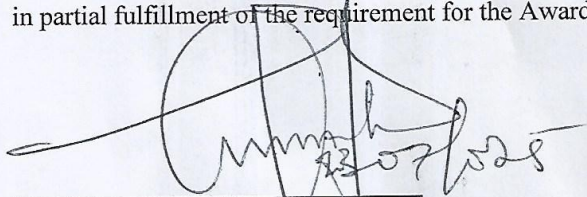
**BEING A RESEARCH PROJECT SUBMITTED TO THE  
DEPARTMENT OF ESTATE MANAGEMENT AND  
VALUTAION INSTITUTE OF ENVIRONMENTAL STUDIES,  
KWARA STATE POLYTECHNIC, ILORIN.**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR  
THE AWARD OF HIGHER NATIONAL DIPLOMA (HND) IN  
ESTATE MANAGEMENTAND VALUATION INSTITUTE OF  
ENVIRONMENTAL STUDIES.**

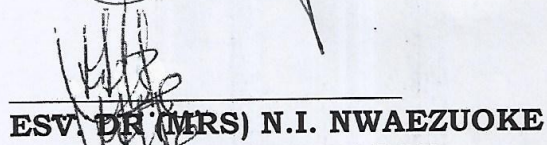
**JULY, 2025**

### CERTIFICATION

This is to certify that this research work was carried out by: **BELLO MEDINAT FUNMILAYO** with Matric No **HND/23/ETM/FT/0122**, in the Department of Estate Management and Valuation, Institute of Environmental Studies, Kwara State Polytechnic, Ilorin. in partial fulfillment of the requirement for the Award of Higher national Diploma (HND),

  
**ESV. OLADOJA ISMAILA OLAWALE**  
**PROJECT SUPERVISOR**

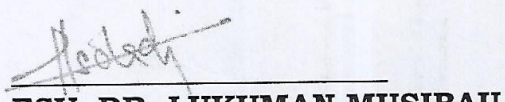
23/07/2025  
**DATE**

  
**ESV. DR. (MRS) N.I. NWAEZUOKE**  
**PROJECT CO-ORDINATOR**

23/07/2025  
**DATE**

  
**ESV. ABDULKAREEM RASHIDAT .A.**  
**HEAD OF DEPARTMENT**

23/07/2025  
**DATE**

  
**ESV. DR. LUKUMAN MUSIBAU**  
**EXTERNAL EXAMINER**

23/07/2025  
**DATE**

## **DEDICATION**

This project is dedicated to almighty **Allah** that has been guiding and protecting me throughout my programme and my late father **MR. BELLO** may his soul continue to rest in perfect peace. (**Amen**)

## ACKNOWLEDGEMENT

Praise, Honor, Glory and profound gratitude goes to Allah (S.W.T) for his guidance, protection and opportunity he gave to me throughout my stay in Kwara Polytechnic, Ilorin.

My sincere application goes to my late Dad, MR BELLO, may Almighty Allah grant him Aljannat Fridaus, to my ever supportive Mum, MRS S, BELLO, Through prayers and support, I was able to overcome many obstacles that come my way, throughout my program, I pray Allah in his mercy that when is time to eat the fruits of your labor, untimely death will not come by(Amen).

Many individuals have contributed in various ways to this progress and successful completion of my program and this project in particular, it would be unjust if i failed to express my heart fileet gratitude to them. I express my profound gratitude to my project supervisor, ESV OLAWALE OLADOJA for his unrelenting efforts guidance and the time he devoted to me throughout the course of this project, I also sincerely appreciate my Head of department ESV, Abdulkareem Rashidat. A. and my project coordinator, ESV, Dr, N.T,Uwaezuoke for their invaluable support,

To my darling siblings, Halima, Mariam, Kausara, Abdullah and Ahmed, Thank you for making me strong, being a source of joy and encouragement I'm truly blessed to have you all around me, To my big mummy's, Mum\_Samad, Mum\_Sodiq, my sweetest grandma, my uncle(Abdulafis), my wiffy (Hauwa)my lovely cousins, Nieces, and Nephew(Aliyah,Omotola,Oyinkansola,Sam,David,Mufeedah,Kalifah,Jamal,sam ad,kadijah, Ali (Gbesele) thank you all, may Almighty Allah continue to guide, bless and protect you all

Finally my deepest regards goes to my friends at home and school, Funmi, Ganiyat (mum,\_crystal, Maxwell, Kiara), Rebecca, Joyce (HC) Halima

(Mum\_MHH), Titi, Aminat, Shade, Dayo, Ademide, Alhaja Mariam, Mercy, Labake, shade (Fola (Candy) Bella, Flash, Tomiwa, Tiwa, (Hikmah, Mutmaheena, Hassan, my amazing naibour) and all others i may not have mentioned by name, Thank you all for your support and for never letting me down, your support, word's of encouragement mean a lot to me, may Almighty Allah grant u all your heart's desires (Amen)

## **TABLE OF CONTENT**

|                  |     |
|------------------|-----|
| Title page       | i   |
| Certification    | ii  |
| Dedication       | iii |
| Acknowledgement  | iv  |
| Table of Content | v   |

### **CHAPTER ONE**

|                                     |   |
|-------------------------------------|---|
| 1.1 Background to the Study         | 1 |
| 1.2 Statement of problem            | 2 |
| 1.3 Research Question               | 2 |
| 1.4 Aim and Objectives of the Study | 2 |
| 1.5 Significance of the Study       | 3 |
| 1.6 Study Area                      | 3 |
| 1.7 Scope of the study              | 6 |
| 1.8 Limitation of the study         | 6 |
| 1.9 Definition of terms             | 7 |

### **CHAPTER TWO**

#### **Literature Review**

|  |    |
|--|----|
| 2.1 Concept of marketing                         | 8  |
| 2.2 Sector Theory                                | 10 |
| 2.3 Multiple Nuclei Theory                       | 13 |
| 2.4 Urban Location Theory                        | 15 |
| 2.5 Factors determining the Pattern of Land Uses | 16 |
| 2.6 Review of Existing Literature                | 18 |

|     |                       |    |
|-----|-----------------------|----|
| 2.7 | Summary of Literature | 20 |
|-----|-----------------------|----|

## **CHAPTER THREE**

### **Research Methodology**

|     |                               |    |
|-----|-------------------------------|----|
| 3.1 | Introduction                  | 22 |
| 3.2 | Research design               | 22 |
| 3.3 | Population of the study       | 22 |
| 3.4 | Sample frame                  | 22 |
| 3.5 | Sample Size                   | 22 |
| 3.6 | Sampling Technique            | 23 |
| 3.7 | Method of Data Collection     | 23 |
| 3.8 | Instrument of Data Collection | 23 |
| 3.9 | Method data analysis          | 26 |

## **CHAPTER FOUR**

|     |                                |    |
|-----|--------------------------------|----|
| 4   | Introduction                   | 27 |
| 4.1 | Data analysis and presentation | 27 |

## **CHAPTER FIVE**

|     |  |    |
|-----|--|----|
| 5.0 | Summary, conclusion and recommendation | 34 |
| 5.1 | Summary of findings                    | 34 |
| 5.2 | Conclusion                             | 35 |
| 5.3 | Recommendation                         | 35 |

### **Reference**

## ABSTRACT

*It has been noticed that, there are problems associated with incompatible land uses in Central Business District (CBD) in most urban areas. These include untidy area and mixed incompatible and conflicting uses to which land has been subjected to. These types of problems are very common in most urban areas where commercial and service activities from industrializing, recreation and residential location are been found. The study aimed at examine the problems of the incompatible land uses in central business district (CBD) Sango, Saki Oyo State. Therefore, to achieve the above-mentioned goal, the following objectives are set up; To examine the existing general land uses the study area to examine the impact of government on land uses control and management in the study area, to identify the various problems associated with the incompatible land uses and to proffer solutions to the identified problems or to recommend the possible ways solving the identified problems. The total populations of land use include residential, commercial- industrial and recreational land. The sample frame of this study was examined to be five hundred (500). The total sample size of the land use in the study area is 20% as a target population size to be 100. It is well noted that there is no conformity with use of land in the study area through the research exercise carried out. Among the information collected shows that there is no adequate provision for zoning regulation by the government to control the area and there is no adequacy master plan in the study area which also affected the physical planning department to carry out their activities effectively. The public said that the combination of commercial, residential, industrial and recreational activities causes health hazard and environmental deterioration in study area. There is also a need to control the excessive noise constantly being generated by the booming noise being*



*generated all the times constitutes a nuisance to both traders and buy the trader should limit the noise to their shop and defaulters should be fined*

## **CHAPTER ONE**

### **INTRODUCTION**

This chapter focuses on review of how this research work is going to be carry out and it include among others background of the study, aim and objectives of the study, research problems, research question, method that is going to use in the project on other to carry out and analyse data, definition of terms and overview of the study area.

#### **1.1 BACKGROUND OF THE STUDY**

Housing literally means Building or shelters in which people live work dwell etc and to nation as a critical component in social and economic fabric (Adegoke, 2015). It represents one of the most basic human needs. As a unit of environment, it has a profound influence on the health, efficiency, Social behavior, satisfaction and general welfare of the community. To most groups housing means shelter but to other it means more as it serves as one of the best indicators of a persons standard of living and his or her place in the society Ogunsanya, A. (2020). It is a priority for the attainment of living standard and it is important to both rural and urban areas.

These attribute make demand for housing to know to bound as population growth and urbanization are increasing very rapidly and the gap between housing need and supply becomes widen. Cultural factors such as preferences and value or social Status, taste and financial resources, also influence a home physical characteristics.

In developing countries, poor housing delivery has been attributed to inadequate mechanismand system for land allocation, funding mortgage institutions and infrastructure. Also the government policies dictate the nature and manner of the market and how activities are run in the body polity. Despite this significance of housing adequate supply has remained a mirage to all carder of the society in Nigeria. The situation is very particular to most developing countries where population is growing at exponential rate and rapid urbanization becoming a numb, and discrepancy in housing need and supply is high.

According to Adegoke, in a developing country like Nigeria, the housing Problem basically relates to quantitative and qualitative inadequacies on the supply side various government policies in the past have been formulated towards overcoming the huge shortage through several housing reform programmers and how the property market operates. Despite these past efforts housing continuous to be a mirage to ordinary Nigerian.

Currently there are various mass housing delivering programs such as the affordable housing scheme that utilize the republic, private partnership effort and several private finance initiative models could only provide for about 3% of the required stock. This suggest the need for a holistic solution in approaching the problem.

While the quality of the existing stock that do not meet the minimum quality requirement. Thus this study is necessitated to point out the property market operation in Ilorin with the view of finding a lasting solution to the problem of housing and give directions for other areas in Nigeria.

## **1.2 AIM OF THE STUDY**

The aim of this study is to assess the effect of taxation policies on the property market transaction in Tanke Area, Ilorin, Kwara State.

## **1.3 OBJECTIVES OF THE STUDY**

This study generally seeks to identify the extent to which effective tax policies has brought about economic growth and development in Tanke Area, Ilorin, Kwara State. To achieve the aim the following objective are set;

- i. To identify the various taxation policies on the property market in Ilorin.
- ii. To examine types of property market in the study area.
- iii. To examine the effect of taxation policies on property market transaction.

