

# **Property Tax Administration in Practice**

## **A Case Study of the Portmore Municipality, Jamaica**

**by**

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the degree of Doctor of Philosophy in Accountancy

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### **Declaration**

I hereby declare that I am responsible for the work in this thesis, that this work has been written by me. All verbatim quotations have been identified and sources specifically acknowledged. I also declare that this study has not been a part of any other study in this university or any other university.

Signature: Carlene Beth Wynter

## Abstract

The objective of this study is to obtain an in-depth understanding of the practical working of property tax administration in Jamaica. It highlights the major enforcement and compliance practices along with how the invisible and underlying interactions of actors in the field shape these practices. It also explores those issues and circumstances along with the existing patterns of interests which have contributed to the continued practice of the central administration of the property tax. The study also emphasizes struggles in the property tax field between the various players: the tax authority, the politicians, the developers, the local authorities, the central government and the taxpayers and how each one uses its capital<sup>1</sup> to maintain or dominate its position within the property tax field.

The findings revealed that there were various tensions and struggles among the different players within property tax field in Jamaica. The players in the field used their 'capitals' to maintain, dominate and or attempt to make changes to the property tax rules. The findings suggest that some property tax enforcement practices were the means through which these tensions were manifested and resolved or on the other hand, the tax authority attempted to use the current practices as hidden agendas to highlight those tensions in order to stand their ground or obliquely suggest changes or even to demonstrate its tacit support of government policies. The findings also suggest that the non-localization of the property tax may be due to varied political interests, mistrust in the local authorities and also the perception by some players that there's a lack of capital at the local level to manage the tax. Finally, taxpayers' used their social, economic and cultural capital to resist enforcement and compliance efforts cheating the government of much needed revenues

Property tax although not an important national tax is a critical source of revenue for local communities globally. An increased understanding of the

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<sup>1</sup>Capital here takes the Bourdieusian perspective. It is anything that has significance or is capable of being influential, and includes all forms of power whether they be economic, material, cultural, social or symbolic (See section 3.5.3)

working of the practices is beneficial and has implications for both taxpayers and policymakers. The three research questions posed in my study address and highlight the main property tax enforcement strategies and how the tax authority and policymakers use their capital to shape these practices; the extent to which non-localization of the property tax within the Portmore Municipality is influenced by the political dispositions of the players in the field and thirdly the dimensions of property tax compliance and non-compliance in Jamaica. The questions seek to demonstrate how the combination of the actions and interactions of tax administrators, taxpayers, politicians, developers, government bureaucrats reshape administrative practices in the property tax field which have implications for revenue generation and the provision of services.

In keeping with the adoption of an interpretive inductive approach, face-to-face interviews were conducted with tax administrators, policymakers, councillors, mayors, taxpayers, members of civil society, a developer and a tax professional. A theoretical framework is created which combines the major themes and theoretical concepts within three strands of literature: tax administration, fiscal decentralization, and Bourdieu's theory of practice. The structure provides the explanatory lens through which the findings are presented and interpreted.

The study contributes to the tax scholarship through an interpretive methodical approach which gives an additional perspective on property tax administration. It answers the call for well-developed tax research dispelling the notion that tax research is adequately dealt with. This study contributes to the tax literature by demonstrating that taxation isn't just a technical issue; that the legal framework and administrative framework don't necessarily coincide with practice; that tax practice is shaped by the actions and interactions of players in the field, making it a social construction; that players use their power to influence property tax practice and that players actions are conditioned by their background. The study also contributes a conceptual framework for property tax practice.

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## **Bibliography**

## **Abbreviations**

<b>GDP</b>	Gross Domestic Product
<b>GNP</b>	Gross National Product
<b>JLP</b>	Jamaica Labour Party
<b>PNP</b>	People's National Party
<b>PMC</b>	Portmore Municipal Council
<b>NAC</b>	National Advisory Council
<b>NSWMA</b>	National Solid Waste Management Authority
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>TAJ</b>	Tax Administration Jamaica
<b>TRN</b>	Taxpayer Registration Number

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## **Dedication**

To my mother (posthumously), my son, my relatives, Owen and the people of Jamaica.

# Chapter 1

## 1.0 Introduction

### 1.1 Research questions

The objective of this study is to obtain an in-depth understanding of the practical working of property tax administration practice in Jamaica. It highlights the major enforcement and compliance practices along with how the invisible and underlying interactions of actors in the field shape these practices. It also explores those issues and circumstances along with the existing patterns of interests which have contributed to the continued practice of the central administration of the property tax. The study also emphasises struggles in the property tax field between the various players: the tax authority, the politicians, the developers, the local authorities, the central government and the taxpayers and how each one uses its capital to maintain or dominate its position within the property tax field.

*Main research question:* How do the dimensions of property tax: administration, politics and taxpayer compliance play out in practice?

*Research Question One:* What are the main property tax enforcement practices and how do the tax authority and policymakers use their capital to shape these practices?

This question is concerned with giving an overview of the main property tax enforcement practices, the strategies that are employed and why they are used. The question seeks to highlight how partial enforcement whether due to resource constraints (Lange 2002, Bird 2004), culture, politics or the dynamics of the economic environment (Alm, Martinez-Vazquez and Rider 2006; Bahl 2007; Tennant and Tennant 2007; Nerre 2008; Oats and Sadler 2011) compromises the tax authority's ability to maintain the critical balance between evasion and compliance (Silvani 1992). In the circumstances tax administrators tasked with the responsibility of tax enforcement (Mansfield 1988, Gill 2000) fail in their efforts to maximize tax revenues collections (Bird 2004) which are needed to provide services to taxpayers within their communities and also in

their efforts to send the message that evasion is unacceptable. The question also seeks to highlight how tax administrators and policymakers use their capital to maintain, dominate or enhance their position in the field with the field being used as a site of struggle.

*Research Question Two:* To what extent is non-localization of the property tax in Portmore influenced by the political dispositions of players within the property tax field?

This question explores the key issues that influence the non-localization of the property tax and the extent to which these issues are driven by political interests. The question also explores whether policymakers treat tax decentralization as a key issue in the country's decentralization policy (Bird and Slack 2002; Bahl and Martinez-Vazquez 2008). It's also concerned about the readiness of the legal and regulatory framework; and questions the legitimacy credibility and ability of the local authority to manage based on the significant demands for managerial skills (Ellis, Kopyani and Lee 2006) under fiscal decentralization. The question also brings to the fore the level of distrust in the local authorities particularly in light of Jamaica's history of partisan politics and at the same time raises issues of adequacy of economic resources to fund localized authority. The question also seeks to highlight the point that fiscal decentralization can be used as a means to build a compliance tradition (Mikesell 2003, Rühling 2006) thereby increasing tax morale (Guth, Levati and Sausgrubber 2005) which would ultimately increase revenue flows.

*Research Question Three:* What are the dimensions of property tax compliance and non-compliance in Jamaica and how do taxpayers use their capital to influence compliance practices?

This question investigates the main issues that influence property tax (non)compliance. The question explores those issues that motivate compliance both intrinsic and external (Kornhauser (2007). The question highlights that taxpayers' 'tax ethics' aren't necessarily influenced by economic opportunity (Allingham and Sandmo 1972; Fisher, Wastick and Mark 1992, Taylor 2002) but also by other issues such as social norms (Traxler 2010), ethical beliefs (Alm, McClelland and Schultze 1992, Alm, McClelland and Schultze 1999, Jackson &



Milliron 1986, Wenzel 2005b; Blanthorne and Kaplan 2008, 685) fiscal exchange, interaction with government (Cummings, Martinez-Vazquez, McKee and Torgler 2004, Alm and Torgler 2006) guilt, social stigma (Grasmick and Scott 1982, Taylor 2002) and cultural norms (Alm and Torgler 2006). The question also seeks to highlight how the lack of an institutional framework in relation to new developments and some land tenure practices foster evasion. Finally, the question seeks to provide insights into how some taxpayers use their available capital to evade tax.

## **1.2 Background and motivation**

Portmore, Jamaica's Sunshine City (Reid 2009) sits on the southern coast in the parish of St. Catherine. Forty years ago it was established as a dormitory town to absorb the burgeoning population of the capital city Kingston and Spanish Town. Dissatisfied with attention given by the St. Catherine Parish Council, citizens lobbied for its autonomy. History was created when it received municipality status in 2003 as the Portmore Municipal Council (**PMC**). Portmore is unique in that it's neither a capital town nor a parish but a part of a parish unlike the other municipality the Kingston and St. Andrew Corporation which consists of two parishes and the other authorities which are capital towns.

Portmore's population of approximately 187,000 persons outstrips the population of all parishes in Jamaica except Kingston, Manchester and St. Catherine of which it's a part.<sup>2</sup> Huge demands on the municipality are made for improved social services such as garbage, street lighting and community beautification. The municipality's response normally points to inadequate funds. The social conditions in some areas (except the gated communities) are appalling but ironically, the apparent standard of living by and large of a large number of the residents in the community evidences the 'non-financial indicators of a structural gap' (Bailey 2004, 204), confirms the municipality's claim.

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<sup>2</sup> <http://balcostics.com/2012/10/19/jamaicas-population-census-2011-infographics/> retrieved September 28, 2014

The municipality's funding is mainly from own source revenues of which property tax accounts for 55% (PMC Budget 2008/09<sup>3</sup>) supplemented by large transfers from central government. A former mayor believed that property tax revenues can be increased through increased compliance<sup>4</sup>. Property tax is centrally managed, is based on the site value system and is paid by owners, occupiers and mortgagors.

Bird and Slack (2002) lauds the attractiveness of the property tax; its appeal as a local tax, its visibility to taxpayers and its control falling under the authority of the local town, city or municipality. Furthermore it's argued that property tax can improve local autonomy, increase responsibility and 'it not only brings in revenues but it aids in institutional and social development which are good for governance and economic development' (Bird and Slack 2006, 4, Sokoloff and Zolt 2005). It also determines the nature and quality of local services offered, in that it "shapes the physical and social character of city-regions" (Bird and Slack 2007, 729). Bird, Slack and Tassonyi (2012, 224) argue that it's not "simply a law, but that it's a system comprising the relevant laws and regulations and how they are administered with its structure and operation reflecting the larger political institutions as well as the particular interactions of the central and local government, the creator's ideologies of the economic and political outcomes of alternative property tax policies.'

Given the virtues of the property tax as a local tax: its potential as a good revenue generator; an aid for social and economic development (Bird and Slack 2006, 4, Sokoloff and Zolt 2005); its ability to bring about and shape the physical and social character of communities (Bird and Slack 2007, 729), it's nevertheless a complex tax due to its features of law, politics and that it's a creation of people's ideas (Bird, Slack and Tassonyi (2012, 224). In this regard

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<sup>3</sup> Figures have been taken from the Municipalities budget for financial year 2008/09.  
[http://www.pmc.gov.jm/uploads/budgets\\_finances/PMC\\_Budget\\_2007-08.pdf](http://www.pmc.gov.jm/uploads/budgets_finances/PMC_Budget_2007-08.pdf)

<sup>4</sup> This interviewee said he raised the compliance rate from 37% to 49% but believed that compliance should not be less than 90%.

it's important for all players in the field to have an increased understanding of the property tax and its practices.

My research interest stems initially from a personal interest to obtain an in depth understanding of these issues in property tax practice in Jamaica and how the tax may have contributed to the physical and social character of the Portmore community. My interests have since evolved to include the following: to make an empirical contribution to the tax scholarship; to contribute a conceptual framework with a theoretical lens to interpret the findings and fourthly for this study to inform policymakers, locally and globally.

This empirical work along with its interpretation provides an in depth understanding and insights to policymakers of some of those political, technical, administrative, resource and cultural issues which influence enforcement, fiscal decentralization of the tax and its revenue generation. The insights gained show how political and social issues may have hindered the tax from being locally managed. Finally, the study establishes the main dimensions of property tax compliance deeply exploring those issues that may contribute to low property tax compliance which have dogged Jamaica and Portmore in particular, especially in light of the earning potential of a large section of the community. Whilst other studies have been done on property tax in Jamaica (Sjoquist 2005; 2007; Cornia and Walters 2010) they speak mainly to technical issues and have not explored the practices, nor the interactions of the players in the field.

### **1.3 Contextualizing the property tax within the social field**

Jamaica a former British colony, is known for its rich cultural heritage: music, dance, art, food and for a warm friendly people (Seaga 2005), but also known for its lack of civic responsibility (Bahl and Wallace 2007). Jamaica's culture is shaped by its Slavic history; post emancipation and post war events (Stone 1992) on one hand and folk life, modern society and metropolitan influences (Seaga 2005) on the other hand (see 2.7). Jamaica's two party system, a legacy of British politics carries two unique features: display of sectoral interests while in power and political clientelism (Edie 1989) which were confirmed in the findings in sections 6.4.5 and 6.5 respectively. The country has a history of

violence (Lacey 1977, Chevannes, 1981, Chevannes 1994, 1-40; Smith 1984; Girvan 1999; Harriott 2003; McLean, Mendes and Wynter, 2013; 6<sup>5</sup>; Oats, Sadler, Wynter 2014) and influences enforcement as reflected in section 5.3.2; social disorder, public attitudes of contempt and fear (Goulbourne 1984) and mistrust in government institutions and amongst people (Waller et al 2006) as reflected in the findings in section 6.4.2.

Landlessness and squatting have been issues on the Jamaica landscape since the abolition of slavery (section 2.7.1). Government's land policy (National Land Policy 1996; USAID 2010) through the adverse possession rule is a popular route to obtain registered titles but the findings suggest that the tax authority perceives that citizens exploit this facility through 'anancism' (Seaga 2005) influencing their enforcement practices (see sections 5.3.2).

The Medium Term Framework of Jamaica's National Development Plan (2009-12, 40) casts the Jamaican tax system as "...increasingly complex and cumbersome..." According to the framework, 'the most recent global assessment indicates that, 'despite reforms, Jamaica has one of the worst tax systems in the world...' (ibid). Bahl and Wallace (2007) debate that Jamaica's tax administration is dogged with problems because of the "culture problem" – i.e. the "unwillingness of citizens to accept the idea that the payment of taxes is a civic responsibility"<sup>6</sup>(see section 7.2.1). Further findings, discussions and analyses of the dimensions of taxpayers' (non)compliance are presented in Chapter 7. They further argue that the tax administration rather than tackle the problem holistically tend to concentrate on the taxes that are easier to collect. For example, they seemed not to enforce on large land barons because of the enforcement challenges (section 5.3.3). Consequently, compliant taxpayers feel they are overtaxed; giving rise to "horizontal and vertical equities" in the system with attendant revenue loss (Bahl and Wallace 2007).

The tax administrative model is mixed and is organized along operational lines with a large taxpayer office. The system is regulated by two main pieces of

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<sup>5</sup>See (McLean, Mendes and Wynter 2013, 6 note 9) Essentials of Jamaican Taxation

<sup>6</sup> See (Bahl and Wallace 2007, 9-10) Comprehensive tax reform, Public Finance Review.

legislation: the Revenue Administration Act and the Tax Collection Act which are generic to all taxes including the property tax. Property tax is also governed by the Property Tax Act and other supporting legislation (see section 2.6.1). The findings suggest that the legislation has loopholes which are exploited by some taxpayers (section 7.4.5) and in some situations are archaic and inadequate as they are unreflective of the living arrangements especially in new developments like Portmore which makes it difficult to carryout enforcement activities like the issuing of summonses as confirmed in the findings in paragraphs three & four of section 5.3.6.

Jamaica's tax system was 'shaped' (Mendes, McLean and Wynter, 2013) by Britain from years of colonization and adjusted in recent years to reflect the thinking of International Financial Institutions (**IFIs**) and in particular the International Monetary Fund (**IMF**)<sup>7</sup> through their association (Stewart 2008). The assignment of enforcement and compliance resources to any tax in Jamaica is determined by its contribution to national revenues and is usually reflective of the prevailing arrangements with the **IMF**. Property tax though an insignificant national revenue contributor is an important source of revenue for local authorities (Bird and Slack 2006; Sepulveda and Martinez-Vazquez 2011; Bird, Slack, Tassonyi 2012), thus as the findings suggest enforcement and compliance are challenged by inadequate resources which are conditioned by the fiscal policy/tax policy driven by the **IMF** (section 5.2.3).

Property tax is a legacy of British colonization, introduced in 1806 (Andelson 2000) on the capital base carried a revenue motive (Harris 2006) but changed to a site value tax in 1957 (Sjoquist 2007) to fulfill both a political and revenue motive (Copes and Rybeck 2000<sup>8</sup>). In 1993 it changed being earmarked for garbage, street lighting and community beautification services (Policy 8/93) but the revenues have always been inadequate to cover these services. The tax is centrally managed by two ministries<sup>9</sup>. The 1993 policy also mandated local

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<sup>7</sup> Jamaica has been with the IMF since the 1970s

<sup>8</sup> See (Copes and Rybeck 2000) Jamaica and other Caribbean States IN Land Value Taxation around the World, (Andelson, R (ed).

<sup>9</sup> The ministry of local government and community development and the ministry of finance.

authorities to assist with enforcement and compliance but to date this policy isn't made into law. Revenue collections are low (Cornia and Walters 2010) and compliance low with the literature suggesting that it may be a result of the tax not being locally managed (Mikesell 2003, Rühling 2006; Bahl and Cyan 2011). The findings in chapter six suggest that players in the field appeared not to be anxious to devolve the tax despite the establishment of the **PMC** gaining its autonomy in 2003. As previously mentioned, Jamaicans' lack of interpersonal trust and or trust in institutions (Powell et al 2006) seems to be one of the main factors influencing localization of the tax (sections 6.4 to 6.5).

#### **1.4 Overview of research design**

In order to meet the research objective of having an increased understanding of property tax practice one main research question was posed broken out into three sub-questions. These sub-questions were further unpacked with their associated objectives. The questions and objectives were based on the literature review on tax administration including property tax administration, fiscal decentralization and Bourdieu's theory of practice (sections 3.2; 3.3 & 3.4 and 3.5 and their respective subsections), the theoretical framework (section 4.5 and its subsections) and the findings from the exploratory interviews.

An interpretive inductive methodological approach was taken (section 4.3) because it was appropriate to meeting the research objective that of gaining an increased understanding of property tax in practice, the subject of this study. Sections 4.4 to 4.4.4 outline the research design. In keeping with the research approach, the main research method was face-to-face interviews. A detailed literature review was done along with a review of Jamaica's background was updated following findings from the fieldwork. Before going in the field, I drew up an interview guide (see Appendix 2) with a semi-structure design appropriate for each class of interviewees. Interviewees included current and former politicians at the national and local levels and included cabinet ministers, legislators, councillors, mayors and a former prime minister; senior government bureaucrats affiliated with both the ministries of local government and finance and a local authority; senior tax administrators both in tax administration and property tax administration; members of civil society; taxpayers; a tax

accountant from the financial sector and a senior board member from a housing development company (see Appendix 5). Section 4.6 details the interview process and section 4.6.3 outlines the justification for choosing these interviewees.

The main data collected consisted of interview transcripts, post interview notes, and correspondence received from some interviewees by way of telephone and email, were analyzed with the assistance of NVivo a computer-aided analysis software. Section 4.7 details this process.

The conceptual framework developed synthesizes the three different strands of literature: tax administration, fiscal decentralization and Bourdieu's theory of practice and is presented in two stages. Stage one (figure 4.1) draws on Bourdieu's theory of practice interpreted by Swartz 1997 and supported by interpretation of his work by other authors (Bourdieu and Wacquant 1992; Lingard, Rawolle and Taylor, 2005; Loveman, 2005; Neu, 2006; Xu and Xu, 2008; Malsch, Gendron and Grazzini, 2011; Gracia and Oats, 2012). The framework shows the division of the field, the main actors and their interactions at each level and between the various levels within the property tax field with power as the overarching field (Gracia and Oats 2012). The policy level defines the boundaries of the property tax field; the implementation or enforcement level and the compliance level. Stage two (figure 4.2) of the conceptual framework shows the theoretical concepts drawn from the three strands of the literature.

The data analysis (section 4.7) and the conceptual framework formed the basis for the presentation and discussion of the findings as contained in chapters five to seven.

## **1.5 Contribution of the study**

This research comes at a time when there's a call for more tax research because of its under representation in tax scholarship (Lamb et al 2005; Oats 2012) dispelling the notion that tax as a field of enquiry is adequately dealt with when it's not (Lamb et al 2005). My research also contributes to the tax scholarship by demonstrating that tax is not a technical subject (Boden et al 2010) but rather that it's both a social and institutional practice (Oats 2012), in

other words it's a social construction. This study also contributes to the tax scholarship by demonstrating that taxation is not based on economic theory only; but demonstrates its interdisciplinary nature encompassing management, practice and politics. It also extends the scholarship by using Bourdieu's theory of practice as an interpretive lens. My research provides a better understanding of why tax practice is different from what obtains in legislation and policy. It provides an improved understanding of how culture and other resources in the field when used as capital, influence or shape tax practices. Additionally, my research provides an in depth understanding of the contextual nature of property tax confirming that the 'one size fits all doesn't necessarily work' (Bird and Slack 2006; Bahl 2009). My research also improves our understanding of taxpayers' motivations for compliance; that these motivations go beyond the deterrence level.

In addition to the above, this study makes a number of other important contributions to knowledge both empirical and conceptual.

Empirically, this study involved the interviewing of a wide-cross section of players in the property tax field. These players include those who formulate the property tax laws and policies such as legislators, cabinet ministers, policymakers which included a former prime minister and minister of finance; those responsible for implementing the policies or maintaining the boundaries-senior government technocrats, ministers of government, senior local government officers, mayors, councillors and senior tax administrators; and the compliers, residential and taxpayers. There were other players who did not neatly fit into the foregoing classifications but for which their work influenced the property tax practice in all these areas playing a critical role in the tax field. These include developers and members of civil society. Gaining access to some interviewees like the politicians, senior tax administrators and senior technocrats government technocrats was good and the insights gained were extraordinary.

As outlined in Chapter 4, the interpretive methodological approach used for this study provides rich insights and an in depth understanding of property tax practice, and also gives additional perspectives of property tax practice in



Jamaica which emphasizes the limitations of quantitative methodology (section 4.4.1).

