

## **DETERMINANTS OF ASSESSMENT TAX REVENUE OF MUNICIPALITIES IN SRI LANKA: A CASE STUDY IN KALMUNAI MUNICIPAL COUNCIL**

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### **Abstract:**

The Assessment tax of municipality is a local tax charged on assets like Houses, Lands and Buildings by local authorities to pay who lives in the municipal area for the services they provide. It plays an important role in the revenue of Municipality. In order to that, the objective of the study is that identifying the determinants of the assessment tax under the Kalmunai Municipality. The primary and secondary data were used for the study. The primary data was collected through the questionnaire, Interview, and telephone conversation. The secondary data was collected through the Citizen's Guide book and the Annual reports of Kalmunai Municipality, and research articles. The data were analyzed through the descriptive manner. In the case of Kalmunai municipality, although the assessment tax is a primary direct tax source, the full amount of tax cannot be collected within the particular period. According to that the revenue of assessment tax is determined by both people side and the administrative side factors. Therefore finding the determinants of the assessment tax is needed in the current situation to enhance the revenue. Thus, to enhance the revenue, this study suggests to aware the people, use some easier payment methods and active administrative work.

***Keywords:** Assessment tax, Municipal Council, Tax Revenue.*

### **Introduction**

Local Government is the lowest level of government in Sri Lanka. Local government system consists of Municipal councils, Urban Councils and Pradeshiya Shabhas. According to that there are 23 municipalities in Sri Lanka as of January 2011 (Ministry of local government and provincial councils, 2011). Kalmunai is a municipality within Ampara district. It was promoted to municipality in 2001. It has three divisions as Kalmunai Muslim, Tamil and Sainthamaruthu. Kalmunai, Sainthamaruthu, Maruthamunai, Pandiruppu, Natpiddimunai, Periya Neelavanai and Senaikudiyiruppu are under this municipality. Generally municipalities have to provide variety of local public services including roads development, sanitation, housing, drains, street lighting, libraries, public parks, and recreational facilities.

To fulfil these works the municipalities want much revenue. Under the tax revenue the Kalmunai Municipal Council collects assessment tax, Trade Tax, Business Tax, Water tax, Tax for vehicle and animals and Entertainment tax. The Assessment tax is known as local taxes charged on property by Local Authorities to pay for the

services as they provide. It is imposed on residential homes, land, business buildings etc. Among all these taxes the assessment tax is playing a major role.

But when the municipality collects the assessment tax from the people, some time the people may feel as burden. At the same time the municipality also may faces some problems in this tax collection. Especially, the Kalmunai Municipal Council is in a position that cannot collect entire amount of tax within a period. When we analyse this situation there are many determinants influence in this tax collection from people side as well as administrative side. Therefore this research is trying to find the determinants of assessment tax of Kalmunai Municipality.

### **Objective of the study**

The assessment tax of a municipal council plays an important role in the tax revenue which can be used to provide well public services under the municipality. But there are many factors influences in this tax revenue from both public and administrative side. According to that the objective of this research is finding the determinants of Assessment tax in the Kalmunai Municipality.

### **Problem of the study**

In the tax revenue of Kalmunai municipality, assessment tax is a main income source. But the full amount of tax is unable to collect within the particular time period. The arrear amount has been increasing year by year. So finding the determinants of this tax is very essential to answer the question of why the Kalmunai Municipal Council has not been able to get the exact revenue from the assessment tax. Therefore the research is continued by the researcher.

### **Methodology**

Primary data was mainly used in this research. The data were collected through the questionnaire, interview and telephone conversation from the administrative officers and tax payers. Cluster sampling method was used to collect the data and for the interview purpose people were selected randomly. As well as the secondary data type also used. It was collected from the Citizen's Guide book and the Annual reports of Kalmunai Municipality and books, magazine, research papers and internet sources. The data were analysed through the descriptive manner.

### **Results and Discussion**

The determinants of the Assessment tax revenue can be occurred from two sides. That means people side as well as administrative side can be influenced in the assessment tax revenue of a municipality. According to that, if we see the people side determinants of the level of Assessment tax revenue, the following results are discussed.

The knowledge about the assessment tax:

The knowledge about the assessment tax is one of the main determinants. According to the data, that there are 53 percentage of people said they don't know full and proper knowledge about this tax and 47 percentages of people said they have enough knowledge. The knowledge means the payment method, Discounts, Fines, Payment period and its usages and so on.

The acceptance of the tax amount:

The acceptance of the tax amount in the assessment tax is very essential thing which determine the assessment tax revenue. Under the Municipality, the 88 percentage of people say that they agree the amount of the tax which is imposed on their properties and 22 percentages of people say they don't agree the amount. Even 88 percentages of people agree the tax amount they don't pay as equal. At the same time, among the 22 percentage of people there are only 13 percentage of people have asked against that and 9 percentages of people didn't asked against that and they don't have any idea.

Pattern of tax payment of the people:

Next important thing is the pattern of tax payment of the people. According to that only 2 percentages of people make their payment in quarterly, 6 percentages of people pay 2 times a year, 30 percentage of people pay once a year and 62 percentages of people pay in other ways. Most of the people do their payment in other ways. That means when they face any situation to pay this tax due to fulfil their need only they pay the tax. Therefore, they don't pay their year payment in the particular year.

Taxpayer's willingness:

Taxpayer's willingness is a vital element for effective operation of a tax system but it has often been omitted from consideration. When ask the people about the willingness, 43 percentages of people said they like to pay the tax at the same time 59 percentages of people said they don't like to pay this tax. The 59 percentages of people indicated some reasons for their dislike. Such as feel not necessary to pay this kind of tax, Cannot get the public services from the municipality properly and some other people said they don't know enough knowledge.

Problems in this tax payment:

The people identify some problems which they face in this tax payment. According to that 51 percentages of people indicated the problem of high amount of tax when pay the tax totally for some years, 36 percentages of people mentioned no time to pay the tax within the specific period because of workload and 13 percentages of people said fine for the late payment of this tax is a problem in this tax.

Satisfaction of public services:

Satisfaction of public services properly is a vital factor which leads the people to pay the tax. According to that when ask the people about getting public services

from the Kalmunai Municipal Council, 98 percentages of people said they don't get all the public services from the municipality properly and especially they mentioned some of the services which they cannot get. 20 percentages of people said they cannot get road facilities, 21 percentages of people said they cannot get street lights, 39 percentages of people said they cannot get waste collection properly and 20 percentages of people said they cannot get the drainage facilities.

The other side determinant of the assessment tax revenue is administrative side. According to that the efforts to collect the tax are the main determinant of the tax revenue of a municipality. According to that tax collecting methods, motivational activities and problems faced by the officers in the tax collection are discussed under this concept.

## Conclusion

Local Governments consider about assessment tax much but still in Sri Lanka the contribution of this tax is very low in some places like Kalmunai Municipality. From this research we can find that the people and the administrative officers are being greater influences in the Assessment tax. So Through the discussion of the determinants of Assessment tax we can identify the problems under the Municipality and can sure that the proper arrangements are needed to avoid the problems. Therefore through this research, we can put forward some suggestions like make proper arrangements to aware the people about the tax, creating easy way to pay the tax, Increase the power of municipality through the law under Central Government and giving the public services in a satisfaction manner.

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