## **1.4 STATEMENT OF THE PROBLEM**

In other part of the world, according to Oni et al (2007) the government encourage people to have their own property through it favorable tax conditions, but in Nigeria, the government seems to be discouraging property owners through its tax policies, which has affected the property market transaction in the country and this has led to the enrichment of neighboring countries like Benin, Niger Republic and Togo at the expense of Nigeria.

Ajayi (2011) opined that the disposition of government to these policies is not encourage property investors and transaction in the country because it has done more harm than good for the property market and it has made Nigerian to drastically reduced their spending and investment in the sector. However, Ilorin town has had her own fair share of the above problems in which many investors have refused to invest in real estate as a result of taxation policy in the state and also the problem of shortage in the supply of housing to the mass in the

study area. It is against this backdrop that this research seeks to examine the effect of government tax policy system on Nigerian property market in Ilorin town.

### **1.5 RESEARCH QUESTIONS**

This research therefore is intended to answer the following question;

1. What are the various taxation policies of government on property market in Tanke, Ilorin Kwara State?
2. What are the trends of the property market transaction?
3. What are the types of property market in the study area?
4. What are the effects of taxation policies on property market transaction in Tanke, Ilorin Kwara State?

### **1.6 SCOPE OF THE STUDY**

This study focuses on assessing the impact of taxation policies on property market transactions in Tanke, Ilorin, Kwara State, Nigeria, covering a period of five years (2018-2022). The study will examine the effect of taxation policies on property prices, demand, supply, and profitability of property development projects, using a mixed-methods approach combining surveys, interviews, and secondary data analysis. However, the study will be limited by the availability of data and the willingness of participants to respond to surveys and interviews.

### **1.7 JUSTIFICATION OF STUDY**

This study is justified because it addresses a knowledge gap in the impact of taxation policies on property market transactions in Tanke, Ilorin, Kwara State. The findings will have practical implications for policymakers, property developers, and investors, and will contribute to theoretical understanding of the relationship between taxation policies and property market transactions.

### **1.8 SIGNIFICANCE OF THE STUDY**

The study encouraged the property marketers in the study area to be conversant with the market to enable them manage the effects of tax policies on their properties. This research work will also equip the property marketers on the need to be sophisticated in their approach towards their transaction. The significance of this research work cannot be overemphasized

because the users of property [financiers and developers] and its marketers will be properly and accurately guided.

## **1.9 DESCRIPTION OF THE STUDY AREA**

Tanke Area, located in Ilorin, Kwara State, Nigeria, is the focal point of this research project, which seeks to assess the effect of taxation policies on property market transactions. Geographically, Tanke Area is situated within the coordinates of 8.5333° N latitude and 4.5333° E longitude, covering a significant portion of Ilorin's metropolitan area.

Tanke Area has undergone significant transformations, evolving from a rural settlement to a thriving urban hub. The area's strategic location, coupled with the expansion of Ilorin city, has fueled rapid growth and development, making it an attractive destination for investors, businesses, and residents alike. As a result, the property market in Tanke Area has experienced considerable activity, with a growing demand for residential and commercial properties.

Tanke Area boasts a sizable population, with estimates suggesting over 500,000 residents, according to the 2006 census. However, this figure has likely increased significantly due to the area's rapid urbanization and growth. The population's diverse socio-economic profile, comprising students, workers, and business owners, contributes to the area's vibrant economy and dynamic property market.

The taxation policies governing property transactions in Tanke Area are a critical aspect of this research project. Understanding the impact of these policies on the property market will provide valuable insights for policymakers, investors, and stakeholders. By examining the effects of taxation policies on property market transactions in Tanke Area, this study aims to contribute to the development of more effective and efficient taxation policies, ultimately promoting a more sustainable and equitable property market in the area.

## **1.10 DEFINITION OF TERMS**

**REAL PROPERTY:** [encyclopedia]defines real property as all land, structures, firm attached and integrated equipment [such as light, fixtures or a well pump], anything growing on the land, and all “interests” in the property which may be the right to future ownership, right to occupy for a period of time [tenancy or life estate] the right to drill for oil, the high to get the property back [reversion]if it’s no longer used for its current purpose [such as use for

school, hospital or city hall], use of air space [condominium] or an easement across another's property.

**TAXATION:** taxation refers to the act of a taxing authority actually levying tax. Taxation as a term applies to all types of taxes, from income to gift to estate taxes. It is usually referred to as an act; any revenue collected is usually called "taxes". Taxation is one of the primary powers of government over the people.

**MARKET:** market is one of the many varieties of system institution, procedures, social relation and infrastructures whereby parties engage in exchange of goods and services by banter, most markets rely on sellers offering their goods and services [including labor] in exchange of money from layers. It can be said that a market is the process by which the prices of goods and services are established.

**PROPERTY MARKET:** Property market can therefore be defined as a place where unexhausted legal interest in land and landed property is been offered for sale or traded and the selling is equally taken place.

## **REFERENCES:**

- Adegoke, A. (2015). The impact of real estate on the Nigerian economy. *Journal of Real Estate and Construction*, 1(1), 1-12.
- Adegoke, A. (2015). The impact of the Lagos State Land Use Charge Law on property prices in Lagos State.
- Akinbogun, T. (2017). Taxation and property market transactions in Nigeria. *Journal of Taxation and Economic Development*, 2(1), 1-15.
- Ajayi, O. (2019). The impact of Value Added Tax (VAT) on property demand in Nigeria. *Journal of Property Research*, 36(2), 157-172.
- Ogunba, O. (2018). The impact of the Lagos State Land Use Charge Law on property prices in Lagos State. *Journal of Real Estate and Construction*, 4(1), 1-18.
- Ogunba, O. (2018). The impact of property taxation on the profitability of property development projects in Nigeria.
- Ogunsanya, A. (2020). Taxation policies and property market transactions in Nigeria: A review. *Journal of Taxation and Economic Development*, 5(1), 1-20. Nigeria.

## **CHAPTER TWO:**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

It is pertinent to ascertain and have an understanding market before exploring the concept of real property market. This would be considered in the sections below:

##### **2.1.1 TYPES OF REAL PROPERTY**

Real property connotes land and building. Real property is a medium of investment that differs considerably in its gratuities and characteristics when compared to some other forms of investment.

Olayonwa (2000) described real property as rights that can be exercised in land. These rights can be held in land, which are the rights to income rising from land, right of use and enjoyment from land, and the rights to alienate or transfer land.

The Appraisal Institute (2001) defines real property as an article sold in the property market as an interest in land and landed properties. Examples of such interest are freehold, leasehold, easement, profit and license.

Emoh (2004) refers to real property as a particular type of good (land or resources) embodies in land neither of which either physically movable. Although the resources of land are not movable they are a form of property which can be owned by some persons or institutions. Moreover exchanges in them take place.

#### **2.2 CONCEPT OF MARKET**

Market simply suggests a place where buyers and sellers meets to exercise the duties of buying and selling. But Omuojine(1994) define market as a place geographical dimensions, where goods and intangible are traded between buyers and sellers to meet their immediate and future needs or those of their households, principal appointers. To this extent, we have such market as general market for good, grocery market, can mini market and stock exchange market. This meaning is very inclusive regarding markets.

However, unlike the market, the property market is fixed to a particular location and deals are established where they are found and to be located. Therefore, the share size of property and its fixity render such postulation virtually impossible. As it may be known that property



market exists, it will not be an overstatement that because of its special nature, each property constitutes a market unto itself and a single property market is a misnomer Glenn (2006).

### **2.2.1 CONCEPT OF REAL PROPERTY MARKET**

Oyebanji (2003) describes real property market as the arrangement by which buyers and seller of virgin land, agriculture, estate, industrial buildings, offices, shops and houses are brought together to determine a price of which a particular property can be exchanged.

According to him, real property market, otherwise referred as real estate market, is defined as any medium where bundle or cluster of right is being exchanged. It can also be referred as a system of transaction between landowners, land users and estate agents. The property market is the sum total of all smaller and larger markets operating in different types of interests in land. This, then means that separate markets exist for every type of property that involves different groups of buyers and sellers.

Emoh (2004) explained that property market is a medium through which ownership rights and privileges are transferred from one person to another. The real property market therefore is the price mechanism that allocates the use and investment that may be profitably divided to which estate. It is the market, which provides the main efforts for estate management in for as accommodation is economical.

Udechukwu (2006) shares similarities with above authors regarding the meaning of real property market but added that the property market is the sum of all other smaller and large operating different types of interest in land. This makes him state it is a conglomerate concept made up of thousands of smaller markets that operate in different areas, and with different types of properties. Hence, separate markets exist for every type of property, which involves different groups of buyers and sellers.

At this juncture, it is pertinent to mention that the article which is being sold and bought in the property market is the INTEREST in landed properties. It must be further stressed that the article in the property market is never the physical land or building, but the interest that subsists in it, is of different type: it could be freehold, leasehold, easement, profit or license to mention only but a view. Kuye (2003)

However, the property market can be principally classified based on location and users. This is because of its fixity in nature, where a property may by design be located in a particular user zone like industrial, commercial and residential or low medium or high density or

consequently merit will command a wider market and its value will be more madly determined.

### 2.2.2 THE CHARACTER OF THE REAL PROPERTY MARKET

Even though the property market can be described as an economic mechanism, rationing land between competing and occasionally conflicting users, it is one of the most imperfect markets. It exhibits certain characteristics and nature not evident in regular market. These characteristics according to Udechukwu (2006) as collaborated by Omuojine (1994) and Oyebanji (2003) include following here under which usually complicates the market.

- (1) **Heterogeneity:** - every property occupies a unique location, and there are many other instances of possible differences tend to be in term of position, style, accommodation, construction types, use, history and degree of obsolescence. This aside, persona test and need of purchaser also differ, signifying that, the only means of judging the value of a property should come from the market information because of the differences between the various types.
- (2) **Lack of vital information about the market:** owing to the fact that vendors and vendees (i.e. seller and buyers) are not in close contact, they lack vital information about the property market. This is because; it is very difficult to disseminate essential information easily across the property market.
- (3) **Existence of submarket:** - The property market does not consist of one large market but is rather made up of series of sub-markets, which may be real national or international in nature.
- (4) **Fixity in supply:** - The supply side of the property market cannot react very rapidly to changes in demand. That is a demand for certain properties at a particular time in a market it is not easy to rapidly supply. These houses except they are built before hand or are vacant. Thus, making the demand to be unsatisfied until new stock are added to the market.
- (5) **High costs of Transfer:** - the incidental costs of dealing in property are high relative to those of other investments. Investigation of title, the need for a formal contract, and the frequent need to create a mortgage are reasons for employing a solicitor while the desirability of a professional opinion of value of a report upon physical condition or to appoint an agent to handle advertising negotiations all add to the cost of transfer.

(6) **Special Risks:** - The property market involve in series of risk which include the following;

- i. Physical risks such as fire, earthquake, flooding, wear and tear usage damage.
- ii. The risk of liability of third parties due to defective premises.
- iii. The financial risk of granting lease for specified periods of time with or without rent reviews.
- iv. The economic risk that a property will become absolute in terms of design or purposes.