Conceptually, the study advances a theoretical framework for property tax practice as described in Chapter 4. This chapter provides a thorough description of the property tax field, the arena in which property tax practice takes place and also links the actions of the power brokers of the various levels in the field. The framework pulls together the levels and the actors by using the three main strands of the literature: tax administration, fiscal decentralization and Bourdieu's theory of practice. Furthermore the framework has power to interpret and explain the findings as evidenced in Chapters 5 to 7 inclusive. For example the framework provides an understanding that property tax administration involves more than technical issues. The framework helps us to see the linkage between tax morale and fiscal decentralization demonstrating how fiscal decentralization can build a compliance tradition. The framework interprets why the legal framework and administrative framework differ from what happens in practice; property tax practice is shaped by the actions and interactions of players in the field making it a social construction; that players use their power to influence property tax practice (Swartz 1997); that players actions are conditioned by their background (Swartz 1997).

## **1.6 Structure of the thesis**

Chapter two provides background information on Jamaica: its history, demography, governance, local government reform, tax administration and relevant cultural practices. Chapter three reviews the relevant literature from three strands: tax administration, fiscal decentralization and Bourdieu's theory of practice which make up the conceptual framework in this study. Chapter four the methodology chapter sets out the main research question and the three sub-questions with their associated objectives. This chapter discusses my philosophical assumptions, the methodological approach, the research methods used, the interview process, the interviewee selection, data analysis and the limitations. It also describes the conceptual framework.

Chapters five to seven inclusive contain the findings and their analyses. The chapters are in response to the three sub-questions emphasizing the major

themes from the data analysis. Chapter eight summarizes the key findings along with their implications for the study, my contribution to the study and finalizes with my recommendations for future research.

## **2.0 Background of Jamaican environment**

### **2.1 Introduction**

The purpose of this chapter is to provide background information on Jamaica: its history, geography, demography, economic and social indicators, its tax system with special emphasis on property tax administration, a short history on Portmore, local government reform and how property tax and Portmore sit within the framework of local government reform. A snippet of Jamaica's culture is also given. Provision of background information contextualizes the findings of the study which helps the reader to gain a greater understanding of the property tax field, the aim of the study. The chapter is arranged as follows: section 2.2 gives details on the geography and infrastructure; section 2.3 history and governance; section 2.3.1 local government reform and property tax reform; section 2.3.2 local government reform in relation to Portmore, section 2.4 a summary of Jamaica's demographic and economic indicators. Jamaica's tax system is discussed in section 2.5 followed by an overview of property tax administration in section 2.6. Section 2.6.1 details its administrative structure, section 2.6.2 its administrative processes; 2.6.3 the legal framework. Section 2.7 describes Jamaican culture with section 2.7.1 discussing land tenure in Jamaica. Section 2.8 summarizes the chapter.

### **2.2 Geography and infrastructure**

Jamaica is the largest English speaking island in the Caribbean and the third largest island in the West Indies. It is 90 miles south of its closest neighbour, Cuba. It is approximately 11,424 sq. km. Jamaica's natural assets, land for agricultural purposes, picturesque beauty, high levels of biodiversity, long stretches of white sand beaches and a fair amount of mineral resources with a tropical climate all year round. Approximately, 80% of Jamaica's land surface is mountainous. Forestry, shrubs and woodlands account for 44% of the land; agriculture and pasture 46%; mines and wetlands, 6% with the remaining 4% occupied by urban and rural settlements (National Land Policy 1996, 11). Jamaica busiest port, the Kingston harbour is strategically situated on one of the world's best shipping routes, approximately 32 miles from the Panama

Canal<sup>10</sup>. Jamaica has three international airports complemented by smaller airports, a modern road network (Highway 2000) that links the capital city to the major towns in the north, west and south of the island. Its financial sector is well established, having a money and financial services market and also a stock exchange.<sup>11</sup> Jamaica's information and communication service is comparable to what obtains in any first world country. It has land and mobile telephone services, international voice and data services and fibre optic capability.

### **2.3 History and governance**

Jamaica was originally named Xayamaca – “land of wood and water” by the Arawaks (Tainos), Jamaica's first inhabitants. In 1494 Christopher Columbus came to Jamaica, found the Arawaks living here. The Spanish introduced slavery, subsequently continued by the English from 1655 until its abolition in 1834. Jamaica continued under British rule from then until 1962 when it gained independence.

It has a parliamentary democracy with two legislative councils: the parliament and the senate (Jamaica Country Profile).<sup>12</sup> This political system is based on the Westminster model and has a strong history of a two party system. There's a prime minister with the British monarchy being the ceremonial head of state represented by a governor general. National elections are held every five years and local parish council elections every four years.

Jamaica is divided into fourteen parishes, each having a capital town. The capital town is Kingston. Each capital town has a local parish council (local authority) with the exception of the parishes of Kingston and St. Andrew which is governed by the Kingston and St. Andrew Corporation (Schoburgh 2010) and the Portmore Municipality which is neither a town nor a parish but a part of a parish but nevertheless enjoys municipality status. Funding for the operation of

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<sup>10</sup> JAMPRO doing business in Jamaica. [http://www.jamaicatradeandinvest.org/doing\\_business](http://www.jamaicatradeandinvest.org/doing_business)

<sup>11</sup> <http://www.dunncox.com/?q=content/an-overview-of-the-regulation-of-financial-services-in-jamaica>  
The Bank of Jamaica and Financial Services Commission regulate the financial services sector.

<sup>12</sup> <http://www.clgf.org.uk/userfiles/1/files/Jamaica%20local%20government%20profile%202011-12.pdf>

the respective authorities is largely from property tax property tax, fees generated from within the parish and or municipality and from large government transfers<sup>13</sup>. Since 1993, property tax has been earmarked for street lighting, garbage collection, drain cleaning, road maintenance, bushing and park maintenance. This new funding arrangements for the property tax and the formation of Portmore as a municipality resulted from local government reform.

### **2.3.1 Local government reform and property tax reform**

This section gives a brief history of the governance of property tax including attempts at reforming local government. Both items are intertwined and go hand in hand because property tax is an integral part of local government because it's one of the main own source revenues for the local authorities. Jamaica's political system of governance is two tiered: central and local. Local government is organized along geographical lines with fourteen parishes with the exception of the Portmore municipality since 2003 which is within a parish; and the Kingston and St. Andrew Corporation which is a combination of two parishes since 1923 (Jones 2003).

The authority of local government is prescribed by law enacted by central government making it revocable at any time. Local authorities therefore cannot act outside of the law nor go beyond the power of the law. The Parish Councils Law, Chapter 271, and the Kingston and St. Andrew Corporation Law, Chapter 192, give legal status to the existence of the local authorities (Jones 2003) and the Municipality Act 2003 give status to the Portmore municipality.

Historically, there has always been an interest in local government reform in Jamaica (Eisner 1961, Mills 1974<sup>14</sup>, Osei 2002; Jones 2003; Schoburgh 2007 Nettleford 2009).

The literature suggests that local government in Jamaica was established in piecemeal manner transplanted from the British model, fashioned on the Vestry

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<sup>13</sup> A new property tax policy was introduced on April 1, 2013 which sought to stop the system of transfers from Central government. Review of this system is beyond the scope of this study.

<sup>14</sup> See Nettleford, R. (2009) p27. Final report of the National Advisory Council on Local Government Reform

and Justices (Mills 1985, Jones 1998, Osei 2002, 32; Jones 2003). Local government elections was a reality in 1944 with the advent of universal adult suffrage (Jones 2003). According to Osei prior to Jamaica's independence in 1962, the local authorities were seen as an essential tool for preparation for constitutional advance and following independence it was thought that the new leaders would improve their development to encourage local initiative and enterprise (Duncan 1970, Singh 1972, Osei 2002, 32). Local authorities since their inception in the 1660s provided a range of services<sup>15</sup> but there has been a call by for them to be the main supplier of local public services (Hamilton and Associate 1990, Osei 2002). One of the underlying issues implicit in this call is the adequacy of financial resources along with an enabling environment for example, governance structure, adequate legal framework and personnel to make this a reality. Over the hundreds of years local government seemed to have been grappling with these issues without finality (Eisner 1961; Osei 2002, Nettleford 2009).

Eisner (1961) states that governance of property tax in the 1850s was by a parochial board elected by freeholders of each parish with members enjoying autonomy in all local affairs. Eisner suggests the board members seem not to have any obligation in accounting for their actions to the central government. Their responsibility was mainly local road maintenance, poor relief, policing and maintenance of the Courts of the Common Pleas. Although not responsible for education, they gave some of the revenues collected towards education. Eisner purports that although little is known of the local revenues, but what is known, is that local revenue sources were similar to those raised at the central level but the main contributions were from poll tax and from the property tax. Following emancipation, the local authorities had to find new sources of revenues to replace the poll tax<sup>16</sup>, but instead of raising additional revenues they reduced expenditure. Although they had extensive powers, their recording keeping was poor, thus making it impossible for them to account for tax revenues and

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<sup>15</sup> Services include public cleansing, public markets, building and physical planning controls, fire rescue services, disaster preparedness, poor relief, cemeteries, street lighting, abattoirs, minor roads, public community parks and traffic control.

<sup>16</sup> The poll tax was charged on each slave, so with the abolition, all of this revenue was lost.

exemptions made to taxpayers. The home country curbed their authority in 1854 by taking away their tax raising powers but they were allowed to have control over expenditure. At the introduction of Crown Colony government in 1865, the parochial boards were replaced by municipal boards and until 1885 parochial services were administered by central government. It was in 1885 when semi-representative government was introduced that the municipal boards were replaced by elected boards. This was also done in tandem with administrative reform: i.e. changing parish boundaries and reducing parish numbers etc. The elected boards were to develop water, gas and sanitation services with power to levy certain taxes to meet the cost of services but would be supported financially from the consolidated funds. The reforms stemming from the introduction of Crown Colony government and reform of semi-representative government at the introduction of municipal boards have largely remained in place and local authorities continue to function along those lines (Jones 2003).

Little else is known from the literature on local government reform up to 1943. But there seemed to be surge of interest in local government reform which was signified by the number of written reports, seven in total from 1943 to 2003 (Nettleford, 2009). According to Nettleford, the reports had common threads:

- Central-local government relations
- Financing of local government
- Operational responsibilities
- Local government participation
- Institutional framework

The concentration here will be mainly on the financing aspect of local government as this study concerns property tax but will make reference to other areas as they become relevant. According to (Nettleford 2009) financing of local government is seen in the context of local autonomy reflecting two main issues:

- Firstly, the insufficiency of financial resources to meet the increased demand for local services and
- Secondly, the inability of the councils to engage in long term financial planning due to inadequacy of resources.

Nettleford points out that authors writing on local government reform seem to all agree that local authorities should have control over their expenditures and should at least be able to fix their own rates subject to central government guidelines. Nettleford (2009, 27<sup>17</sup>) argue that over-dependence of the local authorities on central government was ‘the largest single cause of financial deterioration of the local authorities and therefore the government should pursue a path of decentralization in a bid to reduce central government’s overbearing and discretionary powers in allocating resources to local authorities

According to (Nettleford 2009), the government in the mid to late 1970s made attempts to commence the decentralization process by implementing the recommendations from the Mills 1974 report starting with those that were easiest. For example, easiest were the removal of members of parliament as ex-officio members of local authorities regularizing the term of office of mayors along with their appointment. The author continues that in 1977 a Local Government Reform Committee was established to advise on the progress of the recommendations from the Mills Report but this committee was later marginalized with the appointment of the community councils which somehow stymied the local reform process. But the shift came in 1984-85 when the Jamaica Labour Party (**JLP**) the new government reduced local government dissolving the Kingston and St. Andrew Corporation (**KSAC**), Jamaica’s only municipality and also either removed or transferred all the functions of local government to regional or national agencies. Schoburgh (2007) argues that this constituted one of the greatest threats to local government. The consequence of these actions was that local government was reduced to a facilitation body.<sup>18</sup>

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<sup>17</sup> Arguments based on findings from Gladston Mills 1974 Report on Reform of Local Government .

<sup>18</sup> An interviewee from my study obviously opposed to local government autonomy particularly fiscal autonomy stated that there is no need to give fiscal autonomy to local authorities as they have other avenues to make representations for funds (former politician).



Thus, the role of the local authority was relegated to making representations on behalf of their localities accompanied by the reduction in number of councillors. Another change which took place in that period was that councillors were remunerated for their services. The public responded to these changes by voting for the People's National Party (**PNP**) in 1989. The **JLP** was labeled by the people as anti-local government but the **JLP** insisted that the actions were '*dictated conditionalities of external lending agencies*' (29). During the 1990s the **PNP** treated local government reform as a priority. It developed a Policy Paper 8/93 in which it referred to the current financing arrangements for local government as '*flawed in that there was no connection between revenues and expenditure*' (2). The policy paper therefore addressed a number of revenue issues including the property tax including autonomy to the local authorities. The main issues addressed in the paper were:

- Local authorities would be 'allocated adequate and independent sources of revenues along with effective control over these sources of revenues.'
- Development of a comprehensive formula for financing local authority which consisted of a number of revenue sources of which property tax was one of the revenue sources.
- Property tax should be used to fund services such as *public cleansing, street lighting and protection of property*.
- Raising of loans and the issuing of local bonds by local authorities to finance capital and development projects by local authorities.
- Local authorities would have *full control in setting rates, fees and charges*.
- If rates along with property tax were used by the local authority then there should be a separation of both. 10% of the property tax collected in each parish should go towards community organizations for development activities.
- The ministry of local government would work along with Tax Administration to improve the collection of property tax revenues.

The establishment of new arrangements for the financing of local government allocating to them adequate and independent sources of revenue and giving local authorities effective control of over these sources was made effective in 1993/94 (2-6). The other areas were slated to be completed in two years allowing for adjustments and teething pains (6). During this year, the local authorities and the **KSAC** were restored to their previous status. The changes were accompanied by training and legislative reform. Several laws were revised and updated.

The policy paper stated that the objective of the reform was to:

*'...create a de-centralized democratically controlled system of local administration which will facilitate maximum participation by all elements of the local community in the management of local affairs and taking the initiative to solve local problems. A major challenge of the process of local government reform is to devise means for applying the concept of direct community participation in the development and administration of communities to the situation of fast-growing, major **new urban Entrees such as Portmore...**' (Policy paper 8/93)*

According to Nettleford, the implementation of the financial initiatives in the policy paper reaped a number of successes:

- Grants to local authorities from central government declined from over 90% to 40% in 2003/04. The Parochial Revenue Fund (1996) was set up in which all the fees and taxes collected for the local authorities went.
- Over twenty Acts and Regulations were amended and introduced, giving flexibility and autonomy to local authorities offering the right to large urban areas to apply for municipality status. There was institutional strengthening and capacity building at the local level enabling the local authorities to offer local improved services
- The granting of municipality status to Portmore in 2003

Reforms may lead to a relationship changes. According to (Nettleford 2009, 32) the change in local government lead to a change in relationship between the

local authorities and central government which according to Nettledford caused a certain degree of discomfort due to 'deep seated social and cultural obstacles.' The **JLP** on its return to power in 2007, took away the ministerial status of the ministry of local government but in 2012 the **PNP** on regaining power, restored ministerial status to the ministry. The **PNP** which now forms the government is taking steps to have local authorities entrenched in the constitution offering protection to the Local Government System<sup>19</sup> removing the discretion to dissolve the local authorities from the remit of any single minister. Entrenchment also demonstrates the commitment of the **PNP** to local government as a critical ingredient of the national governance process by providing it with constitutional protection according to a cabinet minister, a participant in the study. It remains a topical issue in the public domain in Jamaica.<sup>20</sup> Entrenchment will also guarantee local autonomy to the local authorities making the localization of property tax a central issue in the process. Kaufman (1988) debates that the strengthening of local government was one of the goals of democratic socialism, the political ideology of the **PNP** in the late 1970s. The ideological divide may have contributed to the continued tension between the major political parties on local government autonomy and is explained in the treatment of the local government when the respective parties is in power.

### 2.3.2 Local government reform and Portmore

Portmore was known as the Salt Pond District (Reid 2009) and was first occupied by the Arawaks as early as 900AD. When Jamaica was discovered by Christopher Columbus in 1494, the Spaniards settled in Portmore. The English arrived in Passage Fort, Portmore in 1655 capturing the island from the Spaniards. The English later divided Portmore into pens building forts along the coast using Passage Fort as a "trans-shipment point and a link for the

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<sup>19</sup> <http://www.localgovjamaica.gov.jm/localgovernmentreform.aspx> retrieved December 3, 2013

<sup>20</sup> <http://jamaica-gleaner.com/gleaner/20130603/cleisure/cleisure5.html> retrieved December 3, 2013

towns of Spanish Town, Kingston and Port Royal”<sup>21</sup> (Reid 2009) Sugar and later bananas were the main agricultural produce supplemented by fishing. During the 17<sup>th</sup> to the 19<sup>th</sup> centuries Portmore was populated with mostly militia and slaves. The area saw little development until the late 1950s when the area was targeted by the government as a potential place to house the growing urban population as land was becoming increasingly scarce in Kingston, the capital city. Portmore’s strategic location to Kingston and later Spanish Town, motivated the government to develop the area as a dormitory town for Kingston and later Spanish Town, the capital of St. Catherine.

Because the area is low lying, eleven miles of dyke were built to prevent flooding. A causeway bridge was also built providing the main passageway linking Portmore to the capital. The first phase of formal housing development commenced in 1968 in Independence City with 1,383 building lots approved for home construction. The plan provided social infrastructure such as parks, schools, commercial areas and a sewage disposal installation but no provisions were made for garbage collections, maintenance of parks, maintenance of roads or street lighting. These seemed to reside with the St. Catherine parish council. In the early 1970s a second community was added. Portmore now houses approximately 85 communities and close to 200,000 residents, approximately 10% of Jamaica’s population with most of these communities being planned settlements. In 2011 Portmore had 49,407 households<sup>22</sup> and in 2001, 21,162 tenured households<sup>23</sup> occupying a physical space of approximately 572 sq.km. There are approximately 43,000 parcels of land based on findings from the study. In 2011 there were 27, 219 tertiary trained graduates living in

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<sup>21</sup> <http://www.portmore.info/history/portmore-history03.html> retrieved September 30, 2014

<sup>22</sup> Household is one person who lives alone or a group of persons who, as a unit, jointly occupy the whole or part of a dwelling unit, who have common arrangements for housekeeping, and who generally share at least one meal. The household may be composed of related persons only, of unrelated persons, or a combination of both (Statistical Institute of Jamaica, email staff correspondence with author dated July 8, 2013).

<sup>23</sup> Tenure refers to the legal arrangements for occupancy of land and or dwelling at the time of the census. The categories identified were, owned, leased, rented, rent-free and squatting. (Statistical Institute of Jamaica, email staff correspondence with author dated July 8, 2013).

Portmore<sup>24</sup>. Portmore's geographic boundaries are determined by the Municipalities (Portmore) Order Act of 2003.

In 2003 history was created in Jamaica, when Portmore one of the largest single living spaces in Jamaica was granted municipal status via the Municipalities (Portmore) Order 2003 and called the Portmore Municipal Council. Portmore even though huge is neither a town nor a parish but enjoys equal status as other local authorities. Citizens in the Portmore community campaigned for its new status on the basis that this large community had unique features and as such its uniqueness and special needs could only be adequately met through municipal government described as citizens' activism (Schoburgh 2007, 164). The integral role played by citizens in realizing this particular change to the local government structure in Jamaica is more appropriately conceived as reform 'from below' and is indicative of the potency of 'people power' on policy direction (ibid). Additionally, the quest for municipal status coincided with the government's agenda to reform local government and to return governance to the hands of the people at the local level (Leakey 1993; Jones 2003).

Whilst the Municipal Act 2003 does not explicitly define a municipality, S3(3) of the act outlines that the citizens' expectations must be incorporated and S(5)(a) clearly articulates that the citizens' wishes “.. an urban centre...that would be better served by a regime that is focused exclusively on managing the area in order to achieve sustainable and orderly development.” Sections 8 (a) to (g) of the act also make provision for revenue raising: property tax, local motor vehicle licenses, trade licenses, building fees, grants from central government, loans

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<sup>24</sup> Highest Level of Educational Attainment 2001 Male: 3315 University and 6242 Other Tertiary. Female: 5272 University and 11930 Other Tertiary. . University refers to persons with a degree both at the bachelor level and the Masters and PHD level. Other tertiary refers to diplomas, associate degrees and certificates. (Statistical Institute of Jamaica, email staff correspondence with author dated July 8, 2013).

and other sources. According to Portmore's 2008/09 budget 55% of Portmore's<sup>25</sup> own source revenues were from property tax.

## 2.4 Demography and economic indicators

Jamaica's population is 2.71m (STATIN 2010) with an average growth rate of 0.5% and a net migration of 18,500. 52% of Jamaica's population lives in urban areas (PIOJ 2010). English is the official language with patois<sup>26</sup> as its creole language. Jamaica has an adult literacy rate of 91.7% (PIOJ 2010). The island's infant mortality rate is 16.7 per 1000 live births and life expectancy is 74.1 years at birth (PIOJ 2010). Jamaica is classified as a middle income island state (UNESCO 2009) and has plans to become a developed nation by 2030 (Vision2030). Three productive sectors: agriculture, industry and service<sup>27</sup> contribute to Jamaica's GDP. Jamaica's formal trading currency is the J\$ with US\$1 being the equivalent of J\$99.36 (BOJ 2014).<sup>28</sup> Jamaica's inflation rate in 2010 was 11.7% (PIOJ 2010) and its unemployment rate is 12.8% (IMF 2012). Jamaica's fiscal deficit is US\$56.0b (PIOJ 2010) with a gross national reserves the equivalent of 23.2 weeks of GDP and services (PIOJ 2010). Jamaica's GDP per capita is US\$4,967 (BOJ 2010). Tax revenues for 2011/12 financial year have been estimated at 27.8% of GDP (IMF Country Report 2010) representing 92% of Jamaica's total revenue (BOJ 2011). In 2012 its debt was 140% of GDP (IMF 2012<sup>29</sup>). In 2010/2011 its Global Competitive Index (GCI) was 3.9.<sup>30</sup>

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<sup>25</sup> [http://portmoremc.gov.jm/sites/default/files/resources/portmore\\_budget\\_2008\\_9\\_draft4.pdf](http://portmoremc.gov.jm/sites/default/files/resources/portmore_budget_2008_9_draft4.pdf) retrieved September 28, 2014

<sup>26</sup> Patois pronounced 'patwah' is a mix of African and English languages.

<sup>27</sup> Agriculture (6.2%); Industry including mining and manufacturing (22.1%) and services including tourism and financial (71.7%) Jamaica at a glance World Bank Statistics 2011

<sup>28</sup> [http://www.boj.org.jm/foreign\\_exchange/fx\\_historical\\_rates.php](http://www.boj.org.jm/foreign_exchange/fx_historical_rates.php) retrieved September 26, 2014. This figure represents the exchange rate on the last day of trading in April 2013 when I completed my field work in Jamaica. The rate has changed since that time.

<sup>29</sup> Statement of IMF mission to Jamaica. Press Release No 12/100 dd. March 22, 2012. <https://www.imf.org/external/np/sec/pr/2012/pr12100.htm>. Retrieved April 30, 2012.

<sup>30</sup> [http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2010-11.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2010-11.pdf) retrieved December 18, 2014. GCI score is based on a value 1-7 with 1 being the lowest value. It is published by

Jamaica has had a history of recurrent deficits since the 1970s. Successive governments have tried many and varied strategies both monetary and fiscal to arrest the deficit but with limited success. Having failed at this, Jamaica sought the assistance from the IMF in 1976 brokering its first arrangement in 1977 but terminated its arrangement 1979 because it failed to meet the **IMF's** targets. Negotiations were reopened in the 1980s and Jamaica/IMF relationship has continued on an on-again-off again basis. A new arrangement commenced in 2007 and continues to date (2014) with the working arrangement of new tax reform measures with the hope of increasing tax revenues. One such measure which came into effect April 1, 2013 was increasing property tax compliance rate by 10% along with a simultaneous doubling of the property tax rates. The objective of the measure is for local authorities to have enough revenues obviating the need for transfers from the centre. This would achieve the goal of increasing the independence of local authorities making them less dependent on central government for their financing.

## 2.5 Jamaica's tax system

The Medium Term Framework of Jamaica's National Development Plan 2009-12 casts the Jamaican tax system as "...increasingly complex and cumbersome. The most recent global assessment indicates that, despite reforms, Jamaica has one of the worst tax systems in the world, ranking 173<sup>rd</sup> out of 181 countries in the overall ease of paying taxes, 175<sup>th</sup> in the number of required annual tax payments, 148<sup>th</sup> in the time required to pay taxes, and 133<sup>rd</sup> in the total tax rate. For example, tax compliance for a typical company is estimated on average to take a total of 414 hours each year, compared to say 76 hours per in year in Ireland and 61 hours in St. Lucia a small island in the Caribbean."<sup>31</sup> This statement points to the issue that Jamaica's tax system

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the World Economic Forum (WEF) and the GCI seeks to measure and compare the competitiveness levels of 139 countries worldwide; Jamaica has a ranking of 95. The score is based on a weighted average of 12 factors: institutions, physical infrastructure, macroeconomic stability, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market sophistication, technological readiness, market size, business sophistication and innovation.

<sup>31</sup> Chapter 3 – Medium Term Priority and supporting national outcomes chapter 3,40 IN Medium Term Socio-Economic Policy Framework 2009-2012 Planning Institute of Jamaica.

begs for change for it to become efficient and productive. Bahl and Wallace (2007) debate that Jamaica's tax administration is dogged with problems because of the "culture problem" – i.e. the "unwillingness of citizens to accept the idea that the payment of taxes is a civic responsibility."<sup>32</sup> They further argue that the tax administration rather than tackling the problem holistically tend to concentrate on the taxes that are easier to collect – income taxes and GCT and from the small number of compliant firms leaving a large number of potential taxpayers outside of the tax net. Alm (1988) confirms that 50% of potential income tax revenues were lost through non-compliance. Anecdotally, views have been expressed that the informal economy is about 50% with most or all of these not contributing to the tax revenues. Consequently, compliant taxpayers feel they are overtaxed; giving rise to "horizontal and vertical inequities" in the system with attendant revenue loss (Bahl and Wallace 2007). Despite this negative picture of the tax system, the government continues to make attempts to improve the system and is optimistic that the system can change.

Jamaica's tax system is 'shaped' (Frankema 2010; Mendes, McLean and Wynter, 2013) by Britain and in recent years by the International Financial Institutions (**IFIs**) and in particular the International Monetary Fund (**IMF**). Jamaica seeks financial assistance from time to time from **IFIs** both to reform its tax system and for projects for economic development. A pre-condition for economic support from the **IFIs**, as such the IMF, the World Bank, regional development banks and aid agencies (Fjeldstad and Moore 2008, 238) usually comes in the form of agreeing to imposed "conditionalities"<sup>33</sup> and in the case of the **IMF** 'those policies the Fund expects a member to follow in order to be able to access Fund's resources' (Bullock 1986, 130). These conditions normally shape or influence the tax policy and tax system. Jamaica's has had a long

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<sup>32</sup> Bahl and Wallace (2007, 9-10) Comprehensive tax reform. Public Finance Review.

<sup>33</sup> Conditionality may be defined as a means by which one offers support and attempts to influence the policy of another in order to secure compliance with a programme of measures. Buira 2003 An analysis of IMF conditionality, p3 Discussion Paper G-24, United Nations Conference on Trade and Development



relationship with the **IMF** which commenced in 1976 and continues to date albeit<sup>34</sup> with brief periods of discontinuances.

The tax structure is skewed towards income taxes (Bahl and Wallace 2007) accounting for almost 50% of total tax revenues (BOJ 2010)<sup>35</sup> with the largest portion of the income taxes from the pay-as-you-earn (PAYE), consisting of more than 20% of total tax revenues (Bahl and Wallace 2007). Corporate income taxes is paid at a flat rate of 33 1/3% by regulated companies and 25% by unregulated companies (McLean, Mendes and Wynter 2013).<sup>36</sup> There are also four payroll taxes imposed on employees and employers: two relate to pension and housing (national insurance scheme –**NIS** and National Housing Trust (**NHT**); one is earmarked for human resource development (Human Employment and Resource Training-**HEART**) and Education tax which goes into the general revenue fund.

General consumption tax (**GCT**) a value added tax is the main indirect tax. Introduced in 1991, it accounts for 8.6% of GDP (IDB 2010 JA-L 1034 loan proposal, 8). It's levied at the standard rate of 17.5%. Special consumption taxes are also applicable raising revenues largely from fuel, tobacco and alcohol (Bahl and Wallace 2007).

Property tax the subject of this study is another important tax and is not self-assessed with three methods of taxing property: stamp duty, transfer tax and land tax (Bahl and Wallace 2007). This study concerns itself with land tax only and is referred to in the study and in Jamaica as property tax. Other taxes in Jamaica include travel tax, assets taxes and international taxes from imports (Bahl and Wallace 2007). There are no capital gains taxes in Jamaica. Taxes in Portmore are similar to taxes levied at the national level.

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<sup>34</sup> Its first major tax reform was in the 1980s and has several since. The last tax reform commenced in May 2011 and at December 2013 was ongoing.

<sup>35</sup> Bank of Jamaica (2010) Statistical Digest, 89; figure calculated from data given for tax and non-tax revenues

<sup>36</sup> Chapter 10, Taxation of Companies IN Essentials of Jamaican Taxation (Mendes, McLean and Wynter 2013)

The administration of the tax system is regulated by both the Revenue Administration Act and the Tax Collection Act. The Revenue Administration Act covers the administrative structure, the powers and duties of the respective departments in Tax Administration Jamaica whilst the Tax Collection Act regulates tax collection, appointment of tax collectors and their assistants.

The Ministry of Finance through its Tax Policy Unit has oversight responsibility for the tax administration and direct responsibility for taxpayer appeals.<sup>37</sup>

The primary objectives of the unit are to:

- ensure the tax base is broadened and that equity is maintained;
- ensure that Jamaica's interest in tax issues is protected regionally and internationally;
- ensure that tax legislation is consistent with government's economic policies and encourages savings and investment;
- ensure the effective management of human, financial and technical resources”

Since May 1, 2011 the tax administration is responsible for administering local taxes<sup>38</sup> with international tax falling under the purview of the Customs Department. The administrative model is mixed and is organized along operational lines with a large taxpayer office.

## **2.6 Property tax administration**

Property tax is a legacy of British colonization, introduced in 1806 (Andelson 2000) as a tax on quit rents, houses, horses and horned stock and tax based on land usage (tax on horned stock was removed in 1892) (Eisner 1961). The tax on houses was dedicated to poor relief up to 1885; after then it was

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<sup>37</sup> <http://www.mof.gov.jm/taxpolicy> retrieved April 10, 2012

<sup>38</sup> Tax Administration Jamaica is the merger of The Inland Revenue Department, Taxpayer Audit and Assessment Department and the Tax Administrative Services Department.

collected by the local authorities. In 1890 an additional tax was imposed on house to make up for the loss of income resulting from the abolition of school fees. Houses and lands were subject to five different taxes with the heaviest burden falling on the poorest class in 1897 but the arrears were so great and remissions became so frequent that the tax ceased to fulfil its purpose. In 1899, the method of taxing property was changed due to a financial crisis in the island. A new property tax law which now governs Jamaica was passed in 1903. The tax was self-assessed on a capital base until 1957 when it changed to the unimproved value or the site value with the government doing the assessments.

The rationale for changing to the site value was two-fold: Norman Manley, Jamaica's Prime Minister argued then, firstly, that 'the present system is a tax not upon land, but on man's efforts put into land; it was a tax on labor and the consequence is that it implies that there is no tax upon those who do nothing with land, and more tax on those who do more and more with land'. Secondly, he continued 'the new system will tend to discourage the withholding of land from use, and to encourage the putting of land to use' (Andelson 2000, 114). Jamaica is among a small number of countries in the world that uses the site value. In 1993/94 there was a major policy shift at which time the revenues ceased to go into consolidation fund and were dedicated to the local authorities to finance street lighting, solid waste, beautification and road rehabilitation but revenues were never enough to finance these activities. The policy required local authorities to pay a more pivotal role in the management of the property tax but to date of the study this has not happened.

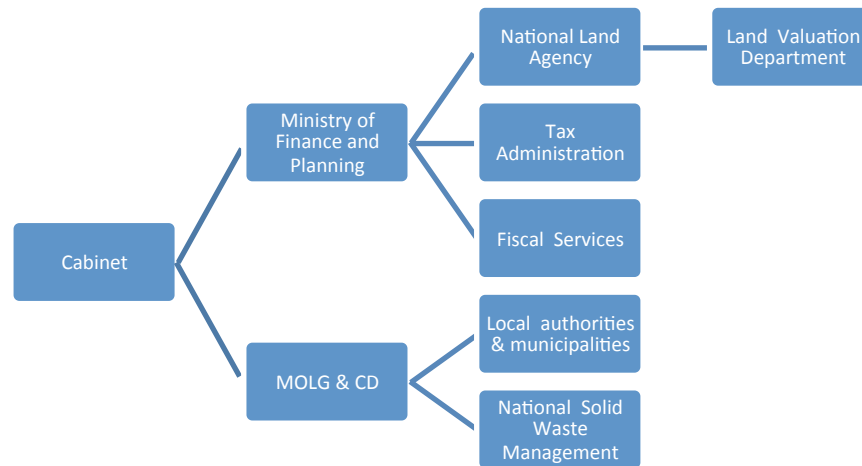
Property tax continues to be centrally administered with a 3% fee deducted for collection with special funds raised for revaluation exercise. Since April 1, 2013 properties with values up to \$100,000 attract a flat fee of J\$1000; those between J\$100,001 and J\$1m, 1.5% and any value over a J\$1m 2%. Previously, the rates were J\$1,000 payable on properties up to J\$300,000 and any amount above this value a rate of 0.75%. Commercial and residential properties are similarly rated. In 2004 property tax generated 1% of Jamaica's total revenue and 0.23% of GDP (Sjoquist 2007). The study concerns itself with the tax before the increase.

### 2.6.1 Administrative framework

Property tax is centrally managed with its activities spanning two ministries: ministry of finance and planning (hereinafter referred as the ministry of finance) and the ministry of local government & community development (hereinafter referred to as ministry of local government) with supporting departments. The ministry of finance along with its subordinating departments- Tax Administration Jamaica and the National Land Agency is responsible for the financial aspects of the property tax; valuation and assessment, reliefs and exemptions, budgeting, targeting, collections, enforcement and compliance. On the other hand the ministry of local government oversees the distribution, allocation of the property tax along with the provision of residential garbage services through its subsidiary department, National Solid Waste Management Authority (**NSWMA**). It also supervises the local authorities and municipalities. The local authorities partner with Tax Administration Jamaica with enforcement and compliance activities based on a policy decision of 1993 (see Policy 8/93). The parliament determines property tax rates, provides funding for valuations and also determine valuation periods and dates.

The following diagram represents the property tax process based on the current administrative and legislative framework.

**Figure to show departments and ministries in property tax administration**



Departments and ministries involved in property tax administration

Figure 2.1

Source: Carlene Wynter, December 2013

Table 2.1

## Summary of duties

Ministries of finance and local government and their associated departments

<b>Ministries</b>	<b>Related departments</b>	<b>Specific duties</b>
Ministry of Finance		Budgeting; targets; reliefs and exemptions
	Land Valuation Department	Valuation of properties and production of valuation roll
	Tax Administration Jamaica (TAJ)	Assessment; compliance and enforcement
	Fiscal Services	Printing of assessment notices
Ministry of Local Government and Community Development (MOLG & CD)		Distribution of notices;  Partners with TAJ in compliance  Allocation of PT revenues to councils and municipalities  Payment for garbage and street lighting services
	<b>NSWMA</b>	Provision of solid waste services
	JPS (unrelated)	Provision of street lights
	Parish councils and municipalities	Provision of beautification services  Partners with TAJ in compliance and enforcement

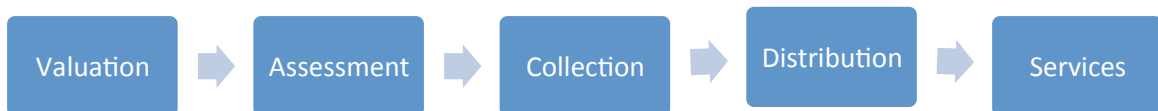
**Ministries and departments with PT duties**

Source: Author December 2013

## 2.6.2 Administrative processes

Figure 2.2

Diagram to demonstrate property tax administrative process



### Diagram of property tax administrative process in Jamaica

Source: Carlene Wynter, December 2013

#### *Assessment and valuation*

Valuation responsibilities fall under the Land Valuation Department (LVD) which is headed by a director who reports to the National Land Agency (NLA) and the ministry of finance. It centrally administers land valuations and its responsibilities include maintenance of a valuation roll to support property taxation and valuations to government organizations.

Valuations are required to be carried out by law every five years but on an average they are done every ten years (Sjquist 2007; Cornia and Walters 2010)<sup>39</sup>. The findings also revealed that for the financial year 2012/13, there were approximately eight hundred thousand properties on the property tax roll with forty two thousand seven hundred and ninety six (42,796) of those

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<sup>39</sup> Funding for the revaluation exercise is a political decision with determined by the government of the day. A legislator argued that the government was in no haste to do revaluations as they would result in increased liabilities for taxpayers but suggested instead that increased revenues should come from increased compliance. On the other hand a cabinet minister argued that late revaluations were as a result of the tardiness of the agency responsible for revaluation but this was refuted by an interviewee who stated that the agency is ready to carry out revaluations during the specified periods but cannot do so because of lack of funding from the government.

properties in Portmore. A participant explained that mass appraisals are used to arrive at the values, which are imprecise but nevertheless reflective of the market values of properties within a locality due to their common characteristics. The valuation process also involves inventorying the properties constructed on locational and neighbourhood characteristics; collecting market evidence of sales transactions; classification of properties, assigning values based on the 'predetermined models that have developed' with the final stage being the transfer of properties to the **LVD's** database- the Property Tax Database (**PTS**) according to the interviewee. The interviewee also confirmed that as soon as the values are transferred to the database, then the property tax rates are applied in order to arrive at the property tax liabilities which is referred to as the assessment process. The **PTS** is shared with the Tax Administration Jamaica.

Property tax assessment is the job of **TAJ**. Following the assignment of values, based on market values tax rates are then applied to the tax base. The tax administration is then required by law to raise an assessment and deliver such assessment notices to taxpayers for payment of their property tax liability. Even though some properties are exempt from property tax they are still represented on the valuation roll a requirement of the law. Section 3 of property tax act requires the tax administration to serve assessment notices on taxpayers. However findings from the study suggest that the printing and distribution of assessment notices to taxpayers are overseen and executed by the ministry of local government. The findings further suggest that the tax authority supplies the necessary data to the Fiscal Services Unit at the beginning of the year at which time the ministry takes over the distribution of the assessment notices.

Property tax rates are based on the likely cost of providing the services by the local authorities but subject to approval by the parliament. This way of assigning rates suggests that it supports the benefit view<sup>40</sup> which is in keeping with the government policy of 1993/94. The local authorities are tasked with the responsibility to prepare the budget of expenditures, based S3(a)(b)(c) of the Parochial Rates and Finance Act and S13 of Municipalities Act 2003. By law

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<sup>40</sup> Cameron 1999, 102-103, Encyclopedia of Law and Economics



budgets are to be submitted to the ministry of local government by December 1 for the minister's approval. The budgets should be accompanied by a financial statement showing the financial position of the local authority along with a statement showing how it expects to meet the estimated expenditure. The statement of expectations on meeting the parochial expenditure should include property tax being one of the major sources of income in the budget. The minister may amend the budget.

#### *Enforcement and collection*

**TAJ** has responsibility for the enforcement and collection of property tax supported by the local authorities<sup>41</sup>. The property tax legislation has not been amended to incorporate this policy but it remains operational. Enforcement and collections are governed by the Property Tax Act, the Tax Collection Act and the Quit Rents Act, the Land Valuation Act and the Land Value Taxation (Relief) Act (see Section 2.6.3 below). Cornia and Walters (2010, 25 & 6) argue that 'collections are low and have *proven to be intractable in Jamaica (25) and that there is also a steady decline in billing taxpayers*'. For example, the authors suggest that in 2009/10 only 41% of all properties paid in full (3) with over a third of the most valuable properties and 66% in the lowest band not honouring their obligations at all (9-10). Sjoquist (2005, vii) argues that collections declined 'precipitously' after 2002 falling from 52% in 2002 to 37% in 2004. In 2005, property tax arrears were topped at the J\$5b mark (Tharkur 2010) which is attributable to weak enforcement. The government in 2006 instituted the *Property Tax Arrears* project in a bid to reduce the arrears (Cornia and Walters 2010). According to the findings, the project no longer remains per se, but the property tax coordinator who was appointed in 2006 to oversee the programme remains in place working alongside five regional managers along with compliance and records officers. This team form the core of the property tax enforcement and compliance activities with support from the local authorities. Property tax collection carries an integrated payment system facilitating payments at any of the twenty nine collecting stations in Jamaica or through the online property tax payment portal.

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<sup>41</sup> In 1993 policy paper 8/93 made it policy for LAs to partner with the TAJ in its enforcement and compliance activities, and it was again reinforced in policy paper 7/03 in 2003.

### *Distribution, allocation, services and auditing*

S6A of the Parochial Rate and Finance Act 1900 mandates that all property tax collected including penalties and fines are to be paid into the Parochial Revenue Fund. According to the act, control of the management of the fund should be an officer designated by the minister. S6B requires payouts to local authorities to be *'not later than the last day in each month in respect of the amounts received by the fund...in the preceding month an equivalent of 90% of the property tax paid in the relevant parish...the remaining 10% shall be distributed to each parish council on the basis of needs of the parish upon an application made to the minister...'* Where there is a municipality within a parish, the Minister by order, subject to negative resolution, should specify the percentages to be paid out of the fund in relation to a relevant parish council and the Municipality. Portmore being a part of the parish of St. Catherine, it implies therefore that property tax funds collected in St. Catherine should be allocated by negative resolution between the St. Catherine Parish Council and the PMC. Additionally, based on the law, the **PMC** is also eligible to receive a portion of the 10% which remains in the fund once it demonstrates that the revenues are needed. However the findings suggest that neither the ministry nor the minister operate both funds according to the law.

The law requires the mandatory annual auditing of property tax revenues by the Auditor General and based on the minister's directive within three months of the close of the financial year. The minister should then submit a report to the House of Representatives. Local authorities by law are required to provide the necessary services to their respective parishes.

### **2.6.3 Legal framework**

Property tax administration is governed by several laws: –the Property Tax Act of 1903, the Tax Collection Act of 1867, the Land Valuation Act of 1957, the Land Taxation (Relief) Act of 1959, the Parochial Rates and Finance Act of 1900, the Quit Rents Act of 1896. These acts work together for the effective administration of the property tax.

The Property Tax Act is the principal legislation and speaks to the general administrative framework for assessment, payment dates and non-payment but works in tandem with the other property tax legislation. Based on S3(1) of the

act, property tax is due and payable on the April 1, each year...and requiring the **TAJ** to raise assessments on those persons in possession of property. The assessments should state the amounts to be paid, delivering the assessment notices to the address where the taxpayers normally live or their business places. S3(3)(a)(b)(c) of the act further states that a notice of assessment may be served personally on the taxpayer or *leaving it at his address* for service **or** it may be sent through the post by registered mail at his address for service with service deemed to be effected 'at the time when it would in the ordinary course of the post have arrived at the place to which it was addressed or the town or post office nearest to that place'. Section 3(4) clarifies the *taxpayer's address for service* as the address that was last given to **TAJ** of the parish where the taxable property is located and where no address is provided or where the taxpayer changes his/her address and has not provided a notification to this effect to **TAJ**, then the address for service of the taxpayer shall be any address that the tax administration has on record for this taxpayer.

The Tax Collection Act governs the collection of all taxes, including the property tax, regulates the appointment, duties and powers of tax collectors along with their assistants, payment periods and giving permission for tax to be paid in installments. The act also establishes a lien on property of outstanding property taxes. S13 of the act imposes the responsibility on Collectors of Taxes to advise the Accountant General of anyone who is in arrears of any taxes if such a person receives salary from the government or if the person receives money from the public purse. In such situations, the law permits the Accountant General to setoff taxes owed against money to be received.

The Land Valuation Act covers the process of land valuation, stipulating the frequency of valuations (s11); such valuations are carried out every five years. However, this has not been the case in Jamaica. Valuations were undertaken in "1974, 1983, 1993 and 2002 (Sjoquist 2007, 128). One is scheduled to be done by the end of 2013 or sometime in 2014 based on findings from the field. Revaluations are not done between general revaluations except for certain conditions, but in practice have been changed when "property is subdivided" (Sjoquist 2007, 128).