It should be noted that with the exception of deterioration due to wear and tear, the first two risks above can be insured against

(7) **Perpetuity:** - Land is durable and it is the habit of man and so he who owns part of it has an investment in something which always has been and (hopefully) always will be absolutely essential to the needs of men.

(8) **Use of Credit:** - Credit facility must therefore be available for any average buyer to get to the property market. This is due to the fact that real property transaction mostly requires a lump sum which is difficult to raise from activity capital alone.

(9) **Paucity of Market Participants:** - the number of participants in the property market is limited by finance. Not all who would love to purchase land are rich enough to buy a plot.

(10) **Absence of Short-Selling:** - Dissimilarity of real estate as a commodity and the legal right to specific performance discourage speculators and prevents market operation known as "short selling". Short selling is the practice of selling when prices are high, securities commodities that the speculator does not own.

(11) **Use of Specialists:** Fixity in location decreases the need for real estate specialist who is familiar with local and environmental market conditions with the applicable physical, economic, and legal characteristic of real estate as a commodity. Examples include estate agents estate valuers, brokers, lawyers, engineers and a host of others.

(12) **Local in Character:** - Fixity of location again causes the market for real estate to be local in character. As a commodity, real estate cannot be move from place to place.

Demand must come to the parcel or property. An oversupply of land and land improvements in a mid-western state is of no avail to fill a market demand for like land and improvements in another region or metropolitan center real estate must be employed where it is, and because of its fixity, its geographical location, it is extremely vulnerable to shifts in local demand.

- (13) **The Ability to create interest in property:** - an interest in property may be defined as a “Bundle of Rights” over that property, and it is these interests in property which are bought and sold rather than the actual properties themselves.
- (14) **Government Intervention:** - In view of the political significance of property, government intervention is brief. The following list an indication of some of the main forms that’s takes;
  - i. Rent control and security tenure
  - ii. Discriminatory taxation and relief from taxation
  - iii. Control of credit
  - iv. Control of land use and control of the construction, maintenance and use of buildings.
  - v. Compulsory purchase and public development

### 2.2.3 FACTOR THAT INFLUENCE REAL PROPERTY MARKET

Certain factors influence the property market and according to Udechukwu (2006), they include the following;

- (1) **International factors:** - Any factor whether political, or economic that affects the international environment, may have an effect on the property market.
- (2) **National factors:** - The economic situation in the country affects all forms of activities in the property work.
- (3) **Government policy:** A government policy statement is a declaration of a government's political activities, plans and intentions relating to a concrete cause or, at the assumption of office, an entire legislative session. In certain countries they are announced by the head of government or a minister of the parliament.

- (4) **Geographical factor:** - Geographical features are naturally-created features of the Earth. Natural geographical features consist of landforms and ecosystems. For example, terrain types, (physical factors of the environment) are natural geographical features. Conversely, human settlements or other engineered forms are considered types of artificial geographical features.
- (5) **Fashion and taste:** - In the classical European humanistic tradition, fashion was always thought to be antithetical to good taste. A person blindly following the whims of fashion was without style, whereas a man of style or a gentleman used his own power of judgment.
- (6) **Individual features of a property:** - Individual features of property physical property that helps identify and classify substances. The characteristics properties of a substance are always the same whether the sample being observed is large or small. Examples of characteristics properties include freezing/melting point, boiling/condensing point, density, viscosity and solubility.

#### 2.2.4 OPERATIONS OF THE PROPERTY MARKET

Omuojine (1994) explained that generally, the price of any commodity is determined by forces of demand and supply. Property enjoys certain unique features, which can make its intrinsic present value. The investor is therefore anxious to know how far actual market condition measures up to these of the hypothetical idea. In real market situations, sellers and buyers meet in perfect condition and are all equally informed as regards quality and quantity of demand and supply which constitute the choice before them, so that only the price has to be determined. But because of the heterogeneous nature of property, the property market does not conform to the standard condition of determining price. Also, localized market exists between the sellers and buyer, which may give rise to a monopoly situation.

Like the estate, the prospective tenant and purchaser are tied in different degrees to their particular location and environment. The demand of residential property for example may be related to the distance from the place of work or trade and the price of property will be determined by the number of people demanding for it. Among business, concerns regarding the tied as to location in demand vary a part from prototype development, there is hardly any one property that is the same as another. Differences exist in location, design construction, age and degree of obsolescence and accommodation type.

Hence, determination of the price of a true of a property can only come from the play of the market and the actual price paid by the final purchaser. Therefore, any increase in demand due to population mobility or improved welfare, it is difficult to meet by corresponding increase in supply with the result that prices tend to rise very steeply due to inelasticity of property supply. Also, any fall in demand cannot result in automatic increase in supply as property cannot be take away like other commodities in dramatic stacked fall in demand usually leads to slum in the property market.

Primarily, the property market performs five inter-related functions which according to Omuojine (1994) are as follows ;

- (1) It allocates existing land resources by the price mechanism in the absence of external pressure.
- (2) It redistributes the existing land resources in accordance with changes in supply and demand.
- (3) It determines the price (value) of land resource by the interplay of supply and demand.
- (4) It determines the level and nature of capital improvement to be carried out on land.
- (5) It determines the appropriate use to which the land resources should be put.

#### **2.2.5 FEATURE THAT CONDITION PROPERTY MARKET OPERATION**

Certain factors condition property market operation and set the limits of the market. According to Udechukwu (2006), they include:

- i. It is easier to tax real estate than personal property.
- ii. There is no non-standardization of building like is the case with automobiles.
- iii. Value of real estate property is often affected by changes in local zoning laws
- iv. The character of the neighborhood in the property market as well as the economic outlook affect value of any specific property.
- v. Rent control, which is usually imposed in residential properties in times of emergency limit the operation of market focus.

- vi. High crime rate in the neighborhood can lower property values, which depends to a very large extent on adequate police and fire protection.

### 2.2.6 IMPORTANCE OF PROPERTY MARKET

Property market is important because of its vital merit which is of great significance as it generally provide a guide investment, property dealing estate formation disposal, and management as have been opined by Oyebanji (2016);

- i. **Investment:** - this refers to the setting aside of money, capital and goods in to a business with the expectation of some positive return than can be reasonably be expected after sufficient analysis of prevailing circumstances have been made. Leramo (2006) state that investment is the placing of money in to something to secure income or capital growth, the income or profit from an investment is always in future; only a negligible portion of it is in the present.

Okey (1996) was of the opinion that investment is the commitment of resources in property or business based on capital analysis of expected benefits and risks, with expectation of realizing profits, either immediately or more often over an extended period. These future profits could be financial returns or increased output.

- ii. **Property dealing:-** this involve the buying and selling of property in other to maximize returns. Property is capital intensive by nature and may exhaust the lifetime savings of a developer for its actualization. Most developments are augmented by or fully developed through credit or borrowed funds. This calls for care by developers, purchaser and mortgage lenders to avoid unnecessary risk and catastrophic losses. This more often than not led to long periods of negotiation during which buying.

- iii. **Estate formation and disposal:** This is closely linked with property dealing. It involves the assemblage of small estate to form a large pool which is later disposed of in parts or whole at a profit. It is important that the investor understands the market appropriately so that purchases are not made when prices are exceptionally high or sale made when price are abnormally low.

- iv. **Management:** - the estate manager would at any given time be conversant with prevailing prices and rental levels and trends advance payments obtainable in the market on categories of property, the current leasing arrangement, the aggregate demand and supply

of different categories of property, the monetary policies of the Central Bank of Nigeria, and the general changes in the property market.

### 2.2.7 TYPES OF REAL PROPERTY MARKET

According to Udechukwu (2006) properties are best appreciated by type of use and consequently the market is clearly defined along this line. The property market can be categorized as follow:

1. **Residential market:** This is probably the most common market in Nigeria. It is also the most important and most active especially in the urban areas. The reason for this is not far-fetched, because of our developing economy; the demand for housing is ever on the increase as a result of rural urban drift and demographic problems. The residential market is further subdivided according to type, namely, tenement, apartments, flats, semi-detached and detached houses.
2. **Commercial property market:** Developments such as offices and shops fall into this category. There is a high demand for offices especially in the central business districts of urban centers in Nigeria such as Minna, Lagos, Port-Harcourt, Kano and Kaduna and also in the new state capital such as Asaba, Lokoja, Jalingo etc. purpose built offices mainly exist in the market on rental basis and occasionally change hands by way of sale. Office market also exists in secondary commercial and residential neighborhoods principally as converted users.
3. **Industrial premises market:** this is a highly restrictive market as industrial premises are principally developed on an owner – occupier basis. However, warehouse development attracts a wider market and most industrial premises are developed along this line nowadays. This market's alternative uses possible when plant and machinery which dictated the specialized nature of a particular industrial are removed. Pricing of this class of property is on useable floor area basis.
4. **Agriculture property market:** - Yields on agricultural investments are traditionally lower than on other types of property. The following factors are amongst the reason for this:
  - i. The investment comprises land and buildings but the major part is land which is virtually indestructible and in fixed supply.



- ii. The products of the land are food, a basic need of man.
  - iii. There are some rating and taxation concessions.
  - iv. The government supports the agricultural industry and may be relied upon to continue to do so.
  - v. Ownership of a rural estate often confers social advantages and provides opportunities for sport and recreation.
  - vi. There may be development opportunities
  - vii. Rents may be reviewed frequently every three years.
5. **Special properties:** special property market comprises of cinemas, hotels, petrol station, public houses and other. Such properties often have a quasi-monopolist element. In the case of cinemas for example, there may only be one in a particular town or in the case of a petrol station, its position is of such importance that two such properties may be close together, but one may be less conspicuous from the highway than the other such that the earning potential of the two properties are totally different. These types of properties present two difficulties. One is of valuation and the other relates to assessing its merits as an investment.
6. **Accommodation land:** - accommodation land denotes the peripheral land surrounding a settlement. It is the next in line for development as the settlement grows. The growth rate of the settlement depends on the rate of absorption of the accommodation land. Taking for instance the urban areas; investors or speculators acquire (purchase) land that is subject to land speculation assuming a free economy with private accommodation state, the land sustains such special uses as mechanic village, car-park and garden amongst others. Investment in such property therefore requires specialist advice and may be only for the specialist investor or alternatively for a very large and diversified portfolio.

## 2.2.8 MAJOR PLAYERS IN THE PROPERTY MARKET

1. **Estate Agents:** - The principal player in the property market is the estate agent. He is the link man who brings together the buyer and the seller in any property transaction. He is also an estate broker who may either represent the interest of the vendor or vendee or both for a fee or a commission. In Nigeria, the business of estate agency is undertaken by trained professionals. The estate surveyors and valuers and the untrained hands usually referred to as “quacks”. The law of the land permits any Nigerian Citizen to practice estate agency.
2. **The estate surveyor and valuers:** - This is a trained professional, a land economist who is schooled in the art and science of estate management. He is by experience an expert in the operation of the property market. He functions as an estate manager and doubles as an estate agent. By his training, he keeps an up to date record on the estate under his portfolio and is well equipped to analyse and interpret the market. He is the prime professional in any estate development, the first and the last. He comes in at the conception stage to provide market information for developing a scheme, very often carries out the pre-investment studies [feasibility and viability studies] project management, and manages the development portfolio on completion and professionally trained to estimate and advice on property values.
3. **The lawyer:** - He handles all legal document and matters pertaining to property. He draws up and prepares lease agreements, deeds of assignment and sublease and management agreements. Further, he conducts search at the land registry to ascertain the genuineness or otherwise of interest being offered for sale. And in the event of any litigation emanating from the property transactions, he represents the parties as an advocate.
4. **Developers:** the developer is the prime mover in the property market. He provides and supplies the property into the market by developing or acquiring them. He provided and sources the fund for the construction, purchase or development of estates. The developer is principally an investor and a speculator and he goes into the property business with the principal aim and objective of making profit.