The Land Taxation (Relief) Law contains provisions for derating, i.e. “authorizing a reduction of land tax payable by any person” and relief of land taxes. Relief may be given for agricultural as well as residential land based on its current use. The act also empowers the Minister of Finance to give discretionary relief from the payment of property taxes whether partially or wholly for any land providing he’s satisfied that it’s equitable and just to do so.

The Parochial Rates and Finance Act governs the actual receipt and payments of the property tax revenues and other revenues collected on behalf of the respective local authorities. The act stipulates that a “Parochial Revenue Fund” shall be established by the Ministry of Local government to receive “the total amount of property tax paid pursuant to the Property Tax Act including penalty and interest” (S6A(1)(2)(a)) and this fund was set up in 1996 (Policy 1993). Additional details of this act were provided above (section 2.6.2 – distribution allocation, services and auditing).

The Quit Rents Act, 1896 addresses forfeiture in cases where property tax is not paid. It empowers **TAJ** to seize taxpayers’ property to settle outstanding property tax liability although it does not make specific reference to property tax (Sjoquist 2005).

## 2.7 Jamaican culture

Jamaica a former British colony has enjoyed political stability having always changed governments by democratic elections being described ‘untypical’ case within the third world (Eddie 1989, 2). Its governments therefore are often compared to liberal democracies of the developed world (Dahl 1971, Eddie 1989). Eddie argues that Jamaica’s two-party system since 1938 carries two distinctive features: serving their respective sectoral interests while in power and secondly the parties act or serve as dominant forum for the expression of political conflict with loyalty to a political party rewarded with state resources which the party controls while it is in power- ‘the victor gets the spoils’ (4).

According to Eddie, this second feature referred to as patronage or clientelism, increases the dependence of the poor on the party and the support sometimes come in the form of some work programmes or grants. Recipients of the patronage often believe that connections to the politicians will provide them

with jobs, employment etc. which would eventually change their social and economic status in the society. Thus, they strategically align themselves to political parties in the hope of getting jobs and contracts which are distributed by politicians (Edie, 1989). Stone (1980), LaGuerre (1983, 145) further debate that the benefits derived are mutual but the power balance in the relationship is unequal as the parties are the dominant players. Edie also suggests that the civil service often carry political appointments which may attribute to its low productivity and efficiency. The requests for political appointments are usually facilitated because later on the senior civil servants who did these appointments may need the politicians to do a favour (Mills & Robertson 1974) for them or *pull a string* or get a *bly*<sup>42</sup>.

Jamaica is also known for its rich cultural heritage: music, dance, art, food and for a warm friendly people (Seaga 2005). But it is also known for its lack of civic responsibility (Bahl and Wallace 2007). Seaga (2005, 79) suggests that Jamaica's culture is stratified into layers of society, shaped by the experiences of folk life and modern society, molded by metropolitan influences making the country a well-defined model of a dual society 'two Jamaicas blending at points of contact.' Stone (1992) on the other hand argues that Jamaica's culture is shaped by its history of slavery; the post-emancipation plantation era and the post war modernization. Overall, the suggestion is that Jamaica's culture has been in the making for a period of five hundred years but that each period has distinct core values, norms regulating behaviour, institutional roles, functions and tasks in the major domains of social space. Stone also suggests that the post slavery period values were shaped by the family, church and community in rural Jamaica but in urbanized communities values were shaped by the schools and the workplace. Of note here is the absence of government institutions (Waller et al 2006).

Austin (1983) in a study on Jamaica, concluded that culturally, there was class domination where the formation of groups is constrained by the pervasive power of large institutions which are controlled by other classes; political

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<sup>42</sup> Bly means to give a chance or to ignore or overlook something. See <http://jamaicanpatwah.com/term/Bly/918#.VXCI5s6yOJU>. Retrieved June 4, 2015.

patronage that renders the working class as clients of the middle class but it's not peculiar to the working class because of the shortage of resources making the working class particularly dependent on patronage for survival.

Historically, Jamaica has been plagued by violence and social disorder during different periods of its history (Lacey 1977, Chevannes 1981, Chevannes 1994 1-40; Smith 1984; Girvan 1999; Harriott 2003; McLean, Mendes and Wynter, 2013, 6,<sup>43</sup> Oats, Sadler, Wynter 2014). Goulbourne (1984) describes the incidence of violence as a norm of day to day life suggesting that its visible at all levels of structures and pervades all kinds of social practices. Goulbourne further states that 'intolerance, contempt and fear inform many social attitudes which show the many deep-seated prejudices arising out of racial, colour and class considerations...' (151). Harriott's (2003, 39) study on *Fear of Criminal Victimization*...revealed that fear was found to be prevalent in the Jamaican society with approximately 40% of the population regarding themselves as being highly at risk, and exhibiting high levels of worry about criminal victimization. The author argues that fear may lead to cautionary and self-protecting behaviours.

More recently, a survey conducted by the Centre for Leadership<sup>44</sup> (Powell et al 2006) revealed that whilst Jamaicans have a strong commitment to democracy and related ideals of equality, freedom and social justice, existing alongside this, there is some degree of ambivalence between democratic and authoritarian rule, though favoring democracy. The results also revealed that there is a strong sentiment in favour of possible authoritarian intervention of public sector entities albeit under extreme circumstances. The survey results also showed that Jamaicans have trust issues, i.e. trusting both people and institutions. Of the 1,338 respondents polled<sup>45</sup> only 10% trust public institutions: local government, the police, judiciary, parliament; government and political parties. The most trusted institutions were banks, schools, churches,

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<sup>43</sup>See McLean, Mendes and Wynter , 2013, 6, note 9, *Essentials of Jamaican Taxation*

<sup>44</sup> Centre for Leadership is a research centre in the Department of Government, Faculty of Social Sciences, University of the West Indies, Mona.

<sup>45</sup> The questionnaire response rate was above 95%.

universities and families with families heading the list. On the question of interpersonal trust, 60% of the respondents said they had no trust in people, i.e. in their fellow Jamaicans.

Another phenomenon in the Jamaican society is that people do not readily report others 'culture of silence'. This may be attributed to the lack of legal protection by the law as required under the Inter-American Convention against Corruption<sup>46</sup>.

### **2.7.1 Land tenure practices**

The Jamaican Constitution provides every Jamaican with the fundamental right to use and receive income from property (Allen 1993). The author argues that this rule is a legacy of British colonization and is common in commonwealth countries. Historically, land in Jamaica was mostly owned by the colonizers and this was particularly so up to emancipation. However, various historical events have occurred which have shifted or changed this pattern of land tenure. Following the end of the Maroon war with the British in 1739-1740 as a part of the treaty, tracts of land were awarded to the maroons (Oats, Sadler and Wynter 2014). Another major shift in land tenure followed the abolition of slavery (Tindigarukayo 2004). Eisner (1961) articulates that after emancipation, free slaves came into ownership of property by either renting from large land owners through the missionaries' special land acquisition program spearheaded by William Knibb an abolitionist or by squatting. According to Eisner, on the death of Knibb in 1845, the special land acquisition programme ceased. With the downward trend in sugar cultivation, and the abandoning of properties, by many plantation owners, many free slaves took over these properties (Eisener 1961). This unlawful takeover is referred to as squatting (Tindigarukayo 2004) or extra-legal ownership, (USAID 2010), and thus squatters would have no titles. In 1867 two years after the Morant Bay Rebellion, the government in a bid to deal with this situation, established the Lands Department to investigate and put in place legislation to recover illegal possessions. However this proved to be challenging in that there was difficulty tracing ownership due to the long

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<sup>46</sup> Operational guidance note, Home Office, Jamaica (2013,5).

<http://www.refworld.org/pdfid/52a6f6cc4.pdf> retrieved May 13, 2014

periods of abandonment by the owners (Eisner 1961). The legislation therefore evicted those who could not produce a title and forfeited those lands that did not pay quit rents or land taxes or where there was no owner apparent. During 1867 to 1876 period, the government recovered approximately 27,000 acres of land.

Since then, land inaccessibility remains an issue in Jamaica, so does squatting and titling issues (National Land Policy 1996; Tindigarukayo 2004; USAID 2010). Through government's latest land policy of 1996 to look at titling issues and the application of the adverse possession rule some persons were able to obtain titles for land. In the case of land occupied by squatters, they were able to come into freehold ownership after being in peaceful and undisturbed occupation or possession by land for a minimum of twelve years. This process is facilitated through the Registration of Titles Act 1969, allowing squatters to obtain a good title (Allen 1993; GOJ 1964, GOJ 2006b Reynolds and Flores 2009, USAID 2010). Prior to 2007, approximately 21% of the population lived on rented/leased land but since the introduction of the National Land Policy, the percentage has been declined (Nadelman 2009, USAID 2010).

There is also another feature of land tenure in Jamaica: ownership by a community, for example in the maroon community (USAID 2010, Stanfield et al 2003) and family owned lands (USAID 2010; National Land Policy 1996; Clarke 1953). According to (Clarke 1953) and the National Land Policy 1996 'family land' is land that is passed undivided to a group of relatives, with each person having customary rights, which is not lost through prolonged absence from the island. All relatives can work the land, reap the fruits and claim a 'house spot' but no one in the family can sell the land. This arrangement is strongly influenced by social relationships which exists among the family. The implication for this type of ownership is that it's inconsistent with the codified and recognized legal system and it is difficult to obtain information on ownership for use for taxation purposes (National Land Policy 1996).

## **2.8 Summary**

This chapter provided background information on Jamaica history, geography, demography, economic and social indicators, its tax system including property tax administration, a short history on Portmore, local government reform and



how property tax and Portmore sit within the framework of local government reform along with a snippet of Jamaica's culture. This background information contextualizes the findings of the study which helps the reader to gain a greater understanding of the property tax field, the aim of the study.

## Literature review

### Chapter 3 – Tax administration, Fiscal Decentralization and Bourdieu's Theory of Practice

#### 3.1 Introduction

This chapter reviews the three strands of literature namely tax administration including property tax administration, fiscal decentralization and Bourdieu's theory of practice which interpret the findings. These three strands of literature form the framework of the study and provide the theoretical lens through which the findings are discussed, analysed and interpreted in Chapters five to seven inclusive. These strands have been chosen based on the multidisciplinary nature of tax, my study covers two main areas in tax scholarship; firstly the organization and management of tax practice, compliance and planning, secondly, policy issues (Lamb et al 2005). These strands along with Bourdieu's theory of practice bring together all three areas as demonstrated in the theoretical framework in Figure 4.2. Firstly, the organization, management of tax practice and planning speaks to how tax as a resource is administered, that is, how it's enforced, the strategies and resources used in the enforcement process to obtain compliance and to earn the desired revenues as dictated by the government. Secondly, it covers issues of compliance such as tax motivations, those intrinsic and external factors that make a taxpayer voluntarily compliant. Thirdly, administration of any tax is a policy issue. Policymakers may decide that all taxes should be centrally managed or they may decide that some or all should be locally managed or fiscally decentralized. Therefore, it's government policy which determines what level of government and what tax this particular level of government will administer, hence the strand on fiscal decentralization. For this study, property tax is discussed within the context of fiscal decentralization. As will be further discussed, property tax is regarded as a local tax within the literature suggesting that it should be locally managed. Tax administration and tax policy do not function in a vacuum, people organize and manage the tax, make policy decisions about tax and take decisions to comply or not to comply. It is therefore important to have an understanding of those issues underlying their interactions. Bourdieu's theory of practice the third

strand is the lens to understand and interpret those interactions. Section 3.2 provides an overview of tax administration highlighting those issues that influence tax administration; 3.2.1 discusses issues influencing tax morale; section 3.2.2 social norms in tax compliance; section 3.2.3 discusses external cues and demographic factors; section 3.2.4 designing tax compliance strategies; section 3.2.5 profiling taxpayers; section 3.2.6 responsive regulation and tax enforcement.

Section 3.3 introduces the property tax; section 3.3.1 defines property tax along with its features; 3.3.2 discusses taxpayers' perception of the property tax; 3.3.3 the role and relevance of the property tax; 3.3.4 its revenue performance; section 3.3.5 property tax enforcement, billing and collections.

Section 3.4 introduces fiscal decentralization; section 3.4.1 drivers and benefits of fiscal decentralization; section 3.4.2 assessment of fiscal decentralization 3.4.3 fiscal decentralization in practice.

Section 3.5 introduces Bourdieu's theory of practice; section 3.5.1 discusses the concept of habitus; section 3.5.2 field; section 3.5.3 capital. Section 3.6 summarizes the chapter.

## **3.2 Tax administration and its environment**

Mansfield (1988) defines tax administration as the link between the statutory foundation i.e. the various tax laws which form the basis of the tax system and the operative tax system or the 'real system' or what happens in practice. Both systems may differ (Tanzi 1987b, Mansfield 1988) on account of issues in a country's cultural, political or economic environment (Alm, Martinez-Vazquez and Rider 2006; Bahl and Wallace 2007; Tennant and Tennant 2007; Nerre 2008; Oats and Sadler 2011). Specifically, these include but are not limited to institutionalised corruption, criminalisation in politics, standards of public morality and citizens' attitude towards compliance by their peers (Bird 2004) or the interaction of actors and values such as honesty and justice (Oats and Sadler 2011, 115) or the entirety of all relevant formal and informal institutions

connected with the national tax system and its practical execution, which are historically embedded within the country's culture (Nerre 2008, 25).

Resources consist of one of the major inputs into tax administration and its limitations may undermine an administration's ability to carry out enforcement activities by forcing serious constraints on it (Gill 200). This appeared to be an issue with the property tax enforcement in Jamaica (section 5.2.3). Resource allocation maybe informed by policymakers' perception that tax administration is a technical or mechanical process in which case enforcement becomes a matter of affordability. For example (Lange 2002) argues that in some situations the goal of enforcement is to achieve that degree of compliance behaviour that the society believes it can afford and this is dependent on the amount of resources devoted to the task. Bird (2004) also suggests that tax administration ought to be perceived as a process where its inputs are people, materials and information with outputs as revenues for the government and equity (139).

Tax administrators rely on the law which provide the boundaries for their operations to effect enforcement (Gill 2000). Where the law appears to be ambiguous, it's argued that a range of choices is opened up to the administrators causing dilemmas for them (Hume et al. 1999, Doyle, Hughes and Glaister 2009) creating complexity in decision making. In the circumstances, enforcement becomes more challenging (Gill 200). Non-tax laws may also influence tax enforcement as was confirmed in the findings by a tax administrator. The judiciary may also influence the functioning of the tax administration. For example, this may be reflected in the length of time that a case takes to go through the court system which can impact enforcement (Gill 2000). The findings suggested that the judiciary was mostly used for collection of property tax arrears but using this strategy seemed time consuming and costly and therefore it was used only as a matter of last resort (section 5.3.6). With respect to seizures on large land barons, this was perceived to be time consuming, and costly through the judicial system, thus forfeitures were rarely used in Jamaica as an enforcement strategy (section 5.3.3).

Governments rely on tax administrations to maximise revenue collection (Bird and Slack 2004) while simultaneously maintaining that critical balance which prevents tipping in the direction of pervasive non-compliance, sending the message to citizens that non-compliance is unacceptable and will be effectively punished (Silvani 1992). While, some authors argue that maintenance of this balance is predicated on the amount of resources that is devoted to enforcement (Lange 2002; Bird 2004, 139) it's argued by others that it's fundamental to understand those issues that motivate taxpayer compliance as discussed in sections 3.2.1 to 3.2.6 and confirmed by the tax compliance literature.

Despite great strides over the years some administrations in developing countries remain weak (OECD 2011) and ineffective as demonstrated by the low level of voluntary compliance and the presence of high delinquency (Silvani 1992). The environment in which tax administration functions has many issues competing for the tax dollar. It's important for tax administration to place itself in the position to know what these competing issues are. Equally important is for the administration to know what motivates a taxpayer to comply in face of these competing factors and also those environmental factors affecting compliance and risk factors in enforcement (Vazquez-Caro and Bird 2011). The following sections highlight some key issues about which tax administrations should have knowledge.

### **3.2.1 Tax morale**

Tax morale is a much debated subject in tax scholarship. Frey and Frey (2002) suggest that it's a 'black box' issue without much attempt being made to discuss or even give consideration as to how it may have arisen or how it might be maintained (Schmolders 1960, Strumpel 1969, Alm and Torgler 2006). Kornhauser (2007) debates that tax morale are those individual traits or intrinsic factors such as a person's sense of integrity or degree of altruism and those external conditions or societal norms such as procedural justice, trust in government, or the form of government that influence them to comply. Some authors call it the internal or intrinsic motivation to pay tax (Torgler 2005; 2006; Alm and Torgler 2006; Kornhauser 2007) or those norms of behaviour governing citizens as taxpayers in their relationship with the government (Song

and Yarbrough 1978 and Alm and Torgler 2006) or those general principles or values that individuals hold, simply put their “tax ethics” (Alm and Torgler 2006, 228).

The literature carries two main strands on those issues that affect tax morale: the traditional rationalist economic view and the non-economic view. The traditional economic view posited by (Allingham and Sandmo 1972; Fisher, Wastick and Mark 1992, Taylor 2002) states that a taxpayer’s compliance is based on an economic opportunity conditioned on the probability of being caught and the likely penalty that the taxpayer maybe called upon to pay. Thus, the probability of being caught motivates the taxpayer to comply. Bergman (2003), supports this view suggesting that “voluntary compliance is rarely the outcome of altruistic behaviour, but rather that tax compliance is the result of policies that rely on deterrence, that is the ability of tax administrations and other state organizations to effectively detect and punish citizens who disobey the law”(593). Some researchers have generally concluded that economic models focusing on opportunity and penalties provide only a partial understanding of tax compliance choices made by taxpayers positing that factors such as social norms and ethical beliefs also play a role (Alm, McClelland and Schultze 1992, Alm, McClelland and Schultze 1999, Jackson & Milliron 1986, Wenzel 2005; Blanthorne and Kaplan 2008, 685). Other authors also confirm that economic motivation is not the only factor that influences compliance (Cullis and Lewis 1997; Cowell 1999, Falkinger 1999, Wenzel 2002; Kornhauser 2007).

For example, (Kornhauser 2007) suggests that the deterrence model accounts for a minor portion of tax compliance providing a poor explanation, given that it assumes that the taxpayer complies solely on a rational cost benefit analysis. Additionally, (Cullis and Lewis 1997, 305) argue that the model lacks “humanity and realism” casting tax evasion as a technical issue only, failing to address issues such as people’s behaviour, values, attitudes and perception of moral. Thus, Cullis and Lewis posit that even though economic actions are important, compliance isn’t just a function of tax rates, probability of detection...but it’s also based on the taxpayer’s willingness to evade or to comply and may also be conditioned by the behaviour of others(305) in other

words, social issues are also involved. Michael Wenzel debates that the model fails to recognise that taxpayers have a share in government services and public goods which is funded by their tax payments and that the taxpayers consider whether the exchange they receive is equitable (Cullis and Lewis 1997; Cowell 1999, Falkinger 1999, Wenzel 2002).

The literature also suggests that compliance may be influenced by a number of other issues including cultural norms (and as such tax morale may be different across countries (Alm and Torgler 2006); citizens' participation and trust in government (Feld and Frey 2002); management of the tax (Guth, Levati and Sausgrubber 2005; Mikesell 2003, Rühling 2006, 2); citizens' treatment by the government (Strumpel 1969, Alm and Torgler 2006); citizens' perception of the tax administration, fiscal exchange, attitude towards the government (Cummings, Martinez-Vazquez, McKee and Torgler 2004; Alm and Torgler 2006) or even by their feelings of guilt and social stigma (Grasmick & Scott 1982, Taylor 2002) and institutions and social norms (Ockenfels 1999, Ocknefels and Weimann 1999, Alm and Torgler 2006). Thus the issues may range from taxpayers' personal values (Kornhauser 2007) to social norms (Traxler 2010) and non-rational cognitive processes. It is also suggested that some internal norms influence tax compliance- those values showing high moral reasons, honesty and altruism may provide internal rewards which act as stimuli for tax compliance (Mazar and Ariely 2006; Kornhauser 2007, 612)

With respect to a government's behaviour towards taxpayers and its influence on tax morale (Alm and Torgler 2006) argue that when government's enforcement strategies are coercive, they serve to alienate taxpayers resulting in lower tax morale as was evidenced in taxpayers' behaviour in Germany. On the other hand, where governments treat taxpayers with respect and less control, there is increased tax morale as evidenced in the United Kingdom. For example (Cullis and Lewis 1997) argue that countries which make a deliberate effort to improve compliance by treating taxpayers like consumers, where tax administrations try to be more responsive to taxpayers' needs and to improve their 'fiscal consciousness, there is a greater level of compliance as evidenced in the USA, Sweden and the UK. The increased compliance gains made in

these countries seem to confirm that the consideration and incorporation of social issues into tax administration do work.

Feld and Frey (2002) also debate that governments are in a contract with taxpayers implying fiscal exchange i.e. citizens are obtaining some reciprocal services in return for their tax contributions (Fjeldstad 2001) and when taxpayers are treated fairly and with respect, trust in the authority improves which leads to increased voluntary compliance (Murphy 2005). Three types of fairness have been identified in the literature: distributive, procedural and retributive (Wenzel 2002;<sup>47</sup> Kornhauser 2007; OECD 2010). Distributive fairness is the view by taxpayers that the government acts as a good custodian and wise spender of tax revenues (OECD 2010, 6). On the other hand, procedural fairness or justice which is a key determinant to tax morale (Murphy 2005; Kornhauser 2007) is the extent to which the taxpayers are treated in their dealings with the tax administration. Here taxpayers believe that they have a voice, the tax authorities will listen to them and that there is neutrality in the decision. When an individual believes he's heard and given a fair hearing and the more he thinks that the tax authority is responsive to his situation, the more the taxpayer sees the authority as just and this will increase compliance (Kornhauser 2007, 615). Procedural justice builds trust, loyalty and commitment to the tax authority or other government organizations as suggested by the author. Findings from an (OECD 2010) study suggest that a lack of fairness is linked to a taxpayer's disposition to evade.