## **OTHER SHORT COMMINGS OF THE PROPERTY MARKET**

The shortcoming or disadvantages of the property market include;

- I. The size of capital outlay is always large
- II. There is also the problem of liquidity and high cost of capital transfer
- III. Problem of indivisibility
- IV. it at times attract litigations which people often avoid.
- V. It can be subject to natural disasters like fire, water earthquake, wind to mention only a few
- VI. The problem and loss of property management and maintenance
- VII. Government intervention tends to discourage interested investors from partaking in the trade. Example are land use act, town planning act, rent control edicts etc.

The Nigeria property market though relatively young has come a long way from typical rental market to a capital market where transfer of equity holding in property is fast developing into a normal way of business. However, in order to sustain the growth of the property market and retain and improve on public confidence in the market, it is important that those who broker in the market are professionals and property organized trained and registered agents. This measure will no doubt lead to cooperation amongst the estate agents and better articulation of information and data as pre requisite for further growth and a scientific orientation of the property market.

### **2.2.9 PUBLIC POLICY EFFECTS PROPERTY MARKET**

Udechukwu (2006) public policy definitely has its effect on property and a lot of influence in the operation of the property market. The policies of government, which can affect the operation of the property market, can be listed as follows:

- i. Physical controls
- ii. Land Use Control
- iii. Credit control
- iv Taxation
- v. Provision of new estate

**Physical controls:** - in the operation of the property market there are forms of legal instruments placing restrictions on property. Rent control edict is one of such restrictions which limit the rent payable on classes of properties. Rent controls are applied by government during period of inflation to checking rising rents. A lot of rent control measures were put in place by various state governments during the oil boom period but they never worked. Rent control usually leads to distortions in the market, as investors tend to avoid properties that are subject to control, leading to a further shortfall and further rise in the prices of controlled properties.

**Land Use Control:** - this may limit or encourage the supply of a particular type of property into the market and have a direct effect on the market by increasing or decreasing the rent or value of such properties. Accordingly, a policy which discourages further development of office blocks or seeks to discourage the conversion of use of residential properties in Victoria Island will lead to a further like in the rental value of the existing stock of purpose built offices on the Island. Credit controls are applied by government most especially in its annual financial policy guidelines to banks and financial institutions to direct and control the sectional allocation of loanable fund of such institutions.

**Taxation on Property:** - in the form of development charges, capital gains tax, stamps duties and consent fee have a way of rebounding on the price of properties as the rates and taxes are usually padded on the final consumer. Punitive development levies and capital improvement charges also tend to stall the continuous flow of properties into the market as they distort feasibility/viability projections on given developments.

**Provision of new Estate:** - it is a common belief that the provision of new estate by governments has a statutory effect on rental levels generally due to increase in housing stock. This may be fallacious as the provision of public housing by the federal and state governments have not proved this to be true.

Most public housing in this country usually tagged “low cost housing” are developed to take care of government workers who form a small proportion of the populace and those who ordinarily cannot compete for accommodation in the property market. It can then rightly be said that public estate hence minimal effect and influence on the property market.

**Credit Control:** - credit controls are applied by government most especially in its annual financial policy guidelines to banks and financial institutions to direct and control the sectional allocation of loanable funds of such institutions. Over the years the Federal

Government had tried to encourage borrowing in the area of housing by dictating to banks a liberal repayment term of between 15 and 20 years.

Well all know that most banks borrow short term and are hardly in good state to lend long term. The result was that most banks defaulted, preferring to pay the attendant penalty it is expected that the National Housing Fund will now provide the necessary credit for lending to the housing sector and improve the housing stock appreciably after the year 2000 A.D.

### **2.3.0. Taxation**

According to Justice Oliver Wendell Holmes in 2002 said, “Taxes are the price of civilization”. Over one hundred years later, taxes are still the most predominant way for governments to raise revenues. Taxation, generally speaking, knows few boundaries. Taxes are levied on property (both real and personal), income (corporate and individual), consumption (sales and use taxes), and legacy (inheritance). Some taxes are flat, while others increase as the amount being taxed increases. Regardless of what is being taxed or how it is calculated, there is one certainty – the tax is being levied to finance the activities that the population deems necessary for government to provide.

#### **2.3.1 Functions of Taxes**

Taxation refers to the power of a government to levy a specific tax upon its citizens. If you go to the store you will pay tax on the goods you purchase, or if you own property you will pay taxes based upon its value. These are specific taxes paid under specific circumstances. That concept on its own is simple enough. A tax system, however, is a multi-layered, multi-dimensional accumulation of several types of taxes, as well as the consideration of non-tax revenue – instituted by a government – that combines to raise enough revenue to cover its necessary expenses. Assembling a tax system that achieves its principal purposes, such as raising enough revenue, maintaining efficiency, and is politically acceptable can be extremely tough waters to navigate.

#### **2.3.2 Guiding Principles of Tax Policy**

At all levels of government – national, state, and local – the complexity of the various tax systems in place makes them extremely difficult to administer, let alone provide any meaningful analysis or proposal for improvement. Some might argue that a broad simplification of our tax laws would solve many problems. However, it is many of those complexities – such as a mortgage interest deduction on our income tax return or even

reduced property taxes for homesteading – taxpayers perceive as real and tangible benefits. As a result, they would be very difficult to remove from the system. How is it then that we, as tax administrators and tax policy developers, formulate proposals to change existing tax rules? The best answer is to rely on a framework of principles that can serve as a guide towards current and future policymaking.

The following principles have been generally accepted and commonly cited as indicators of good tax policy. The weight and importance given to any one factor may vary from issue to issue, but all certainly maintain their relevance regardless.

### **i. Equity and Fairness**

The principle of taxing similar taxpayers similarly is typically defined as equity. While a tax system cannot be all things to all people and therefore cannot meet an all-encompassing definition of fair, in the context of good tax policy it is important to whether a tax system is perceived as fair.

### **ii. Certainty**

A person's tax liability should be certain rather than ambiguous. The tax rules should specify when the tax is to be paid, how it is to be paid, and the amount to be paid. A tax system's rules must enable taxpayers to determine what is subject to tax (the tax base) and at what tax rate(s). Taxpayers should be able to determine their tax liabilities with reasonable certainty. This certainty is important to a tax system because it helps to improve compliance with the rules and to increase respect for the system. Certainty generally comes from clear statutes as well as timely and understandable administrative guidance that is readily available to taxpayers.

### **iii. Convenience of Payment**

A tax should be due at a time or in a manner that is most likely to be convenient for the taxpayer. A tax should be payable when it is most likely to be convenient for the taxpayer. An example of this would be taxing purchased goods at the time of purchase. Convenience is important in ensuring compliance – the more difficult a tax is to pay the more likely that it will not be paid.

#### **iv. Economy of Collection**

The costs to collect a tax should be kept to a minimum. These costs include the administrative cost to the government as well as the compliance costs incurred by the taxpayer. Typically, the more simple a tax, the lower the costs, and the more complex a tax the greater the costs become.

#### **v. Simplicity**

The tax system should be as simple as possible, and should minimize gratuitous complexity. Simplicity in the tax system is important both to taxpayers and to those who administer the various taxes. Complex rules lead to errors and disrespect for the system that can reduce compliance.

#### **vi. Neutrality**

The effect of any tax law on business and personal decisions should be kept to a minimum. The effect of the tax law on a taxpayer's decisions as to how to carry out a particular transaction or whether to engage in a transaction should be kept to a minimum. The tax system's central aim should be to minimize distortions in the economy, and to interfere as little as possible with the decisions of free people in the marketplace.

#### **vii. Transparency and Visibility**

Taxpayers should know that a tax exists and how and when it is imposed upon them and others. A good tax system requires informed taxpayers who understand how taxes, are assessed, collected and complied with. Visibility enables individuals and businesses to know the true cost of transactions, as well as to understand how tax burdens affect them and the economy.

#### **viii. Appropriate Government Revenues**

Tax systems should have some level of predictability and reliability to enable the government to determine how much tax revenue is likely collected and when. This is extremely important to levels of government that operate with a balanced budget requirement.

#### **ix. Maintain a Broad Base**

Taxes should be broadly based, allowing tax rates to be as low as possible. A mix of taxes provides a more stable tax base because different types of taxes are affected differently by changes in the economy. This responsiveness to economic conditions is often referred to as elasticity.

#### **x. Ensure an Open Process**

Tax legislation should be based on careful economic analysis and transparent legal procedures. Tax legislation should be subject to open hearings with full opportunity to comment on legislation and regulatory proposals.

### **2.3.3 TYPES OF PROPERTY TAXATION**

At all levels of government national state and local the complexity of the various tax systems in place in a makes them extremely difficult to administer, let alone provide any meaningful analysis or proposal for improvement. Some might argue that a broad simplification of our tax laws would solve many problems. However it is given the many levels of taxation (federal, state and local) that most taxpayers are subject to, it is safe to say that tax laws are changing constantly. Some of these changes are minor (changing a rate or adding a deduction) while others may involve major substantive changes (changing from an income tax to a consumption tax or taxing online transactions). Any suggestion for modifying tax rules raises the question of how to compare the proposed changes to either existing rules or other possible alternatives. The best answer is to rely on a framework of principles that can serve as a guide towards current and future policy making. Shittu (2015).

The following principles have been generally accepted and commonly cited as indicators of goods tax policy. The weight and importance give to any one factor may vary from issued to issued, but all certainly maintain their relevance's regardless.

#### **xi. Equity and fairness.**

The Principle of taxing similar taxpayers similarly situated taxpayers should be taxed similarly. This includes horizontal equity (taxpayers with equal ability to pay should pay the same amount of taxes) and vertical equity (taxpayers with a greater ability to pay should pay more taxes). Note: Equity is best measured by considering a range of taxes paid, not by looking just at a single tax.



**xii. Certainty.**

Tax rules should clearly specify when and how a tax is to be paid and how the amount will be determined. Certainty may be viewed as the level of confidence a person has that a tax is being calculated correctly.

**xiii. Convenience of payment.**

A tax should be due at a time or in a manner most likely to be convenient to the taxpayer. Convenience helps ensure compliance. The appropriate payment mechanism depends on the amount of the liability, and how easy (or difficult) it is to collect. Those applying this principle should focus on whether to collect the tax from a manufacturer, wholesaler, retailer or customer.

**xiv. Economy of calculation.**

The costs to collect a tax should be kept to a minimum for both the government and the taxpayer.

Simplicity. Taxpayers should be able to understand the rules and comply with them correctly and in a cost-efficient manner. A simple tax system better enables taxpayers to understand the tax consequences of their actual and planned transactions, reduces errors and increases respect for that system.

**xv. Neutrality**

The tax law's effect on a taxpayer's decision whether or how to carry out a particular transaction should be kept to a minimum. A tax system's primary purpose is to raise revenue, not change behavior.

**xvi. Economic growth and efficiency.**

A tax system should not impede productivity but should be aligned with the taxing jurisdiction's economic goals. The system should not favor one industry or type of investment at the expense of others.

**xvii. Transparency and visibility**

Taxpayers should know that a tax exists, and how and when it is imposed on them and others. Taxpayers should be able to easily determine the true cost of transactions and when a tax is being assessed collected and complied with visibility enables individual and business to know the true cost of transactions, as wells to understand how tax burdens affect them and the economy

**Taxation**, imposition of compulsory levies on individuals or entities by governments. Taxes are levied in almost every country of the world, primarily to raise revenue for government expenditures, although they serve other purposes as well.

This article is concerned with taxation in general, its principles, its objectives, and its effects; specifically, the article discusses the nature and purposes of taxation, whether taxes should be classified as direct or indirect, the history of taxation, canons and criteria of taxation, and economic effects of taxation, including shifting and incidence (identifying who bears the ultimate burden of taxes when that burden is passed from the person or entity deemed legally responsible for it to another).

In modern economies taxes are the most important source of governmental revenue. Taxes differ from other sources of revenue in that they are compulsory levies and are unrequited—i.e., they are generally not paid in exchange for some specific thing, such as a particular public service, the sale of public property, or the issuance of public debt. While taxes are presumably collected for the welfare of taxpayers as a whole, the individual taxpayer's liability is independent of any specific benefit received. There are, however, important exceptions: payroll taxes, for example, are commonly levied on labour income in order to finance retirement benefits, medical payments, and other social security programs—all of which are likely to benefit the taxpayer. Because of the likely link between taxes paid and benefits received, payroll taxes are sometimes called “contributions” (as in the United States). Nevertheless, the payments are commonly compulsory, and the link to benefits is sometimes quite weak. Another example of a tax that is linked to benefits received, if only loosely, is the use of taxes on motor fuels to finance the construction and maintenance of roads and highways, whose services can be enjoyed only by consuming taxed motor fuels

#### **xviii. Minimum tax gap.**

A tax should be structured to minimize noncompliance. The tax gap is the amount of tax owed less the amount collected. To gain an acceptable level of compliance, rules are needed. However, a balance must be struck between the desired level of compliance and the tax system's costs of enforcement and level of intrusiveness.

**Appropriate government revenues.** A tax system should enable the government to determine how much tax revenue it likely will collect and when—that is, the system should have some level of predictability and reliability.

For further discussion of this framework and its specific application to some actual proposals, see “The AICPA's 10 Guiding Principles,” by Annette Nellen, in the February 2002 issue of *The Tax Adviser*.

The different types of property (land) taxes are as follows:

#### **1. Severance Tax**

This is a tax that is applicable to resources or assets of a wasting nature such as harvesting of agricultural products and mining. It includes the extracting of natural resources, such as timber, salt, petroleum metallic stones and such likes. This type of tax is levied to ensure that, all benefits from the natural resources of the earth (which are God given free gifts of nature) are shared by all.

## **2. Stamp duty/documentary Tax**

This is a form of tax payable on all instrument or documents executed within a country where the tax is applicable. According to the law, document must be stamped before they can be tendered as evidence in a court or present for registration. In Nigeria, the stamp duty's Act of 1958 requires all the instrument executed in Nigeria to be stamped. This documentary tax or stamp duty as it may be called, is normally paid to the tax authority before the stamp is fixed on the document. The law for this tax provides that, within a stated period of say 30 days. Conveyance on sales, assignment of land leases, mortgages and other documents entered in to in contractual agreement should be registered.

## **3. Estate Fee/Probate Tax**

It is simply a tax paid before granting letter of probate following the death of the owner of a property. Letters of administration will not be handed over until this amount is paid to the tax authority. The chargeable amount is based on the open market value of the deceased estate, as of the date of death.

## **4. Capital Transfer Tax**

These groups of tax are normally considered together since they all involve the transfer of property from one person to the other. These taxes are imposed on the capital value of properties transferred. The capital transfer tax in Nigeria was introduced on 12<sup>th</sup> April, 1979 through the federal government official Gazette No. 18 Vol. 66 the effective date of the law is 1<sup>st</sup> April, 1979. The arguments for introducing the tax are as follows:

- i. To curb the then growing trend of embezzlement of public funds by private individuals. It is assume that the introduction of the tax will determine those who are prone to steal government funds to desist. This is expected to be so, knowing that the bulk of any money stole will be subject to heavy taxation whenever the estate is to be transferred.

- ii. The government intends to use the tax as a means of helping the government to achieve her objective to redistribute wealth.
- iii. It was state that the tax was expected to help to pass the management of properties to better hands. However the tax was achieve this objective has been hotly debated
- iv. Lastly, the introduction of the tax in Nigeria was expected to promote productivity. This was expected to occur, as much of the stole wealth of the rich that could not be transferred totally in its entirety to their offspring, could end in better hands. It should be noted that only transferred properties in excess of ₦100,000 are subject to the tax. The rate of the tax is spell out in a graduated scale as show below.

## 5. **Site Value Rating**

This is a tax levied on land cleared of buildings. It is a tax on unimproved capital value of the site and it is normally base on the determine open market value of the land. It is a rate on the capital value of the land.

## 6. **Betterment Tax**

The town and country planning law-Cap 130 section 45(1-3) of 1963 identify situations where adventitious value is gained by landed property owners because of public works, development and planning control activities. When that happens, a tax known as Betterment Tax is normally required to be paid by all the beneficiaries of such works. Under this law, the planning authority is allowed to tax, not more than 75% of the increase in value resulting from such activity of government and its parastatals. The computation of the tax is straight forward. It involve the determination of the open market value of the property before and after the public work. Only 75% of the difference between the two values is chargeable.

## 7. **Withholding Tax**

This is a tax directed at incomes earned on land building and other identifiable income earned from contractual agreement. The tax came about to reach out to other earned income apart from salaries and wages. The law giving effect to the tax is the finance (miscellaneous Taxation provisions) Decree No. 98 of 1979 over the years, the rate of the tax as been changing's. Niger State deducts 10% on all activities subject to this tax.

## 8. **Special Tax**

This is a tax normally imposed on owners of landed property as the need arises. They are meant to raise funds to meet specific public improvement such as roads, water supply, street lighting and other community based services. Generally, a flat rate is fixed and paid by all land owners. It is a local tax and it differs from the property or tenement rate in the sense that the method, procedure and principle of assessment differs.

## 9. **Value Added Tax –VAT**

### Definition

Value Added Tax or VAT, as it is widely known has been variously defined as government levy on the amount that a business firm adds to the price of a commodity during production and distribution of a good encyclopedia Britannica. A director of federal internal revenue defined it as a multi stage tax imposed on the value added to goods and services as they go through various stages of production and distribution and to services as they are rendered.

### **Real Property and Value Added Tax**

In Nigeria today, real property is subject to the Value Added Tax. The Value Added Tax Decree No. 102 of 1993, schedule 2, No. 6 and 7 states that, taxable services include;

- I. “Services supplied by Architects (including landscape architects and draughtsman”.
- ii. “Services supplied by land and building surveyors, quantity surveyors, insurance companies and assessors, fire and marint insurers, loss adjusters or similar services”.

Take for example at what paint, and which of the service of the Estate Surveyor and Valuer is VAT able. On rents, it is already known that a certain percentage of the amount pain is deductible as withholding tax. The practice presently in Nigeria, requires a tenant to pay an extra 5 percent over his rent as VAT. This is in recognition of the fact that the tenant benefits from the “consumption” of the accommodation. Further, an amount equal to 5 percent of the professional fees paid is also collectable as VAT. This amount is paid by the landlord who collects rents from the Estate Surveyor who offers his services to him.

## 10. Capital Gains Tax

This tax in Nigeria come about as a result to Decree 44 of 1977, official gazette extra ordinary No. 91 Vol. 54 of 4<sup>th</sup> October, 1977. Capital gain tax is a tax on gains or wind falls, which speculators or other property dealer realize when they sell real estates or landed properties. The chargeable asset under the Act are, land, buildings plant and machinery, stocks and shares in Nigerian companies. The assets must have been disposed of before capital gain can arise. The rate of the tax is 20% of gains or disposal of the asset.

### 2.3.4 The impact of taxation on property market

The impact of taxation refer to the economic and social changes that have resulted from the implementation of a given tax policy. Every tax imposition has some objectives. All the changes and activities social and economic, advantages and disadvantages, all constitute the impact in the system of the imposition of the tax in question

### 2.3.5 The effect of taxation on property

The effect of taxation means the impact, which a tax imposition makes in a given system. Some of the economic effect of taxation include its deterrence to work, saving and enterprise its encouragement of inflation, and its diversion of economic resources from highly taxed area to a less tax areas. From the earlier definitions, tax is depicted, it as a compulsory levy, which must be paid thus marking it unfriendly to economic enterprise. Some of the negative side effect of taxation are as follows:

- i. **A deterrent to work:** heavy direct taxation, especially when closely linked to current earning can act as a serious check to production by encouraging absenteeism and making men disincline to work overtime.
- ii. **A deterrent to saving** taxation will generally reduce people's ability to save because it leaves them with less money to spend.
- iii. **A deterrent to enterprise:** most economists who regard profit as reward earned by the more successful entrepreneurs condemn taxes on profits because they consider such taxes to be checks on enterprise. It is argued that entrepreneurs will embark upon risky undertaken only when there is a possible reward thus, heavy taxation profits will not encourage adequate dividends for

shareholders and little or no amount for expansion of programmes. As a result production is checked and economic progress hindered.

- iv. **Taxation may encourage inflation:** - under full employment, increased taxation will lead to demand for increased wage, thereby encouraging inflation. A general increase in purchase taxes pushes up the cost of living index, and so makes demand for wage to increase.
- v. **Diversion of economic resources:** only if there are no hindrance to the free play of economic forces will resources be distributed among occupation in such away as to yield that assortment of goods desired by consumer. Taxation of properties is similar in effect to an increase in their cost of construction. The consequence of taxation is that resources will move from heavy taxed forms of construction to a cheaper one.

### 2.3.6 Incidence of Tax on property

The incidence of tax refers to the effect of tax and where the burden of it finally rests i.e. the effect of the tax to be paid on the individual paying it. The incidence of any tax is on the person who pay it, which in the case of real property based tax is, the owner and/or the occupier of a property (Ifediora, 1998). Incidence of tax comes in two part namely:

- i. Formal incidence
- ii. Effective incidence

**Formal Incidence (Ifediora, 1998):** - this tells us about the initial effect of tax on a taxed object, and it further identifies the actual person responsible for the payment of tax. For example, if a man earn ₦200 a year and pays ₦40.00 in income tax, his disposable (Net) income is ₦160. This then means that he bears the impact of the tax and has to pay it, because income tax cannot be shifted to someone else, since it is directly on his income.

**Effective Incidence:** - this explains how the ultimate final burden of tax was met e.g. in the case of purchase tax on goods, the consumer and producer usually shared the burden. The producer pay company, tax, excise duty, etc. so they (producers) put all these into consideration before fixing a price for a particular product.