The literature also suggests that fairness works hand in hand with trust: mutual trust and cooperation between the tax authorities and the taxpayers leads to voluntary compliance (Murphy 2005; Braithwaite 2009; OECD 2010). When taxpayers are treated fairly and at the same time the tax authority is reliable and honest, taxpayers' voluntary compliance increases. Evidence from studies done amongst a mix of countries -USA, Spain, Botswana and South Africa confirmed this (Alm and Torgler 2006, 226). Drawing from previous work

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<sup>47</sup> See (Wenzel 2002, 41) Tax compliance and the psychology of justice: mapping the field IN Taxing Democracy Braithwaite, V ed. (2002)



carried out by (Alm et al<sup>48</sup> 1995 and Cummings, Martinez-Vazquez, McKee and Torgler 2004) the authors state that the results of studies carried out in these countries indicate observed differences in tax compliance and tax morale based on differences in the fairness of tax administration, as well as equity of the fiscal exchange and the overall respect for government.

Finally, retributive fairness is the perception that the tax authority is fair in its application of punishment when the rules are broken (Elkins 2009; OCED 2010). Taxpayers believe that the tax authority applies fair punishment to those who don't comply (OECD 2010). According to the authors reciprocity also increases tax compliance even when the person doesn't feel he's receiving fiscal equity.

### **3.2.2 Social norms in tax compliance**

Traxler (2010) debates that tax morale maybe influenced by social norms, with taxpayers' compliance dependent on how well they perceive that their fellow taxpayers comply. Taxpayers therefore, comply not only because they want to avoid the penalty but because of moral and social considerations (Sandmo 2005, Traxler 2010). Traxler further articulates that the strength of social norms is not only determined by the behaviour among peers within a group but also by the compliance in other groups because group-specific policies may create spill overs in other communities i.e. cooperation works not only within but also between groups (90). Evidence from Traxler's study also suggests that looser enforcement among one specific group results in more evasion, creating an externality on the norm strength in other groups.

Additionally, when taxpayers identify with their groups as seen by responses from taxpayers from gated communities as demonstrated in section 7.3.2, they are more likely to comply because compliance signifies that the person is trustworthy, honest and reliable (Kornhauser 2007, 613). Kornhauser argues that when leaders in a group for example, a politician emphasises compliance, this strengthens compliance. Signalling may also encourage compliance, for example, a politician opens up his tax returns or it could be the situation where

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<sup>48</sup> See Alm and Torgler 2006, 226. Cultural differences and tax morale in the United States and in Europe, Journal of Economic Psychology.

the tax authority publishes the names of delinquent taxpayers debates Kornhauser. The findings suggest that politicians' action of non-compliance negatively influence taxpayers (section 7.5.1). The author suggests that in order to maintain strong social norms, it's crucial to enforce high levels of tax compliance among 'moral leaders' or members of a moral reference group as discussed in the findings in section 7.3.1. When taxpayers have strong connections to a group so much so that they identify with that group, they are usually more collectively oriented and are more likely to forego immediate self-interest for the sake of the public good the author continues. Thus taxation will not be seen as coercion but rather as 'self-imposed levies, expressions of their commitment to the wellbeing of all and the taxpayers identification with the group lessens the importance of the fiscal exchange (Kornhauser 2007) as confirmed from results in the finds in section 7.3.2. Taxpayers' involvement and participation influence tax morale and compliance. Generally, tax morale is higher in situations where taxpayers are more able to influence tax laws, tax rates and the rules in the tax game (Feld and Frey 2002). The authors further debate that taxpayers' increased involvement in the political decision-making process not merely by voting, but it amplifies their view of their civic duty, thus making them more compliant.

### **3.2.3 External cues and demographic issues**

The literature suggests that external cues may serve to motivate taxpayers into compliance and as such norms should be phrased positively (Hasseldine and Hite 2003; Kornhauser 2007). The authors suggest for example that, reminding people that most people comply, reminds taxpayers what the norm is and then encourages them to follow. But they debate that laws communicating how many persons are evading may decrease compliance among formerly compliant taxpayers and that laws can influence behaviour and activate personal norms in various ways.

According to (Kornhauser 2007) expressive provisions such as shaming may signal socially approved behaviour and possess the ability to shape behaviour in increasing compliance but seems to work best if people are in a group setting. However, shaming may backfire if the target of the embarrassment is unaffected, communicating to the taxpayer that the norm is not followed (Dan

2006). It is believed that education increases moral reasoning and higher moral reasoning can be taught because education strengthens social norms (Swartz 1997). Norms and morality are acquired through socialization as confirmed by a tax administrator in section 7.2.3 and it can improve positively related tax compliance attributes such as honesty, morality, national pride, concern for others and fairness according to (Mazar and Ariely 2006).

It's argued by some authors that older people are generally more compliant than younger ones (McGee & Tyler 2006) but (Torgler 2006, 87-88) argues that although many studies have found that age increases the level of compliance there are still other studies that have found that age doesn't matter.

Taylor (2002)<sup>49</sup> also argues that tax morale is not simple to understand, debating that taxpayer's attitudes change towards the payment of tax is dependent on the situations they have to face. People sometimes obey the law in order to maintain their reputation for being a good type, so legal enforcement can be minimal (Posner 2000, 1797) as was confirmed by two taxpayers from gated communities (section 7.3.2).

### **3.2.4 Designing tax compliance strategies**

Seeing there is evidence in the literature suggesting that taxpayers' compliance is not motivated by economic gains only but may be influenced by a multiplicity of other factors, in designing tax compliance policies it's argued that due regard should be given to social and institutional issues. Some studies suggest that tax administrations should apply measures both to encourage voluntary compliance and deter evasion (Levi 1988; Hasseldine et al 200; McKerchar and Evans 2009) a strategy called 'quasi-compliance' (Levi 1988). Both Levi and Hasseldine argue that it's important to foster voluntary compliance as a tax system will not survive if taxpayers are not willing to comply, furthermore when there is no voluntary compliance, enforcement becomes too costly (Levi 1988) putting the tax system in deep trouble (Cullis and Lewis 1997). Additionally, (McKerchar and Evans 2009) suggest that effective tax administration is critical to improving compliance outcomes, thus

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<sup>49</sup> See (Taylor 2002) Understanding taxpayer attitudes through understanding taxpayer identities IN Taxing Democracy by Valerie Braithwaite (2002)

administrations should endeavour to strengthen their organizational, institutional, management structures, build their integrity or legitimacy and tackle corruption (183).

Others suggest that tax strategies should appeal to taxpayer's sense of moral duty (Grasmick and Scott 1982, Taylor 2002) taxpayers' civic virtue, conscience and other issues rather than only to their self-interest (Alm 1991, Mason and Mason 1992, Taylor 2002). It is also suggested that tax policies should also take into consideration fiscal policies and enforcement regimes on one side and tax attitudes and fiscal consciousness on the other hand as they are interdependent (Cullis and Lewis 1997, 310). Hasseldine and Hite (2003); Kornhauser (2007) suggest that due consideration should be given to external cues such as how information to taxpayers is framed as framing affects taxpayer's willingness to comply. How the tax authorities present information and how information is labelled or how information is presented in the general rules to the public affects taxpayers' reaction influencing their compliance. If the tax authority in presenting information to the taxpayers does so in a manner to depict the taxpayer as being compliant, then there will be compliance as in "prospect theory" (Kornhauser 2007, 609-611). The author suggests that when the message is framed in this manner, taxpayers identify themselves with the nation's goals and objectives, motivating them to be tax compliant. Here, they will be more willing to pay their tax even if their tax burdens are more than benefits. The taxpayer may also consider that the reduction in his economic status contributes to provision and goods and services for others in the community the author debates.

There is also a school of thought that tax compliance is a social construction, here, people look at the behaviour of others to establish what is reasonable, expected and acceptable within their particular social setting (Traxler 2010). Additionally, (Frey and Feld 2002) argue that tax compliance is determined by a psychological tax contract between citizens and the tax authorities and for the contract to remain in place, there must be incentives such as rewards, punishments but loyalties and emotional ties should be considered as well. Another view is that people evade tax because it is may be the only avenue

through which taxpayers can express their antipathy' (Torgler 2005, 135) or their defiance (Braithwaite 2009).

In concluding therefore, the combination of issues that influence taxpayers' compliance is how a taxpayer defines himself in relation to the tax system, the tax administration and other groups of taxpayers (Taylor 2002).

### 3.2.5 Profiling of taxpayers

The literature also debate that when designing strategies for enforcement and compliance, it is helpful to know the profile of the taxpaying population. In other words it is good to know what drives or motivates taxpayers' behaviour.

In this regard (Cullen and Lewis 1997, 307) posit three taxpayer classifications based on the (Kelman 1965 and Vogel 1974)<sup>50</sup> model: the complier, the identifier and the internalizer. The complier they argue is motivated to comply out of fear and the attendant consequences of not paying. Those categorised as identifiers are influenced to comply based on the social norms, beliefs and behaviours of people close to them or important to them. Finally, those taxpayers who are characterised as internalizers are those who are motivated to pay because of their belief system based on their morals (ibid).

With the respective typologies, it's expected that the tax authorities would then be in a better position to craft strategies for compliance and enforcement. But why is this so important to know the typology of the taxpayer or what motivates tax morale? Tax evasion is different from any other illegal activities; it is interconnected to fiscal policy which affects a government's ability to carry out its economic policy" (Cowell 1999, Cummings et al 2004,1) affecting its ability to provide public goods and services. It's not a only revenue issue and it's tied to civil order (Knack an Keefer 1997, Cummings et al 2004) as well. It's about people's attitude and behaviour. Thus, the suggestion is for tax evasion policy to be seen not only in the light of just increasing penalties as this may not be good as it may backfire and may unwittingly lead to more corruption and bribe posit (Cullen and Lewis 1997). It's therefore important to develop policies which understand the behaviour and attitudes of the taxpayer. If tax compliance

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<sup>50</sup> See Cullen and Lewis 1997, *Journal of Economic Psychology*, 18 , 312.

attitude is based on social issues and culture then policies should be developed along those lines they suggest.

Vázquez-Caro and Bird (2011) debate that tax administrators' engagement in risk management works as a tool in understanding taxpayers. They perceive that as tax administrators learn more about taxpayers, taxpayers will eventually learn that they will be caught in carrying out their evasive tactics. This was evident in Brazil's engagement of risk management and its use significantly increased administrators' performance (Pinhanez 2008, Bird and Vázquez-Caro 2011).

### **3. 2.6 Responsive regulation**

Braithwaite (2002) has moved beyond the realm of the three typologies of the taxpayers suggesting instead that tax enforcement strategies should be designed in response to assumed postures or attitude of the taxpayer towards the tax authority, the *responsive regulation* model (see Figure 3.1). In this model, the authorities start with the assumption that taxpayers are cooperative, but if it proves that this isn't the case, then the authority escalates its actions with punitive measures until compliance is achieved with the objective of voluntary compliance, and mutual respect between the taxpayers and the authority (Gracia and Oats 2012) A graphical presentation of the model demonstrated below.



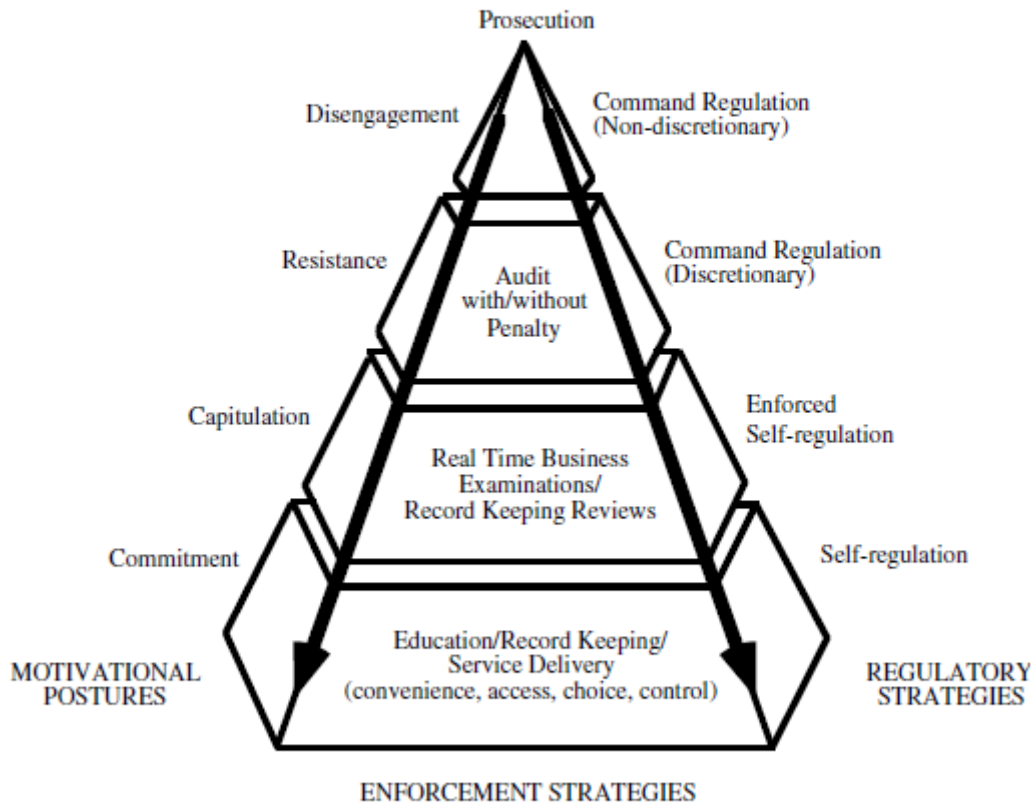


Figure 1.1 Example of regulatory practice with ATO Compliance Model

**Figure 3.1 Enforcement strategies**

*Adapted from Taxing Democracy p3 – A new approach to tax compliance Braithwaite (2002).*

**3.3 Property tax administration**

This study concerns itself with property tax, thus the following sections provide an overview of the tax, its definition and features, taxpayers’ perception, its role and relevance, its administration, enforcement and compliance.

According to Bird and Slack (2002, 27) ‘property tax administration is more dependent on tax administration than any other tax. This is so they argue because the extent to which property taxes are administered influences the



generation of property tax revenues along with their efficiency and equity.’ Accordingly, poor tax administration may be an impediment to implementing the property tax measures resulting in incomplete cadastres, low collections and in some cases, non-existent enforcement which all result in low revenues: good tax administration is important for the production of revenues (Bahl and Bird 2008); even though the best administrations may not be the ones that produce the highest revenues as conceded by (McKerchar and Evans 2009). Property tax administration comprises three main areas: enforcement and compliance, valuation and assessment and the management of the tax (Dillinger 1988; Bahl; Ellis, Kopanyi and Lee 2006). This thesis addresses two of those areas of administration- enforcement and compliance along with its management. Valuation and assessment could be the subject of further study.

Those general issues relating to enforcement and compliance: tax morale, social norms, designing tax enforcement strategies, external cues, responsive regulation which are already discussed in sections 3.2.1. to 3.2.6; those issues that are relevant to property tax enforcement only are discussed in section 3.3.5. This direction is taken because it’s assumed that taxpayers are driven by similar motivations regardless of the tax type, thus it’s important for the discussions to take place within this general context. But at the same time due cognisance should be given to it in that it’s a local tax. The literature therefore argues that special consideration should be given to issues such as rate setting (Powers 2008) having an updated valuation roll, a successful billing system which determines the definition of liability and the mechanics of producing a bill (Dillinger 1988; 1992; Youngman 1996); a good payment administration and collection system (McCluskey and Franzsen 2005; Ellis, Koyanyi and Lee 2006) and strategies to ensure enforcement and compliance (Dillinger 1988, 1992) which will be discussed in section 3.3.5.

### **3.3.1 Definition and features of the property tax**

Property tax is a recurrent tax imposed on both real and personal property (Cameron 1999). It’s the ‘oldest form of tax in the public finance system and has features of old and new philosophies’ (Hale 1985, 382). It was used in Egypt, Babylon, Persia, and China and throughout the ancient world with land and production value being its main motive (Carlson 2005). Bird, Slack and

Tassonyi (2012) also confirm that it's a 'well established tax that yields substantial revenue...its base is immobile and easily accessible to and verifiable by local authorities', (224). There is a difference around the world as to what it's called and the base that is used.<sup>51</sup> For example, in the United Kingdom it's called council rate (Bird and Slack 2010) but in Jamaica although it's a tax on land, it is called property tax. It's 'a good local tax' (Bird, Slack, Tassonyi 2012, 224) because of its potential to be a great source of revenue for local governments (Franzsen and McLuskey 2005; Fjeldstad and Moore 2008) and its management may be local/subnational or national. Bird, Slack and Tassonyi (2012, 224) argue that it's not 'simply a law', but that it's a 'system comprising the relevant laws and regulations and how they are administered with its structure and operation reflecting the larger political institutions as well as the particular interactions of the central and local government, the creator's ideologies of the economic and political outcomes of alternative property tax policies'. Paugam (1999), Ellis, Kopanyi and Lee (2006, 31) also suggest that it's not merely a technical instrument, but a substantial revenue factor with strong financial, institutional, and political connotations.

Hale (1985) articulates that the property tax is a legacy of 17th century revolutions, 'an unjustified relic of the middle ages which has unaccountably survived into modern time but gives an insight into the purpose of the state and public financing'. Hale also debates that it has 'mystified economists for years, as it carries a legal façade, but conceals a very different tax behind it with the trappings of the old time traits shrouded by the system of decentralization, informal and illegal assessment procedures...and... that there is a challenge as there is confusion between the "legal" and the "real" property' (381). One of the commonly held views is property tax is a tax on capital and when it falls on houses, it's a tax on services (Bird and Slack 2002).

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<sup>51</sup> See (Bird and Slack 2002) Land property taxation around the world: a review and (Monkam 2010, 2-3) Mobilising tax revenue to finance development: the case of property tax in Francophone Africa, WP195.

### 3.3.2 Taxpayers' perception of tax

The property tax is perceived as a stable and reliable source of income with its property values not inclined to change in the short run (Hale 1985; IAAO 2004). Administratively the tax system is seen as open and visible because taxpayers are able to view their assessments along with the assessment of others (IAAO, 2004, 45) which promotes accountability and openness. The tax is difficult to evade because it's secured by immovable property and it's simple and straightforward to operate with little economic distortions if land is the base (Bell 1999).

Some see the property tax as 'inherently arbitrary, inelastic, making it unique and different from other taxes due to its visibility, inelasticity of its base and it's based on stock, not on flows as other taxes' (Bird and Slack 2006 , 16). Some taxpayers view the tax as being a fair and an effective method of raising revenue but on the other hand it may be seen as unfair and regressive (Youngman 2002, Bird 2003, 44). In some countries it comes across as a complex form of taxation because of the 'difficulties in implementation, its costly administrative costs and its unpopularity amongst taxpayers' (Sepulveda and Martinez-Vazquez 2011, 2). Despite these issues, the property tax continues to be a main source of funding for local jurisdictions (Bird and Slack 2006) and it would appear that it will be a mainstay local tax for the future. Hale (1985, 383) attributes its survival on account of its primitive puzzling nature. The traits of reliability, stability, predictability, longevity and its immovable tax base make it an attractive choice for local government funding globally (Bird, Slack and Tassonyi 2012). In Jamaica the findings suggest that some interviewees perceived the property tax as being the '*lifeblood*' of the local authorities while others viewed the tax as unimportant.

The question is what should be the role and how relevant is the property tax?

### 3.3.3 Role and relevance of the property tax

Property tax commenced as a means to measure land owners' obligations evolving through the ages to become the basis for measuring other types of property (Hale 1985). But Hale advocates that it has outgrown its economic sense because land is no longer seen as the main measure of wealth as

property currently has many permutations (Seligman 1895, 383, Hale 1985). This he believes accounts for the increasing insignificance of property tax revenues in some countries. For example, the author argues that in the USA, its significance as a source of national income reduced from 41.6% in 1902 to 6.4% in 1981. However, (Gaffney 1970, 10) argues that the different permutations are merely 'layers of ownership and are not additional assets, but additional claims on the same assets...suggesting that assets like stocks and bonds are just paper...corporate income is property income and most corporate property is taxable real estate property'.

Seeing that its role as national revenue earner is insignificant, Hale argues that it's income that should be taxed and not wealth, because property is a store of wealth and income is a flow. However, despite its insignificance as a national revenue earner and attempts to abolish it, it remains, as it is believed, that 'an old tax is a good tax' (383): when a tax is old, it carries a 'deep reservoir of public acceptance' (ibid), and its removal would lead to too many problems (Netzer 1966; Hale 1985, 384). Furthermore, because it's a main source of revenue for local governments and its base grows much faster than GNP, there is reluctance to have it removed (Netzer 1966, Hale 1985, 384). Bahl, Martinez-Vazquez and Youngman (2008) debate that the property tax's huge and fast increasing base, makes its income dynamic and revenue-income elastic. The property tax is criticized by some economists for its 'lack of sound theoretical justification' (Seligman 1895, Hale 1985, 383). Testimony to this, he argues is that property tax was not kept by all countries but remained a main source of revenue for local governments especially in English speaking countries. Since the time of Hale's 1985 assertion most of the countries in the Eastern Block since abandoning the socialist or communist ideology have embraced the property tax as a source of local revenue.<sup>52</sup> Additionally, The Republic of Ireland after not embracing the property tax for a number of years reintroduced it.

The question has been asked as to what role the property tax should play. There appears to be no 'textbook' suggestion to this question, so its role

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<sup>52</sup> The ownership structure of properties have changed from state owned to privately owned.

seems to vary from country to country and from period to period based on the prevailing politics and the current tax policy of the particular government with the literature highlighting divergent views. At one spectrum of the debate, it is posited that it should be 'designed primarily to raise revenue' (Dillinger 1988; Bahl, Martinez-Vazquez and Youngman 2008, 5) a position-normally held by the revenue authorities. At the other end, a perspective held by planners, that it should be used as a regulatory device to determine 'land use and urban development (Bird and Slack 2006, 5-6; Fjeldstad and Moore 2008 ). According to (Bahl, Martinez-Vazquez and Youngman 2008, 5). '...any instrument that taxes land has a great potential to influence social policy and economic decisions'. Australia and New Zealand in the early years of British colonization, used property tax as a social and political instrument: a device to break-up the large estates and to encourage settlement and development (Daunton 2007).<sup>53</sup> But in the earlier years, Heaton (1925) argues Australia used it as a revenue raising tool obtained unearned increment for the community. In the USA it's an economic device, primarily raising revenue for local counties and towns 'accounting for 72% of all local revenues' (Shan 2010, 195). But (Shan 2010) suggests that the tax may carry social motives in that it may affect the mobility of some homeowners. Jamaica's introduction of the property tax in 1806 under British colonization carried a revenue motive (Harris 2006) but later changed to the twin objective of being a revenue and political oriented stratagem in 1957(Copes and Rybeck 2000).<sup>54</sup> A policy change in 1993 shifted its motive to a benefit tax with its purpose to cover three local services: streetlight, garbage and community beautification (Policy 1993).

Bahl, Martinez-Vazquez, Youngman (2008) argue that where the tax is 'primarily a revenue raising instrument, the administration should ensure that this function carries minimal effects on economic choices', giving due consideration for it to be used as policy tool for rural development. If used as a policy tool, the suggestion is for the 'bottom-up approach of governance' but

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<sup>53</sup> See (Daunton, Martin 2007, 143) Tax transfers: Britain and its Empire, 1848-1914 IN Global Debates About Taxation (Nehring and Schui 2007)

<sup>54</sup> See note 7

they have doubts whether this is feasible in that this method of governance may create a conundrum in deciding on expenditures along with its enforceability. For these authors the answer lies in the use of the 'top-down' approach but they perceive this approach makes the property tax unworkable in rural areas.

The tax if used as a policy tool (Dillinger 1988); (Bahl, Martinez-Vazquez and Youngman 2008) may either have an allocative or distributional objective. Allocative purposes achieve social, political or economic purposes. For example, the tax maybe used to encourage intensive development of urban land, or encourage home ownership, or even to attract new industry. In the case of a distributional motive, then its purpose is distinctly social, i.e. wealth redistribution. Here, they argue that it attempts to shift the burden of the tax to a higher income group in their capacity as property owners or businessmen, .i.e. shifting the burden off the poor. The government uses the rate structure, the tax base or exemptions to achieve these goals. If land alone is taxed, then the motive is allocative (Dillinger 1988). In Jamaica, land alone is taxed (Andelson 1957) suggesting that the motive is allocative but on the other hand the 1993 policy determines that the tax should cover services, functioning as a benefit tax (Policy1993).

In developing countries, historically, the property tax role has been that of a revenue raiser (Bird and Slack 2006) with it being the most important source of own source revenues (Sepulveda and Martinez-Vazquez 2011, 2) for local authorities. This has been so because local governments are increasingly called upon to provide improved services for a growing urban population. It not only provides the revenues for the services needed but it actually determines the nature and quality of local services offered, in that it 'shapes the physical and social character of city-regions' (Bird and Slack 2007, 729). It's argued that that social and economic interactions are increased when there are large numbers of people and businesses in any one place as this coexistence encourages the exchange of ideas in different areas (Bird and Slack 2008). The property tax funds services in these regions (McCluskey and Franzsen 2005; Bahl and Cyan 2009; Bahl 2010), directly facilitating these social and economic interactions. Thus, according to the authors huge urban areas are

able to have this critical mass to attract and support high degrees of specialisation in labour, knowledge, businesses, services, infrastructure, institutions and media because of the property tax. If municipalities are to retain their competitiveness and preserve this critical mass, it's important for them to provide reasonably good social services which are normally funded by property tax revenues, they further argue.

However doubt is sometimes expressed about the sufficiency of revenues to provide such services (Rakodi 2003). In light of what the property tax can do, it's critical for municipalities to have governance structures in place so as to have reliable, predictable and sufficient revenues to provide and sustain good social services the literature suggests. Reliance on the property tax also contributes to local autonomy and transparency and thus its argued that local governments have exclusive rights to the use of property tax contributing to its effectiveness to its role in promoting local autonomy (Bell, Brunori<sup>55</sup> and Youngman 2010, 3).

#### **3.3.4 Revenue performance of property tax**

Despite the laudable features of the property tax; its potential to raise revenues to support local services in order to develop and maintain the critical mass of people for the development of social interactions; it appears that the tax is unable to produce the revenues in order to contribute to the fulfilment of these subsidiary objectives particularly in developing countries, (Bahl 2009; Mou 1996, McCluskey and Franzsen 2005). In OECD countries property tax revenues represent 2% to 4% of GDP; while in developing and transnational countries it's an average yield of 0.6% of GDP (Bird 2009, 1-3). In Jamaica property tax revenues accounted for 0.23% of GDP in 2004 or 1% of total revenues (Sjoquist 2007) decreasing to 0.1% of GDP in 2009 (Cornia and Walters 2010). Various suggestions have been put forward as to why revenues have been this low.

Some of these issues and hypotheses include 'a...lack of financial and technical means to assemble accurate, comprehensive and updated

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<sup>55</sup> See Brunori and Bell 2010 Property taxes and local autonomy IN Bell, Brunori and Yongman 2010, The Property Tax and Local Autonomy.

cadastres...the arrangement of incentives in the decentralization system' (Sepulveda and Martinez-Vazquez 2011, 2); '...human resource shortage...titling issues...unreliable data on sales of property, politics of imposing and enforcing the laws...social engineering of the tax...political pressure from wealthy individuals...' (Bahl 2009, 16-21) '...the coverage of the tax is not comprehensive, assessments are low as are nominal tax rates and collections....rate increases difficult... most visible of taxes difficult to sell politically' (Bird and Slack 2006, 5); 'poor policy and poor administration', (Dillinger 1992, 5); (Bahl 2009); '...incomplete tax roll and poor assessment practices' (Gaffney 1976, 170); '...high administration costs which limits its earning capacity even in countries with good administrative systems' (Bird and Slack 2010).

But, Bahl and Wallace (2008) theorize that its poor performance is influenced by taxpayers' perception of the unfairness of the tax. Boyd (2011, 640) in a review of the property tax in the **USA** reported that the opinion polls cast the tax 'as the worst or least fair tax'. Brunori (2003), Slack (2010, 4), posit that the tax is regarded by taxpayers as 'most hated' due to its visibility. Its visibility influences taxpayers' voting by encouraging them to block legislation relating to increase property tax or on the other hand, those with economic means and skills may use legal ways of reducing their tax obligations (Bird, Slack, Tassonyi 2012, 225). But on the other hand some taxpayers are unaware of what the tax does.

Bahl and Cyan (2011) suggest that the lack of decentralization (in developing countries) inhibits the revenue earning capacity of the tax with (Bahl 2009) suggesting that it works best as a local tax. Mikesell (2003), Rühling (2006) argue that property tax not only would increase if there's decentralization but it 'stands a better chance of bringing the population into the system, thus creating a compliance tradition that would an administration impose on them from a distant capital' (2). Sepulveda and Martinez-Vazquez (2011) in underscoring the importance of decentralization suggest that more countries are considering decentralization as a means of making the property tax an independent source of revenue for their local governments. Rühling (2006) argues that the lack of decentralization creates the need for transfers. Transfers he argues may cause non-maximization of property tax revenues. Furthermore, when transfers are



made, they tend to make the system inefficient because they don't do as well as they should he argues. This in itself creates a morale hazard in that the transfers contribute to the situation where local government might not see the need to work diligently for the property tax to perform at its best.

In a bid to increase property tax revenues, governments from time to time have embarked on property tax reforms (Kelly 2000). But (Bird and Slack 2006) state that successful property tax reform carries a number of preconditions one of which is taxpayers' support. He argues that buy-in from taxpayers will only happen if they perceive that the service is good and that the property tax system is 'fair and accountable' (27). The Brazilian tax reform in Belo Horizonte in 2009 (Domingos 2011) provides confirmation that taxpayers' 'buy in' is critical to the success of any property tax reform process.<sup>56</sup> Domingos (2011) states that the reform concentrated on paying 'attention to soothing the taxpayer and focused its attention on what really matters'. The author further states that revenues not only increased but the municipality through engagement with their taxpayers experienced a 26.69% in advanced property tax payments. This was a demonstration of the taxpayers' acceptance of both the tax and the system.

On the other hand, Canada's property tax reform in Ontario 'introduced in 1998 following 30 years of commissions and reports' (Bird and Slack 2002, 34) was not well received by the taxpayers. The nature of Canadian reform was that it dealt with assessment issues and policy changes. Such policy changes related to the municipalities being able to set their rates based on the property classes (Bird and Slack 2002). Whilst there is consensus that the Ontario reform was successful in implementing a province-wide market property tax reform, the 'reform did **not** improve either the economic efficiency or the political acceptability of the property tax as the major source of local revenue' (Bird, Slack, Tassonyi 2012, 3).<sup>57</sup> This view by the authors underscore the need that property tax reform should address not only technical and procedural issues but also pay special attention to the taxpayers in the process.

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<sup>56</sup> See (Domingos, 2011) Implementing local property tax , *Land Lines, January 2011*

<sup>57</sup> See (Bird, Slack and Tassonyi 2012, 6) Getting property taxes right In A Tale of Two Taxes: Property Tax Reform in Ontario (Bird Slack and Tassayoni 2012)

Another view expressed for increasing revenues is to take special note of its features: property tax being the unique tax that it, requires that its paradigm takes cognizance of the unique features of the jurisdiction for which it's intended, the concept of the one all fits all cannot work with a general property tax model (Bird and Slack 2006; Bahl 2009).

### **3.3.5 Property enforcement, billing and collection**

Dillinger (1988) suggests that property tax revenue production is dependent on effective enforcement along with the billing of the taxpayer, the tax authority's legal obligation of advising the taxpayers of their obligations. Bahl and Martinez-Vazquez (2008); Bird (2011) posit that property tax is difficult to enforce but (Dillinger 1988) argues that this maybe so because enforcement strategies are often overlooked. Bahl and Martinez-Vazquez (2008) further debate that enforcement is sometimes hampered by inadequate strategies or the process may be influenced by the relationship between enforcers and local politicians. The literature suggest a number of strategies to enhance enforcement some of which include use of the powers as contained in the law, like foreclosures and seizures, sale at auctions, use of clearance certificates, increasing accessibility of collection points or by making the process more corruption proof (Kelly 1995, Rao 2008, Bahl 2009) or to offer collection incentives (Domingos 2011). Senegal uses penalties and seizures (Monkam 2011a), but on the other hand Brazil doesn't practice confiscation methods (DeCesare 2004). According to (Bahl and Martinez-Vazquez 2008) some countries consider seizures too extreme and or unfeasible because of the political consequences that may arise or because of special attachment taxpayers may have to land. Cornia and Walters (2010) argue that there are no consequences for non-payment of property tax in Jamaica and call for the reform of the various laws to enable the court system to be more supportive of property tax collections. Bahl (2009) suggests that if governments were to systematically apply the property tax laws, simplify the tax, making its liability more transparent or even publishing the names of evaders in newspapers, or imposing draconian measures on taxpayers such as tying their payment to electricity supply as obtains in El Salvador and South Africa and using banks as collection points would make people more compliant thus increasing the performance of the tax.

Collections may be centrally or locally managed. In the Punjab collections are centralised and revenues are paid to the local authorities, a model which seems common in Europe (Ellis, Koyanyi and Lee 2006). According to the authors, although the legal framework changed in the Punjab for collections to take place locally, this activity reverted to the central government because of the perception of the local authorities' apparent lack of capacity to execute this function.

Bahl (2009) suggests that when collections are assigned to local governments, they aren't vigorous enough with enforcement especially on large property owners who may be politically powerful. On the other hand when collections are centrally managed but revenues are shared with local governments, there is little incentive for strict enforcement he posits. Additionally, low compliance may result from taxpayers perceiving that the tax is unfair and their unawareness of how the tax works (Bahl 2009). Bahl also suggests that there are challenges with large taxpayers exploiting the system because of an overworked court system as obtains in Jamaica (Cornia and Walters 2010).

Typically, collections in developing and transition economies are low sometimes as low as 15% but nevertheless higher in Latin American countries with municipalities in Bogota boasting a rate of 90% (De Cesare 2004, Bahl 2009,19).<sup>58</sup> Jamaica's collection rate was 41% in 2009 (Cornia and Walters 2010). Bahl attributes the low collections to weak enforcement, small penalties, high administrative and compliance costs and who has responsibility for collections. Bahl further argues that when collections are localised, there's usually hesitancy to collect from wealthy connected persons. On the other hand, he debates, when central government is responsible and shares with the local authorities, then there's not much motivation to enforce. He also proffers some reasons for low compliance: the taxpayer thinks the tax is inequitable or doesn't know how it works; in the case of large taxpayers, they may exploit the

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<sup>58</sup> Bahl provided the following statistics on collection rates in Developing Countries based on the literature: in the Philippines it was 50% (Guevara 2004); Kenya, 60% (Kelly 2000); Croatia, 70%; 17 Macedonia – 15%, Mumbai – 55%; and, Montenegro – 43%. But in Latin America, the collection rate was found to be generally much higher. For instance, in Colombia the overall collection rate was about 75%, while in Bogota it was 90% (De Cesare, 2004).

legal system by using the appeal process which they might find appealing because during the appeal no upfront tax payments are required or in other situations they may exploit the slow court system because the court may not have expert knowledge on tax and land matters to bring issues to resolution (Bahl 2009).

Resource constraints may also influence enforcement, billings and collections as obtained in countries in East and southern African countries (Franzsen, 2002; Bird and Rodriguez 1999, McClusky and Franzsen 2005). Another issue may be the lack of information flow between some stakeholders as evidenced in the findings (Konyimbih, 1995, McCluskey and Franzsen 2001) (section 7.4.3).

### **3.4 Fiscal decentralization**

Fiscal decentralization has been posited as one of the means to increase property tax revenues (Bahl and Martinez-Vazquez 2008). It's debated that countries who pursue fiscal decentralization spend more through their local government and are more reliant on property tax revenues to finance these expenditures (Smoke 2001; Bahl and Martinez-Vazquez 2008). If there's to be effective fiscal decentralization, then there has to be a local tax and property tax is long regarded as a tax that fits the characteristics of this local tax (Bahl and Martinez-Vazquez 2008). But (Smoke 2001) suggests that reluctance by some countries to fiscally decentralise, makes the future of the property tax tenuous. Nevertheless, developed countries like USA and Canada have taken tax decentralization quite far but in many other countries, particularly low-income countries and those in transition, it hasn't been an important part of their decentralization strategy according to (Bahl and Martinez-Vazquez 2008). This difference they argue is usually explained by tax administration capacity, historical traditions of centralization, and macroeconomic policy concerns they continue. However (Bahl and Cyan 2011, 264) argue that the story is much more complicated and there is much still to be learned about why governments make the revenue assignment decisions they do. This study seeks to provide insights into some of those issues which are discussed in the findings in chapter 6.

But what is fiscal decentralization? Decentralization is the devolution by central (i.e., national) government of specific functions, with all of the administrative, political, and economic attributes that these entail, to regional and local (i.e., state/provincial and municipal) governments that are independent of the centre within given geographic and functional domains (Manor 1999, Faguet and Sanchez 2008, Faguet 2014, 3). Or on the other hand, it's the reconstitution of government from the top-down approach i.e. the hierarchical bureaucratic mechanism, to local government characterized by participation, cooperation, transparency and accountability of public servants' behaviour (Faguet 2014, 1).

The World Bank outlines political, administrative, fiscal, and market decentralization as the main types of decentralization positing that these may appear in different forms and combinations across countries, within countries and even within sectors. Whilst each aspect of decentralization may be further explained and broken out, for the purpose of this study, it will be limited to fiscal decentralization.

Thus, fiscal decentralization is the passing of fiscal power or budgetary power to subnational government i.e. any level of government below the centre to make taxing and spending decisions (Bahl 2008, 20). In the Jamaican context it would be the passing of power to the local authorities or to municipalities to make both taxing and spending decisions. Bahl suggests that fiscal decentralization comes with empowerment of people by virtue of their local governments being empowered. Bird and Vaillancourt (1999, 3) posit that there are varying degrees of fiscal decentralization with each method corresponding to the extent of independence of decision-making exercised at the local level and list the following types: de-concentration, delegation and devolution.

De-concentration is the 'dispersion of responsibilities within a central government to regional branch offices or local administrative units while delegation is the scenario in which local government acts as agents for central government. Finally, devolution is the situation in which not only there's implementation but also the authority to decide on what is done in the hands of the local government' (ibid). Devolution is the complete localization of functions

and responsibility of the property tax and for the purpose of the study, the use of fiscal decentralization equates to devolution.

Wolman et al (2010) suggests that fiscal decentralization isn't equal to local autonomy but a component of it. Wolman (2008), Wolman et al (2010, 71)<sup>59</sup> argue that whereas local autonomy addresses 'the role local government plays in relation to the national economy and the intergovernmental system, the capacity of the local government to engage in activities as it sees fit and whether it has the resources to carry out the activities... fiscal decentralization on the other hand is not a sufficient condition for local government but there can be fiscal decentralization without local autonomy'. This study concerns itself with fiscal decentralization within the context of local autonomy and primarily looks at the property tax. According to (Brunori and Bell 2010, 2<sup>60</sup>) property taxes are fundamental to local autonomy mainly because there are no viable alternatives to raising revenues. One of the arguments posited for decentralising the property tax is that property tax revenue performance tends to improve under expenditure decentralization (Bahl, Martinez-Vazquez 2008). But it's argued by some authors that there might not be increased revenues.

The decision to localise the property tax is a key issue in a country's decentralization policy (Bird and Slack 2002). But due consideration has to be given to the local management of the tax because its complex administration demands significant managerial and professional capacity sometimes necessitating the sharing of responsibilities by local and national government in some countries particularly developing countries (Ellis, Kopanyi and Lee 2006), concluding that a local authority's ability to manage the tax locally is dependent on its size and staffing capacities. Although some countries make pronouncements, plans, and even political promises, there has been no rush to grant state and local governments significant taxing powers and increased expenditure autonomy' (Bahl 2008, 9). Jamaica is one such country.

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<sup>59</sup> See Wolman et al 2010, Comparing local government autonomy across states IN Bell, Brunori & Youngman, 2010. The Property Tax and Local Autonomy.

<sup>60</sup> See note 55.

### **3.4.1 Drivers and benefits of fiscal decentralization**

The literature suggests that fiscal decentralization has been one of the most important reforms in recent times (Manor 1999, Faguet 2014) with countries showing renewed global interest as they seek to re-examine the roles of the various tiers of government, their relationships with civil society and private sector partnership (Shah 2005; Arzaghi and Henderson 2005; Faguet 2014) and also in a bid to improve governance (Faguet 2014). The literature argues that one of the benefits of fiscal decentralisation is increased property tax revenues resulting from the development of a tax compliance tradition as the local management of the tax 'stands a better chance of bringing the population into the system' as this would probably prove to be quite challenging for a centrally managed property administration system (Mikesell 2003, Rühling 2006, 2). Guth, Levati and Sausgrubber (2005) also confirms that localization may improve tax morale.

As populations migrate to urban areas with increased demand for services, fiscal decentralization provides the opportunity to reinforce local government involving it more closely (Shah 1994, McCluskey and Franzsen 2005) in the provision and delivery of demanded services. Having increased property tax revenues would go a long way in providing these needed services. This makes the localisation of the tax a critical issue in many developing countries (Manor 1999, World Bank 1999, Fjeldstad and Semboja 2000; McCluskey and Franzsen 2005). Additionally, fiscal decentralisation brings other expected benefits such as enhanced transparency, accountability, probity, frugality, efficiency and equity (McCluskey and Franzsen 2005) improved accessibility, local responsibility, and the effectiveness of government (Bird and Vaillancourt 1999) and increased citizen voice (Fauget 2012, 2014) all of which contribute to increased tax morale as discussed earlier on in section 3.2.1. Under appropriate conditions, it can assist in simplifying complex bureaucratic procedures and alleviate the decision-making bottlenecks that are caused by central government planning (Robinson and Stiedl 2001).

Fiscal decentralization is conventionally debated from an economic perspective drawing heavily on the fiscal federalism theorem (Musgrave 1959, Smoke 2001). The tenets of the theory are that the public sector's main purpose is to

provide stability, distribute and allocate goods and services and that these functions can be shared among decentralised units or different tiers of government. Traditionally, central government is given the responsibility of stabilization and distribution while allocation is assigned to local government based on the demand for local public services (Smoke 2001).

At this level, services may not be uniform, thus local governments may be able to give their own 'unique' service to their locals he argues. Smoke continues that in this situation, residents would choose their mix of public goods and taxes based on their preferences suggesting that local governments would be more innovative in providing the goods and services ultimately leading to improved resource productivity. An extension of this argument is that people will move to jurisdictions where local government has their preferred mix of services (Tiebout 1956) resulting in a market-like solution to local services. An equilibrium position will be reached when people distribute themselves across the different jurisdictions when there's no longer any enticement to move (Smoke 2001, 6).

There are some exceptions to these rules in the provision of services and these are where there are large capital intensive services such as, transportation, electricity, transportation where it is felt that if controlled from the centre there will be economies of scale debates Smoke. Additionally, the provision of some services like road and water may lead to externalities. Smoke further argues that the welfare gains from establishing lower tiers of government to provide public services must be evaluated against the institutional and the transaction costs in having more smaller jurisdictions. He advocates that it's better to have policies that have the same effect.

Thus according to Smoke where local governments are assigned allocative duties it should be supported by a revenue system where local taxes are neutral in their effect on economic behaviour supported by the following four conditions:

- Benefits and costs of local taxes are clear to those for whom services are provided
- The pattern of local incidence of local taxes should meet the basic equity standards



- Administration and compliance costs should be minimised
- Local tax bases should be immobile (as much as is possible) supported by central government policies in relation to transfers; service standards and finally the criteria for revenue assignment.

The decision therefore to be decentralised including becoming fiscally decentralised is a deliberate policy issue on the part of government. Although a deliberate part on the action of the government, (Bahl and Martinez-Vazquez 2006) suggest (based on studies) that countries don't necessarily have a clearly defined path but rather do what they think best. Indonesia, Tanzania, India and Russia and Mexico, are examples of countries that have decentralised regimes but their path to decentralization has been different (Bahl and Martinez-Vazquez 2006) with Indonesia taking the 'big bang' approach state the authors.

### **3.4.2 Assessment of fiscal decentralization**

Bird and Vaillancourt (1999) argue that it is difficult to assess fiscal decentralization in any particular setting because of the challenges in deciding what is good fiscal decentralization because this has to be weighed against government's intended objectives or goals: whether the goal is to achieve the central government's aim of improving national welfare or to improve local welfare. The two approaches yield different results and according to the authors a government will unlikely choose to implement a strategy to achieve both goals. This, they debate inevitably leads to conflicts between central and local governments. Whilst decentralising brings with it improved accessibility, local responsibility, and the effectiveness of government on one hand, on the other hand, it may lead to increased expenditure, something which the central government may dislike they debate.