### **2.3.7 EFFECT OF TAXATION ON REAL ESTATE DEVELOPMENT**

Property taxation is like the proverbial saying that says “the hand the feed is also the hand that beat”. Taxation is a two-pronged fork as it encourages government to raise revenue for development of road, provision of portable water, electricity and also for funding housing, while on the other hand, it tends to discourage private developers as he has to pay several property taxes in order to own a home (Asumah, 1999). The taxation of real estate poses a great problem and thus the many unanswered questions that often agitate ones mind. For example, “does taxation encourage or discourage real estate development”. If taxation contributes to the economy, how come there is still an acute shortage of housing and other facilities?” Ifediora (1998) asserted that achieving the taxation objective is a highly technical and complex matter, requiring the skills knowledge and experience of an estate surveyor and valuers. In answering these questions, the various effect which of taxation on real estate will have to be examined. Some of the identifiable effect of taxation on real estate are as follows:

- 1) It encourages highest and best use of land: - land taxes encourage more intensive use of land for example, site value rating could be used to aid land development especially where tax payable is not just base on the current value but on the potential use into which such land could be put one of the conditions often stipulated in the certificate of occupancy is that certain types of development should be erected having a given minimal value. Any land tax to be paid could be based on such minimal value to ensure compliance with the given directive.
- 2) Real Estate taxation could greatly influence the investment decision on land: for example, tax relief and concession could be used by the authorities to encourage the development of certain types of real properties of given location. For instance, the abolition of excise duty in 1998 by the Nigeria government in no small way boosted industrial use of land as tax, which could have been paid, is channeled towards expansion in order to boost production. Owing to the abolition of this tax. Most industrialists were encouraged to invest and thus establish more industries and this expansion of the operation of the existing ones thereby improving the economic growth and further development of the Nigerian industrial sector.
- 3) Taxation helps to influence and hasten the development of a particular area through the imposition of certain amount on the owners of land: for example, it is now a common phenomena that individual allottees of government land are required to pay



varying amounts towards the provision of essential infrastructural facilities such as water, roads and drainage system, electricity and telephone amongst others.

- 4) Taxation helps to redistribute wealth: especially with regard to progressive and proportional taxes where high property income earners pay more in to the government coffers. High rate of tax and multiple taxes may discourage investor from investing in the property that are in the market.

#### **2.4.0 POLICY**

Homby (2001) defined it as a document containing the contract made between an individual and an insurance company. It follows that from the above definition, policy embodies a contractual relationship or a symbiosis between one thing and another for air present purpose, the relationship should be understood to be between people and an authority (government) the same dictionary went ahead to state the policy could as well mean selected plan or line of conduct in the light of which individual decisions are made and co-ordination are achieved.

Jibril (2011) stated that policies are conceptual frame works for government decisions that are aimed at given directions to development and distribution of resources. From the programmatic view point policy is seen as an end product consisting of either documents or conclusions by responsible authorities who clearly express their views in problems demanding action and how they plan to deal with the available resources. Also policy in its strategic usage lays suppliant on the fundamental process through which an organization provide stability and orderly change while planning to capture future desired goals.

But ordinary speaking, policy mean the summary of the total or general perception of issues by an individual, organization or government.

Basically, it provides the framework for the determination of do's and do not and no go areas and infact, the thinking or intention of an individual, a people or an authority.

#### **2.4.1 Government Policies**

Jinadu (2007) defines government policies as a statement of intents made on subject like health, housing, education, energy and population.

They are promulgated by the government to streamline activities of subject e.g housing. Example of government policies is national housing policies, fiscal policy, town and country planning to mention a few.

However, since this study is based on real estate market, consideration will be more related to government policies on land transaction and activities of the property market. In real estate, there are various policies that are capable of affecting the property market. They include, the following;

1. Land Use Act, No 6 of 1978
2. Urban and Regional Planning Decree No, 88 of 1992
3. Rent control edict
4. Property tax law
5. Value Added Tax (VAT)
6. Monetization policy
7. Privatization policy
8. Tenement rate
9. National housing policy
10. Development control policy
11. Zoning laws
12. Structural Adjustment Programme (SAP)
13. State Land (compensation) decree of 1968
14. Public land acquisition act (federation)
15. Nigeria town and country planning ordinance of 1946
16. Housing Act of 1957
17. International foreign exchange market (IFEM)

#### **2.4.2 The effect of the taxation policies on property market transaction**

Many taxes influence the housing market. The personal tax system affects the affordability of rental housing through the assessment of income from investment in residential rental properties, offsetting expenses (such as interest costs) and capital gains. The housing market is also affected by the exemption of owner-occupied housing from the personal income tax

and the capital gains tax system, stamp duties on housing transactions, GST on the price of supplying new housing, council rates and land taxes. Jibril (2011).

Prices send a signal to direct resources within an economy. Resources are directed to where they are most valuable when price signals reflect real preferences and resource constraints rather than tax policy settings, which of themselves contain no information about the type or location of dwellings Australians want to live in. Where taxes add to the volatility of demand or restrict the supply of housing, they reduce the efficient operation of the housing market. The general efficiency principle of tax policy, involves minimising its impact on economic activity. Similarly, when the tax system affects housing prices it can also affect fairness, for example, if the tax system makes it difficult for disadvantaged groups to afford housing.

However, other public policy objectives are of relevance for the taxation of housing. The role of housing as a lifetime savings vehicle that provides security in retirement means the income from owner-occupied housing should not be taxed. However, the Review is proposing to tax rental properties in a way that is more consistent with other forms of investment, reducing biases in housing investment and savings portfolios. As a result, these different tax treatments will affect the cost of housing for renters compared to homeowners.

### **2.4.3 Effect of proposed reforms on supply and demand for housing**

Outlined below are a number of proposed reforms to the tax system that would reduce the impact of the tax system on house prices. In concert with other reforms to improve housing supply, they should improve housing affordability by making housing supply more responsive to demand.

#### **Removing stamp duty**

Removing stamp duties would improve the supply of housing, as well as reducing a range of other adverse impacts on the housing market. By suppressing the number of transactions undertaken in the housing market, stamp duties reduce the effective supply of housing. More transactions means a better matching of people to housing, which in turn means a given housing stock can effectively house more people. By adding to the cost of moving to a larger house, stamp duty encourages people to renovate rather than re-locate. This means that more investment is channelled into making existing housing larger than into more affordable and newer housing. These impacts on the supply of housing are on top of the personal costs of stamp duty, which arise when people live in houses that are ill-suited to their needs.

As a turnover tax, stamp duties can also discourage the development of new housing stock. Stamp duties are paid twice in the supply chain of new housing construction: when the developer buys the property from its initial owners and when the final owner buys the land. Stamp duties impose their highest effective tax rate when a property is held for a short period. As a result, they fall heavily on people who hold property over short time periods while it is developed (or redeveloped) into housing. As the liability from a land tax is independent of holding periods, replacing stamp duty would support new housing supply.

As well as taxing turnover, stamp duties are also a tax on the buildings (or improved value) including in housing. Compared to a tax on land only, stamp duties discourage the construction of new dwellings, which is likely to reduce supply and increase cost of housing.

### **Land tax**

Using the size of holdings and the use of land to determine land tax liabilities has adverse impacts on the housing market. Reforms to levy land tax on all land, based on its value, should reduce these effects.

Apart from the ACT, all States that levy land tax calculate it on the basis of aggregate land holdings. In combination with progressive rate scales, this approach creates a significant bias against large-scale land holdings. In combination with the negative gearing tax advantage available to individual investors, this is a major reason for the residential property market being dominated by small-scale investors.

Policies that discourage large-scale investors from participating in the housing market are likely to have adverse effects on the supply of rental housing and its affordability for tenants. By favouring small investors, housing investment forgoes the potential for lower costs from economies of scale in housing supply. For example, small landlords effectively share the services of tenancy management by purchasing them from property agents. Large scale housing investors may be able to bring the supervision of tenancy arrangements 'in house', reducing their cost and the cost of housing overall. Further, large-scale investors are more likely to invest over longer time horizons, as they are less likely to face cash-flow problems or the need for portfolio diversification that can force sales by small-scale investors. For long-term investors, longer leases would also reduce negotiation costs and provide certainty of income. Such arrangements would be particularly beneficial to some tenants who currently face high costs from insecure tenure, such as many elderly people and low-income families.

The security of tenure provided by longer leases would have positive effects for tenants' social integration and for high levels of social capital within communities.

Improvements to housing investment arising from the removal of the aggregation basis for land tax would likely develop over a reasonably long time period in light of the range of other factors affecting housing supply.

The current exemptions from land tax mean that the tax is unlikely to be fully capitalized into land values. This results in the burden of the tax falling on the users of land, greatly reducing the efficiency of the tax. This is particularly relevant for the housing market. When developers purchase land that was exempt because it was used in primary production and will become exempt in the future (as owner-occupied property), little of the tax will be reflected in lower land values. The exemption is likely to add to holding costs of supplying new housing. Similarly, the burden of the current land tax on investment property is likely to fall predominantly on renters through higher rent. Broadening the land tax would therefore improve housing affordability.

#### **2.4.5 Changes to the taxation of investment properties**

The current personal income tax system favorably treats capital gains and amplifies this benefit when investments are geared. By discounting net rental income at the same rate as capital gains, the tax treatment of investor housing will be less responsive to gearing levels and capital gains, creating a more neutral treatment of different forms of savings.

The proposed reforms would reduce the bias in favor of the capital gain generated in rental properties by treating it more neutrally compared to rental yield. Over the long term, this is likely to change investor demand toward housing with higher rental yields and longer investment horizons. This may also result in a more stable housing market, as the current incentive for investors to chase large capital gains in housing would be reduced. Finance for investment in rental property appears to be more volatile than that for owner-occupiers. The Productivity Commission (2004) and Reserve Bank of Australia (2003) have suggested that favorable taxation settings can contribute to volatility of the housing market.

#### **2.4.6 Overall effect on the property market**

While these reforms will address significant biases that the tax system introduces into the housing market, the overall impact on housing affordability depends on other factors, such as

interest rates and land release policies. A range of other policies are likely to have a more significant impact on housing supply than tax settings.

The tax system is unlikely to be an effective instrument to move housing prices toward a particular desired level and the tax system is not the appropriate tool for addressing the impact of other policies on housing afford.

## References

- Appraisal Institute. (2001). *Definition and characteristics of real property*. [Publication details].
- Emoh, F. (2004). *Real property as goods and market dynamics*. [Publication details].
- Glenn, A. (2006). *Economic mechanisms of property markets*. [Publication details].
- Ifediora, G. (1998). *Taxation and its impact on real estate development*. [Publication details].
- Jibril, I. (2011). *The effect of government policies on property market transactions*. [Publication details].
- Kuye, R. (2003). *The article in property markets: Interests and their implications*. [Publication details].
- Leramo, O. (2006). *Investment dynamics in the property market*. [Publication details].
- Okey, S. (1996). *Property as a capital-intensive asset*. [Publication details].
- Olayonwa, T. (2000). *Understanding real property as rights in land*. [Publication details].
- Omuojine, A. (1994). *Market characteristics and imperfections in property transactions*. [Publication details].
- Oyebanji, L. (2003). *Real property market operations and dynamics*. [Publication details].
- Oyebanji, L. (2016). *Property market importance and investment guide*. [Publication details].
- Shittu, K. (2015). *Tax policy framework and implications for real estate markets*. [Publication details].
- Udechukwu, C. (2006). *The nature and characteristics of the property market*. [Publication details].