Thus, deciding on which goal is to be chosen has far reaching implications for fiscal decentralization. The authors suggest that whilst the top-down approach seems to be the preferred choice in developing countries, government seeks to reassert macroeconomic control and to secure adequate resources for the central government to achieve such objectives as developing interregional infrastructure (Bird and Vaillancourt 1999, 5) as was the situation in China. The

authors suggest that developing nations have had concerns on the matter of decentralization that it may impact and undermine the national stability of the country and it may not improve local service delivery as well.

The concern is even greater in an environment where there is lack of local revenue mobilisation and doubt that the local authorities are able to carry out expenditure responsibilities for example as with the situation in Argentina in the 1980s (5). According to Bird and Vaillancourt when countries decentralize more expenditure responsibilities than revenues resources, services will likely fall or the local authorities press for more transfers, or more loans, or both as was the case in the Russian Federation (Wallich 1994, Bird and Vaillancourt 1999). But it's equally argued that if more revenues are decentralized than expenditures, local revenue mobilisation creates macroeconomic imbalances as happened in countries like Colombia and Brazil.

There's also the fear that if revenues and expenditures are balanced, then the local authorities might not have the administrative nor technical capacity to successfully manage as obtained in Morocco and Tunisia.

### **3.4.3 Fiscal decentralization in practice and associated challenges**

As earlier discussed, the decision concerning fiscal decentralization is one of policy. But (Bahl and Martinez-Vazquez 2006) suggest, governments rarely develop a defined path of fiscal decentralization but rather do things haphazardly or intuitively. This itself creates problems like lengthening the process, or taking decisions that run against the vein of the decentralization process. The authors developed a conceptual framework for implementation of a fiscal decentralization policy<sup>61</sup>. The following sections seek to highlight some challenges that have arisen in some governments' attempts to fiscally decentralize some of which may be attributable to their piecemeal approach.

*Inadequacy of the tax base:* Bird (2011) articulates that a desirable feature of a local tax is that it should be able to yield sufficient revenues to meet the local needs. Brueckner (2009, 23) confirms Bird's point by debating that a lack of adequate tax capacity (especially at the local level) often prevents local

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<sup>61</sup> See (Bahl and Martinez-Vazquez 2006) Sequencing of fiscal decentralization

governments from funding expenditures out of their own revenues. It's therefore desirable that if the property tax is to be localized then it should be able to raise adequate funds to cover the designated services. But on the other hand increasing revenues to the extent to get enough money to support the services may not be such a good idea as this action may run counter to central government's tax raising policy argues (Brueckner, 2009) as evidenced in the findings (section 6.4.4).

Bird (2011) further debates that many emerging countries face high costs in property tax administration, compliance in addition to other costs which may arise from allocation inefficiencies of scarce resources. Even though Jamaica is not classified as an emerging economy, this statement maybe applicable because emerging economies and developing nations are normally lumped together in studies mostly because they tend to have similar economic indicators.

Equalization has been a concern in tax assignment that the taxable capacity and the administrative capacity are significantly greater in the wealthy regions (Bahl and Cyan 2011, 272). The authors claim that more local taxing powers in this case would lead to greater fiscal disparities and is most problematic in the case of low-income countries because regional variations in taxable capacity are greater (Hofman and Guerra 2007, Bahl and Cyan 2011, 272,)

According to Bahl and Cyan, countries have dealt with this issue of equalization in four different ways. Firstly, an equalization formula is put in place as exists in Denmark, Sweden, Spain and Japan where excess revenue collected above whatever is estimated for expenditure is paid into an equalization fund and distributed to local authorities that have shortfall. Secondly, a system of tax sharing can be done as what existed in China during the 1980s and 1990s where local authorities that took revenues from taxes that were extra budgeted. This practice was discontinued in 1994 on account of recentralization of China's fiscal reform (Bahl 1999, Bahl and Cyan 2011). Thirdly, some countries deny tax powers to local or regional authorities as obtain in Netherlands and Germany. The authors debate that this policy obtains because the argument is that the centre needs the higher taxes and is sometimes used as a basis to

deny taxing powers to local governments in developing countries. The fourth and final is the use of intergovernmental transfers from a higher tier of governments, or by the direct assumption of expenditure responsibility by higher level governments. According to the authors, this method is used in South Africa allowing cities to impose a payroll and turnover tax, but equalized with an 'equitable shares' grant that allocated about one half as great a per capita amount to rich than to poorer local governments. In Chile 60% of the land tax collected at the local level goes to the common municipality fund for horizontal distribution among municipalities.<sup>62</sup>

*Limiting the powers of local government:* The literature suggests that sometimes central government whilst undertaking decentralization may carry out policies which run contrary to their decentralization policy which send conflicting signals to the local authorities (Ribot, Agrawal and Larson 2005). Although this case doesn't speak to fiscal decentralization, it addresses the issue of taking away the powers of the local authorities despite the government's declaration of and mandate of decentralization. Sometimes the central governments may limit the fiscal powers of local authorities. Bahl and Wallace (2005); Asher (2002) in trying to answer this question of limiting fiscal powers of the local authority articulate that governments in developing countries may be justified in limiting some powers especially borrowing powers similar to the position taken by the government in Jamaica in the interest of macroeconomic stability (section 6.3.2). The argument of the authors is that developing countries are more likely to suffer from 'external shocks' e.g. movements in the international markets, or changes in world price for primary export products or energy prices (Bahl and Wallace 2005, 94). Brazil and Argentina were cited by the authors as examples of 'fiscal decentralization compromising macroeconomic stability'(ibid). In these situations, the central government would want to limit the financial powers of local governments and control so as to have full control over the national debt particularly in situations where there are no 'hard budget constraints at the local level' (Bahl and Wallace 2005, 94).

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<sup>62</sup> <http://www1.worldbank.org/publicsector/decentralization/June2003Seminar/Chile.pdf> retrieved September 26, 2014

Bahl and Wallace also suggest that some research disagree with the idea that 'macroeconomic stability is a constraint to the enactment of fiscal decentralization program (sic) saying that if business cycles are regional, some local governments may be positioned more strategically to absorb the external shocks than central government'. Others debate that in certain situations local governments can play a role in stabilization policy (Gramlich 1987, Bahl and Wallace 2008, 95). Additionally, the pooling of resources by the centre may be linked to the debt issue as well they debate.

Smoke 2001 debates that many analysts, opponents of fiscal decentralization argue along this line of adverse macroeconomic effects of the behaviour of local authorities but their conclusions he believes are drawn from studies from countries such as Brazil, Argentina and Russia who might not be representative. He debates that few developing countries decentralise to the point or allow uncontrolled access to capital markets by local governments where their actions would impact the economy.

*Resource constraints, capacity issues and regulatory framework:* Fauget (2004; 867) drawing from studies conducted by (Smith 1985; Crook and Sverrisson, 1999) states that local government's lack of human, financial and technical resources may hinder it from providing appropriate public services under decentralization, and thus power should remain at the centre. He however argues that although these claims are made they have never been extensively tested.

Bahl and Martinez-Vazquez (2006) suggest that lack of local government capacity is sometimes used to justify lukewarm response of fiscal decentralization in order not to go through or approach the process half-heartedly. Such excuses they say were given for the less than desirable responses in countries like India and Mexico. Based on this justification the decentralization process was stopped at the second tier of local government not reaching the final tier. In Tanzania decentralization was called off because of the lack of resources at local government they debate. But the authors argue that in Indonesia this issue was ignored bypassing the second tier of

government in order to implement. They however cautioned that the risks were minimised because fiscal decentralization followed on from de-concentration.

Smoke 2001 argues that there should be an enabling environment for decentralization and by extension fiscal decentralization. This can be done through implementation of a legal framework with laws and regulations that are clear and unambiguous (Bahl and Martinez-Vazquez 2006, 24). The framework should be reflective of policy goals and consensus from the national debate and address issues such as division of powers and fiscal relations they argue as was the situation in India, Russia and Mexico. However, (Smoke 2001) suggests that even though a legal framework is in place, this doesn't necessarily mean that there will be fiscal decentralization as obtained in Indonesia.

*Trust issues and political will:* Trust is a rather complex issue to unravel. (Nguyen and Rose 2009, 168) posit two definitions for trust 'willingness of a party (truster) to be vulnerable to the actions of another party on the expectation that the trustee will perform a particular action important to the truster, irrespective of the ability to monitor and control the other party (Mayer et al 1995) and secondly, a psychological state, a positive attitude toward the partner and confidence that the partner will perform'. The authors raise the issue as to how 'willingness or psychological' state is developed. They suggest that trust tend to differ in the treatment of the background experiences; concluding that the debate normally surrounds 'conceptualization and antecedents of trust'. Antecedents of trust fall into three categories contextual factors, past experience and individual attributes (ibid). In the antecedents of trusts, people tend to trust others if they have had positive experiences with them (Zucker 1986, Lewicki and Bunker 1995, Doney and Cannon 1997, Nguyen and Rose 2009).

Sometimes implementation of policy is stymied by the absence of political will (section 6.5.1). The literature suggests that political will is an essential ingredient for any policy execution (Post, Raile and Raile 2010, Carbonetti et al 2013) defining it as "the extent of committed support among key decision makers for a particular policy solution to a particular problem" suggesting that

commitment and determination are needed to carry out the policy or achieve the desired goals. The authors debate that political will speaks to actors' commitment to create and or implement a policy for the sake of the policy's implementation.

Carbonetti et al (2013) debate that an absence of political will may stand in the way of decentralization articulating that political will may be driven by people coming together to address the threats that face the community supported by the power of collaboration but its absence may be a primary factor for weak governance.

*Corruption, transparency and accountability:* One of the primary arguments of the benefits of devolution is increased accountability; more accountability on the part of government officials because they are responsible for service delivery to the local population who elected them (Bahl 2008). But there is another school of thought that decentralized systems are more corrupt, in part because local politicians are more likely to give in to pressure from local interest groups (Bahl and Wallace 2005).

Lessmann and Markwardt (2009) in a study on corruption in sixty four countries concluded that the level of corruption is found to be lower in decentralized countries as decentralization has been assumed to be an appropriate instrument for tackling the issue of corruption. This study also confirms previous literature on corruption that effectiveness in monitoring bureaucrats' behaviour is an important determinant of the relationship between decentralization and corruption. In another study conducted by (Fisman and Gatti 2002), looking at the cross-country relationship between fiscal decentralization and corruption suggests that devolution in government expenditure is strongly and significantly associated with lower levels of corruption when decentralization emanates out of the country's legal system.

Decentralization is therefore a feasible instrument for reducing corruption if the monitoring of bureaucrats works they perceive. Otherwise, if those institutions don't work sufficiently well, decentralization can contribute to high levels of corruption. Studies have shown that in Russia in the absence of monitoring at the local level there was high scale corruption (Blanchard and Shleifer 2000,

Lessmann and Markwardt 2009) as against other previous communist countries where there was monitoring of local corruption was less.

### **3.5 Bourdieu's theory of practice**

Two common underlying themes resonated in the interviewees' responses: culture and power resources used by players to either maintain, dominate or enhance their position in the field ultimately shaping property tax practices. This ties in with Bourdieu's theory of practice in its interpretation of culture. Bourdieu's theory of practice is considered an appropriate lens because culture as a concept is descriptive and doesn't explain (Hanson 2014). Bourdieu's theory of practice using the concept of habitus provides a means to interpret and explain the concept of culture and how culture shapes property tax practice. In relation to power, power isn't just the ability to get someone to do something but power using Bourdieu's concept involves the use any kind of capital that is used to influence players in the field, in other words anything thing that acts as a social relation of power as explained in section 3.5.3 below. Finally, Bourdieu's theory of practice not only explains but also connects action to culture, structure and power... with habitus being the key concept' (Swartz 1997, 9). The following section discusses Bourdieu's theory of practice.

#### **3.5.1 Habitus**

Habitus is a central concept in Bourdieu's theory of practice (Swartz 1997). Bourdieu's theory of practice seeks to answer a number of questions concerning players' actions. For example, one such question is, how does action follow regular statistical patterns without being the product of obedience to rules, norms or conscious intention? The answer 'actors participate in social interaction...as strategists responding through time' (Swartz 1997, 95-99). He further articulates that choices...stem from practical dispositions that incorporate ambiguities and uncertainties that emerge from acting through time and space. For Bourdieu, actors are not rule followers or norm obeyers but strategic improvisers who respond dispositionally to the opportunities and constraints offered by various situations. The idea here is that actors are practical strategists linked to social structures through the concept of habitus (Swartz 1997, 99-100).



Swartz articulates that habitus is not inborn or intrinsic it comes from group and family socialization; shapes individual actions, perpetuates structures, and tends to reproduce those actions, perceptions, and attitudes in keeping with the conditions under which they are produced. The dispositions of habitus predispose actors to select forms of conduct that are most likely to succeed in light of their resources and past experiences (Swartz 1997, 106). The author further states that habitus orients action according to anticipated consequences (ibid). Values and expectations appear to merge in Bourdieu's understanding of habitus as a practical adaptation to the basic conditions of existence (109).

The literature provides a number of definitions for habitus, a few of which are given. It is 'a system of durable, transposable, structured structures predisposed to function as structuring structures, that is, as principles which generate and organize practices and representations that can be objectively adapted to their outcomes without presupposing a conscious aiming at ends or an express mastery of the operations necessary in order to attain them' (Bourdieu 1990h, 53; Swartz 1997, 100-101).

Wacquant (2006, 6) defines it as a 'system of durable and transposable dispositions through which we perceive, judge act in the world: they are those unconscious dispositions that are learned through lasting exposure to particular social conditions and conditionings via the internalization of external constraints and possibilities'. According to (Swartz 1997) these dispositions tend to be shared by people with similar experiences despite each person's uniqueness. Habitus can also be seen as the 'internalized scheme which guides the player's behavior' (Madsen and Dezalay 2002, Oats and Gracia 2012, 115) 'with learning taking place in a dialectical process and it's produced by the social world' (Oats and Gracia 2012,115).

Neu (2006, 394) argues that habitus is the "durable inculcated system of structured, structuring dispositions that are inculcated in the body and exist in the form of mental and corporeal schemata which mediate perception, appreciation and action" (Everett 2002, 65, Neu 2006, 394) '...it is also the implicit values and beliefs that are taken-for-granted yet guide our daily activities' (Bourdieu 1990, 61, Neu 2006, 394) '...these represent those

idiosyncratic but taken for granted meanings, vocabularies and practices of a particular institutional field that both rationalize and reproduce the hierarchy of capitals within the field' (Bourdieu 1990, 57-8, Neu 2006, 394). Or on the other hand it may be seen as a set of dispositions that influence actors to act and respond in certain ways to certain situations (Xu & Xu 2008) and 'an actor's second nature having the capacity to create meaningful practices' (Swartz 1997, 75) and meaning giving perceptions adapted to specific situations (Bourdieu 1990, 53, Swartz 1997) within the field.

Habitus is usually formed through an extended processes of inculcation based on education and socialization in family and peer groups (Swartz 1997, 102).

### **3.5.2 Field**

Field is another key concept it defines the 'broadest possible range of factors that shape behavior rather than delimit a precise area of activity and by viewing field this way, it gives breath to the researcher's investigation' (Swartz 1997, 121). Field is 'the structure of the social setting in which habitus operates' (Swartz 1997, 118) that is the different levels in the field as reflected in Figure 4.1 and is a site of social practice, having a certain degree of autonomy, and its own boundaries (Gracia and Oats 2012) but yet such 'boundaries are not sharply drawn' (Swartz 1997, 212). The field may also be 'construed as a network or configuration of objective relations between positions which are objectively defined or sites of production, circulation, and appropriation of goods, services, knowledge, or status and the competitive knowledge held by the players in their struggle to accumulate and monopolize the different kinds of capital' (Swartz 1997, 117). Or on the other hand, they may be thought of as organized spaces structured around specific types of capital or combinations of capital. Swartz further argues that fields are 'sites of resistance and domination, one being relationally linked to the other and they, capture struggle within the logic of reproduction seldom becoming the sites of social transformation' (Swartz 1997, 121). There are three subfields in property tax field in Jamaica as seen in Figure 4.1: the policy level, the implementation level and the compliance level. The legal boundaries are determined at the policy level; the laws and policies are implemented by the ministries and the tax authority; revenues are produced and circulated at both the implementation and

the compliance levels, the ministry along with the minister determine how the revenues are to be allocated and the level of services that each local authority obtains. Additionally, taxpayers in the field use their knowledge to withhold the revenues. Property tax carries its own administrative practices which are determined by the laws and policies at the policy level. But even though they have their own logics and practices they are nevertheless interdependent (Bourdieu and Wacquant 1992; Swartz 1997) with what happens in the environment are interrelated and overlapping with other fields based on their cultural and or social nature, with the field of power as the dominant field (Bourdieu 1986, Oats and Gracia 2012). All fields come together to form the wider social field in which players interact. In this case the Jamaican economy. Boundaries and membership in the respective fields may change as they are not permanent. Boundaries are not rigid but are relational because 'boundaries themselves are objects of struggle' (Swartz 1997, 121).

Fields are 'always relational, dynamic social microcosms' (Everett 2002, Neu 2006, 394) with lasting but changing patterns of social relationships as a key feature (Neu 2006). In this regard 'an actor's position within the field is based on his struggle to define access and acquire different forms of capital' (Bourdieu 1986, Gracia and Oats 2012, 306). The field is therefore the scene of competition between actors competing for control of the interests specific to the field and utilizing their capitals (Swartz 1997; Lingard et al 2005), the most valued resource in the field. According to Swartz actors struggle for legitimization, the right to monopolize the exercise of symbolic violence. Swartz further argues that fields are structured spaces of dominant and subordinate positions based on type of capital and amounts of capital. Thus positions in the field are determined by the unequal distribution of relevant capitals rather than by personal attributes (Swartz 1997, 123). It is a system in which each element in the system gets its distinctive properties from its relationship to all other elements (ibid). Fields are 'tightly coupled' relational configurations where change in one position shifts the boundaries among other positions. Struggles in the field put those in dominant positions against those in subordinate positions. 'The struggle for position in the fields opposes those who are able to exercise some degree of monopoly of power over the definition and distribution

of capital and others who attempt to usurp the advantages (Swartz 1997, 124). This is usually between the old members and the new arrivals. This is evidenced in the findings which shows how the established say the legislators normally want to use conservative strategies like using enforcement through the court system which is around for more than a century whilst the new arrivals like the tax administrators use subversive strategies as not using this strategy (see section 5.3.1). Both the old actors and the new arrivals accept that the struggle in the field is worth pursuing. According to Swartz, Bourdieu calls this the *doxa*, because it represents a tacit/unspoken fundamental agreement on the stakes of struggle between those advocating for heterodoxy and those holding on to orthodoxy (Swartz 1997, 125). Both the challenger and the challenged share a common interest that the field should be preserved, even if there is disagreement on how it is divided (*ibid*). Entry in the field is unspoken acceptance that the rules of the game will change, accepting that specific forms of struggle are legitimated whereas others are excluded. The underlying and invisible relations of the actors in the field shape action that takes place within the field (Swartz 1997, 119). According to Swartz, resistance as well as domination takes place in the field and seldom become sites of social transformation.

Swartz also argues that analysis of the field brings into sharp focus the institutional aspects of individual and group action, whereas in institutions there is the suggestion of consensus, 'the concept of field covers the social worlds where practices are only weakly institutionalized and boundaries are not well established' (Swartz 1997, 120).

**TAJ** is the dominant actor in the tax enforcement field having being entrusted or conferred with the authority or responsibility by law made by the policymakers to take money from taxpayers in the form of property tax payments. Other actors include policymakers, the ministries and their associate departments and the **IMF**. The tax administration, the ministries, the **IMF** may operate taking group action but at the same time players within these institutions may make their own decisions, conditioned by their disposition. Additionally group and institutional actions may not be in keeping with the property tax laws and policy- the parameters of enforcement, compliance and management.

### 3.5.3 Capital

Bourdieu doesn't view capital in the normal sense of the word. For him capital is anything that has significance or is capable of being influential, and includes all forms of power whether they be economic, material, cultural, social or symbolic (Bourdieu 1997, Gracia and Oats 2012) and may be used by individuals and groups to maintain and enhance their respective positions within the social order (Swartz 1997, 73). According to (Swartz 1997, 73, Bourdieu 1989) these resources become capital when they act as 'a social relation of power' i.e. when they become objects of struggle as valued resources. 'Each type of capital carries a different value, different degree of liquidity, convertibility and susceptibility to change' (Everett 2002, Gracia and Oats 2012, 306). Individuals and groups may therefore employ different tactics or plans to accumulate it, invest it and also convert it from one form to another so as to maintain and enhance their position within the field (Swartz 1997). Neu (2006) argues that the organization of capital within the field influences both the patterns of interaction and flows of information. For example, information on the property tax laws in the field in Jamaica can be both a resource and a flow. Additionally, information of the assessment process or the statute bar, or how the Quit Rent Act operates may also be viewed as a type of capital- 'cultural capital' (Neu 2006, 394) as it's both a material resource and a way of influencing 'ways of thinking and ways of doing' (Bourdieu 1994, 7, Neu 2006, 394) in the field. Economic capital normally includes money and property and underpins other forms of capital (Gracia and Oats 2012, 306-7). Cultural capital refers to 'culturally authorized attributes like general awareness, educational credentials, tastes and aesthetic preferences and is regarded as less stable which makes it not so easily managed' (Swartz 1997, 75; Gracia and Oats 2012, 306-7) or it may be 'various kinds of cultural knowledge, competences and dispositions' (Xu and Xu 2008, 76). Swartz argues that (Bourdieu 1986a, Swartz 1997, 76) evaluates cultural capital in three different forms, firstly 'the group of cultivated dispositions that are internalized by the individual through socialization which make up patterns of understanding and appreciation (what we call culture). It is different from other forms of capital in that it can only be used when its meaning is understood: accumulation of this capital begins from an early stage in life'. Swartz also debates that 'cultural capital may

come into objectified forms such as books, works of art and scientific instruments which requires specialized abilities to use them'. Thirdly, cultural capital may come in an institutionalized format like an educational credential system. For example, in Jamaica low tax morale as discussed by (Bahl and Wallace 2007) which stems from Jamaicans' unwillingness to accept the idea that the payment of taxes is a civic responsibility is a form of cultural capital. Some participants in study attributed this culture to the freeness mentality i.e. not wanting to pay one's way as discussed in section 7.2.1. Evidence of this is reflected in how some taxpayers used their knowledge of the law and the field to evade tax (7.4.5; 7.5.5). As seen from the findings, large land barons used cultural capital, their specialized knowledge of the law to evade the property tax obligations (section 5.3.3). Other taxpayers with special awareness of the law and what happens in the property tax field to evade tax by either avoiding the receipt of their assessment notices and or using the loopholes within the statute bar (5.3.2, 7.4.5 and 7.5.5).