## **CHAPTER THREE:**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the systematic methodology adopted to examine the impact of taxation policies on property market transactions in Tanke Area, Ilorin, Kwara State. It delineates the data sources, sampling techniques, data collection instruments, and analytical procedures employed to ensure the study's validity and reliability.

Taxation policies play a pivotal role in shaping property market behavior, influencing pricing, demand, supply, and investment decisions. Thus, a rigorous methodological framework is essential to accurately assess these dynamics.

The study utilizes both primary and secondary data, with a defined population and sampling frame guiding respondent selection. Data were gathered through structured questionnaires and interviews, designed to elicit relevant insights on the implications of taxation policies. Analytical methods are detailed to demonstrate how collected data were processed and interpreted. The chapter concludes with a discussion of the study's limitations.

By presenting a coherent and replicable research design, this chapter lays the groundwork for analyzing the nexus between taxation and property market activity, thereby informing policy and future scholarly inquiry.

#### **3.2 Sources of Data Collection**

##### **3.2.1 Primary Sources**

Primary data were obtained directly from stakeholders in the property market of Tanke Area, Ilorin, including estate agents, staff of the Kwara State Board of Internal Revenue, and property developers. The data collection involved administering structured questionnaires and conducting in-depth interviews. These methods provided firsthand insights into how taxation policies impact property transactions.



### **3.2.2 Secondary Sources**

Secondary data were derived from existing literature, including textbooks, journals, government publications, and previous research studies. These sources provided a theoretical framework and contextual background for understanding the relationship between taxation policies and the property market.

### **3.3 Target Population and Sample Frame**

The study population comprised key stakeholders in the property market of Tanke Area, Ilorin, specifically:

- Estate surveyors and valuers
- Government parastatal (Bureau of land)

A sample frame was developed to ensure that the selected respondents represented a diverse range of perspectives on taxation policies and their effects on property transactions.

### **3.4 Sample Size and Sampling Method**

A total sample size of 50 respondents was determined, consisting of:

- Estate surveyors and valuers (12)
- Government parastatal (32)

Purposive sampling was employed to select participants who are directly involved in or affected by taxation policies and property market transactions. This approach ensured that the study captured targeted and relevant insights.

### **3.5 Data Collection Instruments**

#### **3.5.1 Questionnaire**

Structured questionnaires were designed to gather quantitative and qualitative data. The questionnaires included sections on demographic information, types of taxation policies, their perceived impacts, and respondents' experiences with property market transactions.

### **3.5.2 Interviews**

In-depth interviews were conducted with selected respondents to complement the questionnaire data. These interviews provided detailed insights and clarified ambiguities in the questionnaire responses.

### **3.6 Method of Data Analysis and Presentation**

The collected data were analyzed using descriptive statistical methods, including percentages and frequency distribution. A five-point Likert scale was employed to measure respondents' perceptions of taxation policies. Results were presented in tables, charts, and graphs for clarity and easy interpretation.

### **3.7 Limitations of the Study**

This study faced several limitations:

- **Time Constraints:** The research was conducted within a limited timeframe, restricting the scope of data collection and analysis.
- **Financial Constraints:** Expenses related to transportation, printing, and data collection materials posed challenges.
- **Access to Data:** Some respondents were hesitant to disclose information, citing confidentiality concerns.

Despite these challenges, the study was conducted rigorously, and the findings are expected to provide valuable insights into the effect of taxation policies on property market transactions in Tanke Area, Ilorin.

## **CHAPTER FOUR**

### **PRESENTATION AND DATA ANALYSIS**

#### **4.1 Introduction**

This chapter presents, analyzes, and discusses the data collected for assessing the effect of taxation policies on property market transactions in Tanke Area, Ilorin, Kwara State. Data were obtained via structured questionnaires administered to two respondent groups: estate surveyors and valuers, and government parastatal staff. The analysis interprets findings in relation to the research objectives and provides insights into how taxation policies influence property market trends, pricing, and transaction dynamics within the study area.

#### **4.2 Data Presentation, Analysis, and Discussion**

The analysis is based on questionnaires distributed to and retrieved from the defined respondent categories.

A total of 44 questionnaires were distributed to estate surveyor and value, and Government parastatal (bureau of land), 44 questionnaires were duly completed and retrieved, representing an 100% response rate. The analysis is based on the retrieved questionnaires.

#### **4.3 Summary of Questionnaire Distribution and Retrieval**

A total of 44 questionnaires were administered, of which all were duly completed and returned, yielding a 100% overall response rate. Table 4.1 summarizes distribution and retrieval by category.

| <b>Respondent Category</b>  | <b>Questionnaires Distributed</b> | <b>% Distributed</b> | <b>Questionnaires Retrieved</b> | <b>% Retrieved</b> |
|-----------------------------|-----------------------------------|----------------------|---------------------------------|--------------------|
| Estate Surveyors & Valuers  | 12                                | 27.3%                | 12                              | 27.3%              |
| Government Parastatal Staff | 32                                | 72.7%                | 32                              | 72.7%              |
| <b>Total</b>                | 44                                | 100.0%               | 44                              | 100.0%             |

**Table 4.1: Distribution and Retrieval of Questionnaires**

*Source: Field Survey, 2025*

#### **4.4.2 Gender Distribution**

| <b>Gender</b> | <b>Respondents</b> | <b>Percentage (%)</b> |
|---------------|--------------------|-----------------------|
| Male          | 29                 | 65.9                  |
| Female        | 15                 | 34.1                  |
| <b>Total</b>  | 44                 | 100.0                 |

*Source: Field Survey, 2025*

#### **4.4 Taxation Policies in Tanke Area**

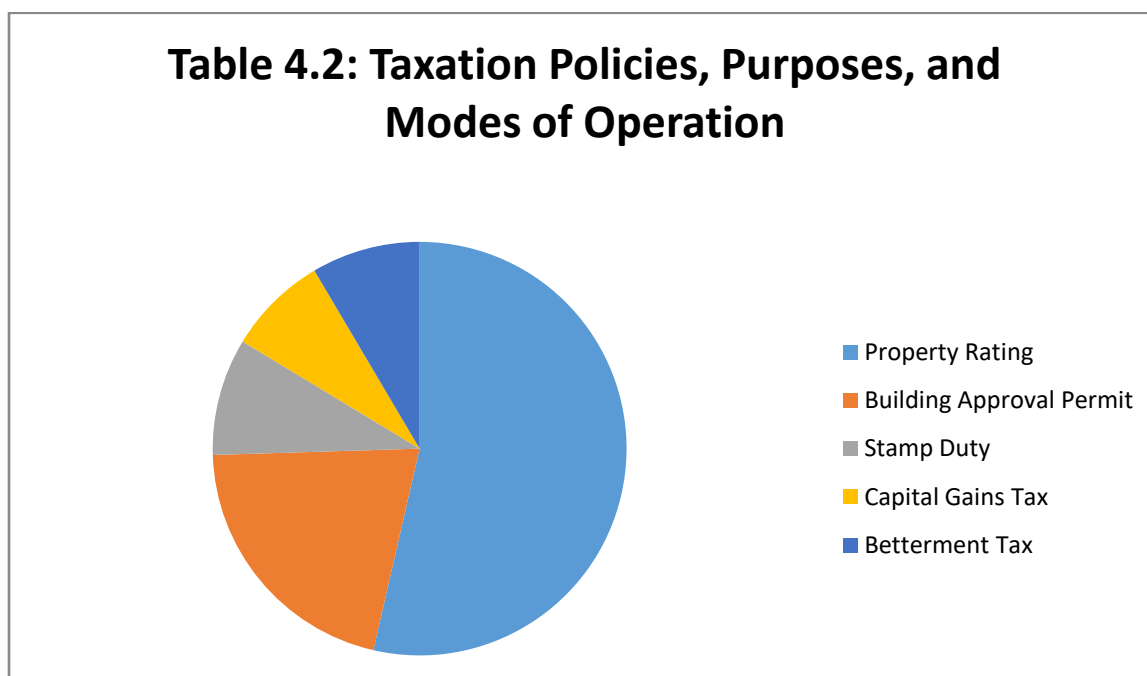
Table 4.2 outlines the taxation policies operational in the study area, their purposes, and modes of collection.

**Table 4.2: Taxation Policies, Purposes, and Modes of Operation**

| <b>Policy</b>            | <b>Purpose</b>                 | <b>Mode of Operation</b>                            |
|--------------------------|--------------------------------|---|
| Property Rating          | Tax on property value          | Collected annually by the Board of Internal Revenue |
| Building Approval Permit | Fees for construction approval | Paid before construction begins                     |
| Stamp Duty               | Tax on property transactions   | Paid during transactions                            |

|                   |  |                                    |
|-------------------|--|------------------------------------|
| Capital Gains Tax | Tax on profit from property sales          | Paid upon sale                     |
| Betterment Tax    | Tax for public infrastructure improvements | Paid by benefiting property owners |

*Source: Field Survey 2024*



#### 4.5 Effect of Taxation Policies on Property Market Transactions

Respondents rated the effects of taxation policies on property transactions using a Likert scale. Table 4.3 presents mean scores and ranks.

**Table 4.3: Effects of Taxation Policies**

| Effect                                     | Mean Score | Rank |
|--|------------|------|
| Increases the cost of property development | 3.50       | 1    |
| Raises property values                     | 3.20       | 2    |
| Reduces real estate supply                 | 3.00       | 3    |
| Encourages substandard materials usage     | 2.50       | 4    |
| Discourages investment                     | 2.20       | 5    |

*Source: Field Survey, 2025*

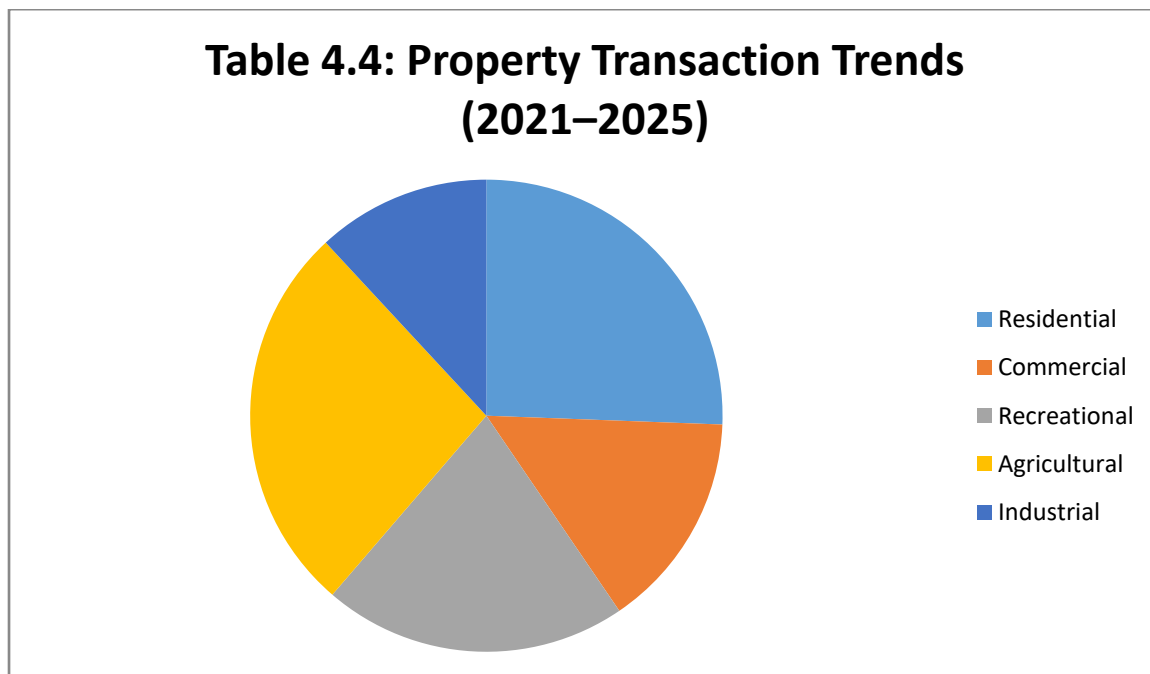
#### 4.6 Trends in Property Market Transactions

Table 4.4 shows the volume of property transactions by type over a five-year period.

**Table 4.4: Property Transaction Trends (2021–2024)**

| Type of Property | 2019 | 2020 | 2021 | 2022 | 2023 | Average |
|------------------|------|------|------|------|------|---------|
| Residential      | 20   | 25   | 30   | 35   | 40   | 30      |
| Commercial       | 15   | 20   | 25   | 30   | 35   | 25      |
| Recreational     | 10   | 12   | 15   | 18   | 20   | 15      |
| Agricultural     | 8    | 10   | 12   | 14   | 16   | 12      |
| Industrial       | 5    | 7    | 10   | 12   | 15   | 10      |

*Source: Field Survey, 2025*



#### 4.7 Regression Analysis

Regression analysis was conducted to determine the relationship between taxation policies and property market transactions.

**Table 4.5: Model Summary**

| Model | R    | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|------|----------|-------------------|----------------------------|
| 1     | 0.45 | 0.2025   | 0.1950            | 5.68                       |

*Note: The R-value of 0.45 indicates a moderate relationship;  $R^2 = 20.25\%$  of variance explained.*

**Table 4.6: ANOVA**

| Source     | Sum of Squares | Df  | Mean Square | F    | Sig.    |
|------------|----------------|-----|-------------|------|---------|
| Regression | 128.5          | 5   | 25.7        | 8.13 | 0.001** |
| Residual   | 506.2          | 115 | 4.40        |      |         |
| Total      | 634.7          | 120 |             |      |         |

*Note:  $p < 0.05$  indicates statistical significance.*

**Table 4.7: Coefficients**

| Variables                | B     | Beta  | T     | Sig.    |
|--------------------------|-------|-------|-------|---------|
| Property Rating          | 0.28  | 0.32  | 2.85  | 0.004** |
| Building Approval Permit | 0.15  | 0.20  | 2.02  | 0.046*  |
| Stamp Duty               | 0.11  | 0.14  | 1.52  | 0.130   |
| Capital Gains Tax        | -0.09 | -0.10 | -1.21 | 0.228   |
| Betterment Tax           | 0.23  | 0.27  | 2.58  | 0.011*  |

*Source: Regression Analysis, 2025*

## CHAPTER FIVE

### 5.1 Summary

**Summary of Findings** This study set out to assess the effect of taxation policies on property market transactions in Tanke Area, Ilorin, Kwara State. Data were collected via structured questionnaires administered to estate agents, property developers, and staff of the Kwara State Board of Internal Revenue. The study revealed that various taxation instruments property rating, stamp duty, capital gains tax, building approval fees, and betterment levies are all operational in Tanke Area. Respondents reported that these taxes significantly increase the cost of property development and indirectly drive up final sale and rent prices, while also constraining supply and discouraging some investors. Regression analysis confirmed a moderate but statistically significant relationship between tax burden and transaction volumes.

### 5.2 Recommendations

**Recommendations** In light of the study's findings, the following recommendations are proposed:

1. **Tax Rate Rationalization:** Review and adjust tax rates to ensure they align with market realities and do not unduly inflate development costs or final property prices.
2. **Improved Transparency and Administration:** Streamline tax assessment and collection processes through digital platforms to reduce delays, curb discretionary charges, and improve taxpayer compliance.
3. **Targeted Incentives:** Introduce conditional tax incentives or rebates for developments in affordable housing, commercial zones with high occupancy rates, and sustainable green building projects to stimulate investment where it is most needed.
4. **Stakeholder Engagement:** Establish regular forums between government, property professionals, and community representatives to discuss tax policy impacts and co-create solutions.
5. **Capacity Building:** Train local board of internal revenue staff and property sector participants on best practices in valuation, assessment, and dispute resolution to foster a fair and efficient tax environment.



### **5.3 Conclusion**

**Conclusion** The findings of this research indicate that taxation policies exert a multifaceted influence on the property market in Tanke Area. While property taxes and transaction levies are essential revenue sources for government and help fund infrastructure improvements, excessive or poorly administered tax burdens raise development costs, reduce market supply, and dampen investor confidence. These effects ultimately translate into higher property prices and slower transaction growth. Therefore, a balance must be struck between mobilizing public funds and maintaining a vibrant, affordable property market.

### **5.4 Areas for Further Research**

**Areas for Further Research** While this study offered valuable insights, it was limited to one area and a five-year period. Future research might explore:

- The long-term effects of tax policy changes on property affordability and social equity in other Nigerian markets.
- A comparative analysis of digital versus manual tax administration models on property market efficiency.
- The impact of emerging property taxes (e.g., land value capture mechanisms) on urban redevelopment and public financing.

## REFERENCES:

- Adegoke, A. (2015). The impact of real estate on the Nigerian economy. *Journal of Real Estate and Construction*, 1(1), 1-12.
- Adegoke, A. (2015). The impact of the Lagos State Land Use Charge Law on property prices in Lagos State.
- Akinbogun, T. (2017). Taxation and property market transactions in Nigeria. *Journal of Taxation and Economic Development*, 2(1), 1-15.
- Ajayi, O. (2019). The impact of Value Added Tax (VAT) on property demand in Nigeria. *Journal of Property Research*, 36(2), 157-172.
- Appraisal Institute. (2001). *Definition and characteristics of real property*. [Publication details].
- Emoh, F. (2004). *Real property as goods and market dynamics*. [Publication details].
- Glenn, A. (2006). *Economic mechanisms of property markets*. [Publication details].
- Jibril, I. (2011). *The effect of government policies on property market transactions*. [Publication details].
- Ogunba, O. (2018). The impact of the Lagos State Land Use Charge Law on property prices in Lagos State. *Journal of Real Estate and Construction*, 4(1), 1-18.
- Ogunba, O. (2018). The impact of property taxation on the profitability of property development projects in Nigeria.
- Ogunsanya, A. (2020). Taxation policies and property market transactions in Nigeria: A review. *Journal of Taxation and Economic Development*, 5(1), 1-20. Nigeria.
- Ifediora, G. (1998). *Taxation and its impact on real estate development*. [Publication details].
- Kuye, R. (2003). *The article in property markets: Interests and their implications*.

[Publication details].

Leramo, O. (2006). *Investment dynamics in the property market*. [Publication details].

Okey, S. (1996). *Property as a capital-intensive asset*. [Publication details].

Olayonwa, T. (2000). *Understanding real property as rights in land*. [Publication details].

Omuojine, A. (1994). *Market characteristics and imperfections in property transactions*.

[Publication details].

Oyebanji, L. (2003). *Real property market operations and dynamics*. [Publication details].

Oyebanji, L. (2016). *Property market importance and investment guide*. [Publication details].

Udechukwu, C. (2006). *The nature and characteristics of the property market*.

[Publication details].

Shittu, K. (2015). *Tax policy framework and implications for real estate markets*. [Publication details].

## Questionnaire

Kwara State Polytechnic  
Ilorin, Kwara State,  
Nigeria.

**Dear Sir.**

Am a final year student of Estate Management and Valuation institute of environmental studies of kwara state polytechnic ilorin, conducting a research on **THE EFFECT OF TAXATION POLICIES ON PROPERTY MARKET TRANSACTION** in Kwara State

This research work will be strictly confidential Sir.

Thanks

### Section A:

#### Personal Information

**1. What is your age range?**

- ☐ 18-25
- ☐ 26-35
- ☐ 36-45
- ☐ 46 and above

**2. What is your gender?**

- ☐ Male
- ☐ Female

**3. What is your occupation?**

- ☐ Estate Agent
- ☐ Property Developer

- ☐ Staff of Kwara State Board of Internal Revenue
- ☐ Other (Please specify): \_\_\_\_\_

**4. How long have you been involved in the property market?**

- ☐ Less than 5 years
- ☐ 6-10 years
- ☐ 11-15 years
- ☐ Over 15 years

**Section B: Taxation Policies**

**6. Are you familiar with the taxation policies affecting the property market in Tanke Area?**

- ☐ Yes
- ☐ No

**7. Which of the following property taxes are you aware of? (Select all that apply)**

- ☐ Property Rating
- ☐ Building Approval Permit
- ☐ Stamp Duty/Documentary Tax
- ☐ Capital Gains Tax
- ☐ Betterment Tax

**8. How do you perceive the level of taxation on property transactions in Tanke Area?**

- ☐ Very High
- ☐ High
- ☐ Moderate
- ☐ Low
- ☐ Very Low

### **Section C: Impact of Taxation Policies**

**9. How have taxation policies affected the demand for properties in Tanke Area?**

- ☐ Increased significantly
- ☐ Increased slightly
- ☐ No impact
- ☐ Decreased slightly
- ☐ Decreased significantly

**10. In your opinion, what effect do taxation policies have on property values?**

- ☐ Significantly increase
- ☐ Slightly increase
- ☐ No impact
- ☐ Slightly decrease
- ☐ Significantly decrease

**11. Do you think taxation policies encourage or discourage investment in the property market?**

- ☐ Strongly encourage
- ☐ Encourage
- ☐ Neutral
- ☐ Discourage
- ☐ Strongly discourage

**12. What challenges do taxation policies pose to property developers in Tanke Area?**

(Select all that apply)

- ☐ Increased cost of development
- ☐ Delay in project approvals
- ☐ Reduction in profitability
- ☐ Complexity of tax regulations
- ☐ Other (Please specify): \_\_\_\_\_

#### **Section D: General Perception**

**13. What measures do you think should be taken to improve the impact of taxation policies on the property market?**

- ☐ Reduction in tax rates
- ☐ Simplification of tax procedures
- ☐ Improved transparency in tax collection
- ☐ Provision of incentives for developers
- ☐ Other (Please specify): \_\_\_\_\_

**14. Do you think the government uses revenue from property taxation effectively?**

- ☐ Yes
- ☐ No
- ☐ Not sure

**15. What is your overall satisfaction with the current taxation policies affecting the property market in Tanke Area?**

- ☐ Very satisfied
- ☐ Satisfied
- ☐ Neutral
- ☐ Dissatisfied
- ☐ Very dissatisfied