Social capital refers to the support provided from having acquaintance of influence or inclusion in social networks valued within a particular field (Swartz 1997) as suggested by a tax administrator (section 7.5.1) and confirmed by a taxpayer (section 7.5.5). Symbolic capital is regarded as the legitimization or recognition of an actor's status within the field and this form of capital is acquired by using other forms of capital (Bourdieu 1977, Gracia and Oats 2012). Thus, it's a combined form of capital that occurs when other forms of capital are seen to be legitimate within a particular field. Any property or any form of capital may be regarded as symbolic if it so perceived by the social agents in the field once they give recognition and value to it (Bourdieu 1994 p9, Neu 2006, 394). Symbolic capital is unique in that it is disguised concealing the fact that it comes from material forms of capital. According to Gracia and Oats an agent who is high in symbolic capital commands more credit or respect within a field than one with low symbolic capital.

### **3.6 Summary**

This chapter reviewed the three strands of literature namely tax administration including property tax administration, fiscal decentralization and Bourdieu's

theory of practice which is used as the lens to interpret the findings. These three strands of literature formed the conceptual framework of the study and provide the theoretical lens through which the findings are discussed, analysed and interpreted in Chapters five to seven inclusive. The three strands are used because they are inextricably linked in the tax field. Tax administration, policy (fiscal decentralisation) and actors are core elements in the tax field. They all interact to produce or shape property tax practices. Fiscal decentralization in this study is the main policy issue, a political agenda issue (Bird and Slack 2002). Fiscal decentralization can be an important tool to increase property tax revenues and build tax morale but invariably governments in developing countries seem not to implement this policy. Tax administration on the other hand is designed to implement tax policy which may be fiscal decentralization and legislation through enforcement and compliance strategies with resources provided by policymakers. Bourdieu's theory of practice seeks to provide the answers as to why localization isn't a reality, or why enforcement and compliance are less than desirable. It does so by highlighting actors' interactions and actions in field; it shows how actors are often driven by their respective habitus to make decisions and how they use their capital to justify such decisions that are made in relation to fiscal decentralization and tax administrative practices. These decisions ultimately shape the property tax field. Figure 4.2 in the conceptual framework further develops. The following diagram shows the link between the three strands of literature.

Diagram to show link between the three strands of literature

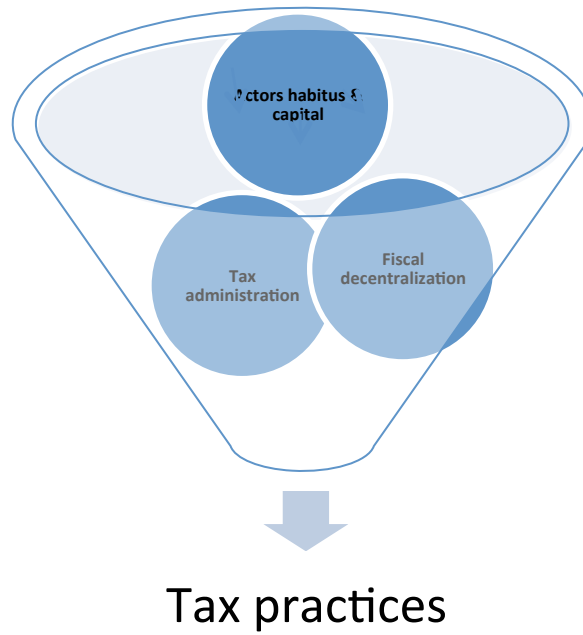


Figure 3.2- Relationship between three strands of literature



## **Chapter 4**

### **4.0 Methodology**

#### **4.1 Introduction**

The aim of this chapter is to present the three research questions accompanied by their objectives, the general research method taken in conducting this study, the theoretical framework, data collection, data analysis and the limitations of the study. Section 4.2 outlines the research questions along with their associated objectives. These questions were finalised based on the literature review and the conducting of the exploratory interviews which were undertaken in the early stages of my study. Section 4.3 discusses my philosophical assumptions; section 4.4 discusses my research design with details of the design discussed in sections 4.4.1 to 4.4.4. Section 4.4.1 debates the methodology: the interpretive approach is taken so as to have an increased understanding of property tax administrative practices. Section 4.4.2 the research methods, section 4.4.3 the domain and section 4.4.4 the theory. Section 4.5 debates the conceptual framework used in the study drawing from tax administration, fiscal decentralization and Bourdieu's theory of practice. Section 4.5.1 describes the theoretical framework. Section 4.6 discusses the interview process; section 4.6.1 debates the interview schedule while section 4.6.2 discusses how the interviewees were selected for participation in this study. Section 4.7 speaks to the data analysis. Section 4.8 the final section provides some limitations of the study and some challenges encountered in the field.

#### **4.2 Research questions**

This study examines property tax practices within an urbanized municipality. It addresses one main question which is broken out into three sub-questions along with their associated objectives. These questions have been considered after careful examination of the literature on tax administration including property tax administration, fiscal decentralisation, the theoretical framework,

and the conducting of exploratory interviews at an early stage in the research. The main question and the sub-questions with their attendant objectives are detailed below:

*Main Research Question:* How do the three dimensions of property tax: administration, politics and taxpayer compliance play out in practice?

*Research Question One:* What are the main property tax enforcement practices and how do the tax authority and policymakers use their capital to shape these practices?

*Objectives:*

- To gain insights into some of those actions and interactions which contribute to weak and selective enforcement practices
- To establish how policymakers use resources to gauge property tax enforcement, indirectly emphasising the large tax types
- To provide insights into how the tax authority and the policymakers use the enforcement field as a site of struggle and resistance
- To provide insights into how Jamaica's land tenure history and culture shape enforcement strategies
- To provide an overview of the reminder system; to establish how the tax authority uses it as a means to support government policy, extract resources from the local authorities and to maintain and enhance its dominance and visibility in the community
- To provide insights into how the tax authority uses the judicial system as means as of demonstrating its disagreement with the lack of inadequate resources

*Research Question Two:* To what extent is non-localization of the property tax in Portmore influenced by the political dispositions of players within the property tax field?

*Objectives:*

- To investigate the key policy issues that influence the non-localization of the property tax in the PMC
- To establish how the lack of a White Paper and the absence of cultural knowledge at both the national and local levels influenced non-localization
- To provide insights into how the disposition and actions of bureaucrats, local politicians and citizens influence non-localization of the tax
- To provide insights as to how the redefinition of local fund raising by the policymakers influence localization
- To provide insights into how the social, political and legal environment act as inhibitors to localisation
- To provide insights into how the lack of economic capital influenced localization
- To provide insights into how fiscal decentralization can be used as a means to increase tax morale and tax revenues within the PMC

*Research Question Three:* What are the dimensions of property tax compliance and non-compliance in Jamaica and how do taxpayers use their capital to influence compliance practices?

*Objectives:*

- To provide insights into how taxpayers' indifference, alienation from the community and their lack of awareness of the property tax or cultural capital shape their compliance practices
- To establish how property ownership or the lack thereof influence compliance
- To establish how some taxpayers use their economic and cultural capital to maintain and enhance their evasive practices
- To provide insights into how taxpayers' disposition towards public financial commitments and tax in particular shape their attitude towards property tax compliance
- To highlight those issues that motivate tax compliance
- To establish how administrative and institutional practices shape compliance practices

- To provide insights into how taxpayers' attachment to property, moral and social conditioning shape their compliance practices
- To provide insights into how taxpayers' perception of Jamaican politicians, government departments (including the tax authority) and the local authorities influence tax compliance
- To provide insights into how the media and taxpayers' interaction with housing developers influence compliance

### **4.3 Philosophical assumptions**

For this research, I adopt the stance of an interpretivist, here I embrace the view that 'society is viewed as relative and the social world consists of names, concepts, labels by which we structure reality' (Oats 2012, 10) otherwise referred to as social constructivism (Creswell 2003). My assumption is that 'individuals seek to understand the world in which they live and work, and these meanings are many, varied and subjective' (ibid). The interpretive approach is a way therefore in which I 'interpret the meanings, values, experiences, opinions and behaviours of other people' (, 2002 557). In this study, I make sense of the actors' social construction and provide the interpretation of the meanings these actors have about the world, i.e. the practice and process of property tax administration, assigning labels and categories(ibid). The objective of the interpretive approach is to understand meaningful social action, and also to understand what goes on in the actors' head. According to (Benton and Craib 1984) these help to develop an understanding of what is logical and what is symbolic. For this research, my epistemological position is that 'social science cannot create true knowledge of any kind; knowledge is subjective' (Creswell 2003). Social sciences is different from natural sciences in that the objects of the research is expressed differently. The difference lies in the fact that human beings and human groups are used- have self-consciousness which gives them the ability to reflect on their activities and relationships (Benton and Craib 1984). 'Human life is essentially a life of meaning, of language and reflective thought and communication(76). The social world (property tax practice) is 'produced through the human actions and interactions and we have

to get inside the worlds of these actors involved in meaning construction, which is both context and time dependent' (Oats 2012, 11).

Positivism has had a long standing tradition for use as a research method and according to (Gilbert, 2001); it is the leading perspective in social science methods. It is argued that positivism in the social sciences is used by those researchers who seek objectivity in their explanation of a social reality (McKerchar 2010). The epistemological assumption of positivism is that , there should be the 'elimination of human subjectivity in research...observation of data and the interpretations of their meaning were to be strictly separated...scientific facts were to be objective and quantifiable...subjectivity of the researcher should be eliminated or minimised' (Kvale and Brinkman 2009, 58). Thus, positivists are removed from their research subjects (Gilbert 2001) and their explanations are obtained through tested theories or hypothesis (Mckerchar 2010). Interpretivism on the other hand, seeks to provide understanding of social reality which comes out of the subjective interpretation of the researcher (McKerchar 2010, 75). Interpretivism is grounded in inductive reasoning; therefore, it does not provide a 'hard and fast explanation from which casual relationships are identified and predictions made' (ibid).

I am interested in understanding the activities, operations, functions and interactions of the actors in the practice of a centralised property tax administration within an urbanised municipality i.e. obtaining an insight into property tax enforcement and compliance; the strategies used, the reasons for such strategies; the reasons for non-localization of the property tax within the **PMC**; the activities, functions and interactions of the various agencies that are involved in the administration of property tax; and the behaviour, values and attitudes of the various actors within the property tax system. The focus of the study is therefore on how the actors within the property tax field created, modified and interpreted (Oats 2012) the practice of property tax in the **PMC** and why property tax localization was not implemented at a given point in time within a given context (Merriam 2002). The study is time and context driven because I spent three and half months in the field thus the meanings derived from the data collected are related to that particular period, the actors interviewed and organizations researched. Additionally, I was an active

participant in the research. In all of this, I took the position that all actors in the property tax field were independent, making their own decisions (Oats 2012).

#### **4.4 Research Design**

McKerchar (2010) suggests that research design is a way of acting, thinking and speaking- the way to the research. McKerchar debates that the literature on research design and conduct, normally focus on the two main strands positivism and interpretivism and the path adopted by the researcher largely determines how the researcher crafts his research. This is so because the chosen stance provides the 'theoretical underpinning or inquiry paradigm' (McKerchar 2010, 63) or the groundwork for the framework (Crotty 1998, Creswell 2003, 4). The framework guides the researcher in the organization of the study (Grix 2004, McKerchar 2010) and 'influences the methodology, research methods and knowledge claims' (Crotty 1998, Creswell 2003, 4; McKerchar 2010, 64; Oats 2012, 10). My knowledge claims, strategy, and research methods all come together to demonstrate the research process and are further discussed in sections 4.4.1 and 4.4.2.

##### **4.4.1 Methodological approach**

In light of my foregoing philosophical assumptions coupled with my research objective of gaining an increased *understanding* and *insight* of the practice of property tax administration in an urbanised municipality, a subjective approach was the best method to do this, hence the choice of the qualitative approach. Additionally, there is the call in the literature for more qualitative research in the accounting discipline to provide that greater understanding of the practice of accounting as advocated by (Hopwood 1983, 302-303) and also to raise awareness that there are alternatives to positivistic approaches to accounting scholarship (Burrell and Morgan 1979, Chua 1986, Merkl-Davis and Brennan 2011, Oats 2012, 12-13).

Qualitative approaches may be naturalistic, holistic, interpretive and phenomenological (Tomkins and Groves 1983, Ahrens and Chapman 2006). Being an interpretivist provides the opportunity to explore the meanings of actors' actions, providing interpretations for them. It offers an alternative to

positivism, which makes the ontological assumption that empirical reality is objective and external to the subject (Chua 1986, 36, Ahrens and Chapman 2006, 4) with the epistemological effect or consequence that it can be studied through objective categories and verified by empirical scientific methods (Ahrens and Chapman 2006, 4). According to (Ahrens and Chapman 2006) qualitative methodology should not be seen as just doing some work in the field but rather it should be regarded as extremely theoretical. It is debated that qualitative methodology is really constructions of the researcher (Atkinson 1992 and Miles and Huberman 1994). Patton(1985, 1), Merriam's (2002, 5) definition of qualitative methodology aptly encapsulates what it does: it 'is an effort to understand situations in their uniqueness as part of a particular context and the interactions there. This understanding is an end in itself, so that it is not attempting to predict what may happen in the future necessarily, but to understand the nature of the setting- what it means for participants to be in that setting, what their lives are like, what's going on for them, what their meanings are, what the world looks like in that particular setting...The analysis strives for depth of understanding'.

Quantitative methods on the other hand simply aims to prove or disprove the existence of a particular reality without offering an interpretation but this is not the purpose of qualitative methodology.

Seeing that my objectives are to obtain an increased understanding of the actors' perceptions and meanings of property tax administration practices in the **PMC**, and for the researcher to provide an interpretation of their responses, the standard yes or no answers that are usually used in quantitative methodology are inappropriate to meet such objectives. This research therefore called on actors to play an active role by sharing their views, perceptions, their feelings, opinions and experiences of the practices in property tax administration. Additionally, this study called for me to be an active participant in the field, i.e. to be a part of the research setting. Whilst I strived to maintain objectivity, I do acknowledge that my interpretations of some of the findings maybe subjective (Merriam 2002; McKerchar 2010) based on my intimate knowledge Portmore (my home is there), my personal and professional experience and also my personal views (Carrol and Swatman 2000, McKerchar 2010) of the practice of property tax administration in Jamaica. Secondly, subjectivity was also

attributed to me being an active participant in the field (Merriam 2002) by virtue of my extensive interaction with some of the subjects whilst conducting the interviews, seeking their participation or observing their actions. Additionally, the outcomes of my research may have limited application.

I choose qualitative methodology for my research on the following bases. Firstly to explore the social realities of what exists in property tax practice and how things are practiced in the municipality and the various agencies that administer property tax so as to interpret such actions and interactions (Benton and Craib 2011). My research isn't an attempt to prove or disapprove any particular phenomenon, hypothesis or any set of phenomena nor to establish causal relationships; it merely seeks to understand what exists, purpose of their existence, provide an interpretation and at the same time to use theory to make some sort of linkage. Secondly, qualitative methodology is a 'better fit for my research questions' (Silverman 2010). The questions that I posed weren't seeking the standard yes and no answers; they sought detailed responses from the respondents, so that I can gain an understanding to what exists. Yes and no answers provide no such detail, and they would defeat my research objective of gaining a greater understanding of property tax practice, going beyond what is already known.

Thirdly, qualitative methodology gives a voice to each respondent in the research (Silverman 2010) whereas in quantitative methodology, the subjects are usually silent, they don't carry a voice, the outliers aren't recognized as the respondents are masked in generality. These advantages gives me the best of both worlds.

Going the qualitative way provides depth and richness, giving the subject a voice, and at the same time adding feeling and passion to my work, making the work lively (comes alive), and giving authenticity of the varying human experiences (Silverman 2010); providing holism... giving 'thick descriptions' that are vivid, nested in a real context...having a ring of truth' (Miles and Huberman 1994,10) If I were to use quantitative methodology, then I would miss these details with the attending advantages. The approach, provided me with a good basis to understand the social constructions within the property tax field as the various actors interacted (Merriam 2002).



Finally, engagement of this method was a personal one. I got the opportunity to engage and interact with the respondents which increased my understanding through nonverbal as well as verbal communication. Moreover, I was able to 'immediately respond, and adapt' (Merriam 2002, 5) to happenings in the field. I got the 'opportunity to ask for immediate clarification, summarized material, checked with respondents for accuracy of interpretation, and also obtained the chance to explore unusual and unanticipated responses'(Merriam 2002, 5).

#### **4.4.2 Research methods**

The literature suggest interviews, documents, observation and audio-visual materials (Patton 1990; Creswell 2003; Bedard and Gendron 2004) as the usual methods of collecting qualitative data with qualitative interviews the mostly widely used method (Gilbert 1993; 2001; Myers and Newman 2006; Kvale and Brinkmann 2009; Oats 2012). Within the disciplines of social sciences interviews are a key method for producing scientific and professional knowledge (Kvale and Brinkmann 2006, 9). Interviews are not only a major source of collecting data but are deemed effective as well( Bedard and Gendron 2004, 197). Among its main advantages, interviews are argued to be the best means to tap into the subjects' knowledge base about their experiences (Alvesson 2003). Ahrens and Chapman (2006) posit that interviews may be used for different methodologies 'depending on the notion of reality they intend to explore' (4). In my study interviews were used to 'understand the world of the actors', obtain their perspectives, unfold the meaning of their experiences, and uncover their lived world prior to scientific explanations' (Kvale and Brinkman 2009, 1).

The literature suggests structured, semi-structured, unstructured and group as the different types of interviews (Dicicco-Bloom and Crabtree 2006; Kvale and Brinkmann 2006; Myers and Newman 2007) with each type carrying its own merits. I used semi-structured interviews for the advantages they offered. Semi- structured interviews facilitated the asking of certain open ended, major questions centred around themes (Gilbert 1993; 2001) around the research questions and their stated objectives. Secondly, they offered me some degree of flexibility (Kvale and Brinkmann 2006), for example, I was able to rephrase or *re-craft* some questions for additional data and clarification, 'explore

emerging paths' (Bedard and Gendron 2004, 197); seek confirmation, change the sequence of the questions; to ask additional questions based on the progress of the interview (Gilbert 1993; 2001; Diccico-Bloom and Crabtree 2006; Meyers and Newman 2006) and to make changes to the interview participants and the timing of the interviews. Additionally, this method allowed me to take 'methodical decisions' (Kvale and Brinkmann 2006, 16) which was really a judgment call on my part. For example, I had to decide which question to ask when faced with time constraints.

As the interviews were geared to 'explore meaning and perception, to gain a better understanding...' (Dicicco-Bloom and Crabtree 2006, 314), they were characterized by careful planning, questioning, and listening 'between unequal partners,' with the attendant objective of gleaning 'thoroughly tested knowledge' (Kvale and Brinkmann 2006, 3). Based on the foregoing, each successive interview was informed by my previous interviews in that I read the transcripts and or listened to the recordings before conducting a new interview.

#### 4.4.3 Domain

Ahrens and Chapman (2006) drawing on Silverman's concepts of qualitative studies refers to domain as a space in which data is collected but it's not necessarily a physical space like a factory '*but the shape of the field depends on the usefulness for answering the research question*' (6). Although my research is on the **PMC**, participants were not confined to the **PMC** but included respondents who provided useful data on property tax administrative practices in relation to the **PMC**. Participants included present and past residents of the **PMC**, members of civil society, senior tax administrators, senior government bureaucrats, cabinet ministers, councillors, mayors, a tax professional, a developer and former politicians including a former prime minister. The interviews explored important issues in the property tax field: attitude of actors towards fiscal decentralization, political issues associated with fiscal decentralization, tax enforcement practices and the dimensions of property tax compliance to get my research questions answered. The field carried great interaction between the participants and me. I learned that I should allow the

participants to speak and express their views, I tried not to cast judgment at their responses and even to appreciate moments of silence or long pauses.

Some participants offered great suggestions as to who could be potential participants. For example, one participant, a senior government bureaucrat (interviewee 4) said *'have you spoken to Mr X, he is the one who mentored me, bringing me into this business, he is a good person to talk to on property tax'*.

#### 4.4.4 Theory

In the earlier part of my study, there was the challenge of making the decision as to whether I should use theory. I debated its usefulness and even toyed with the idea of whether descriptions alone were enough for my work (Oats 2012). I mused about whether I want to be this type of researcher, that of doing research without theory. The nagging question was how would theory help in my research? Why not descriptions only? At the earlier stages, I must confess, that I had challenges making the connection between theory and findings and therefore was unable to see its worth. However, after much debate with my peers and research, I was convinced that for my present research, use of theory would be advantageous and that it would provide the necessary *grounding* for my data. The other challenge that I had was, at what point I should begin to engage with theory: before my fieldwork or after? Adopting (Silverman's 2010) perspective that theory should guide the research, give directions but should not restrict it, frame research questions and also that theory should give the study some sort of context to the field, (Miles and Huberman 1994), I engaged with theory before going in the field but did not allow it to restrict my study or for me to become myopic as I didn't want to miss important data or emerging issues in the field. I therefore chose the middle ground to give some sort of framing to my study but at the same time left myself open so that I could explore the issues that emerged in the field. In this regard, I briefly reviewed the theories of subsidiarity and new institutional sociology (**NIS**) as I perceived that they would somehow assist me in clarifying and interpreting my findings but I left myself open for whatever would emerge.

However, these theories didn't connect with my main findings. Subsidiarity was inappropriate because it seemed to be explaining what should be the case, rather than interpreting why things are the way they are. **NIS** on the other hand

has to do with change and how organisations change, eventually resembling their counterparts. The major findings did not reflect this. I reviewed historical institutionalism but couldn't use it as my findings were not confined to a series of events per se. I looked at agency theory but realised that this is rational choice theory and it wouldn't be in keeping with my philosophical assumptions as it catered to positivism only.

I continued to research, attend workshops, held discussions with my academic colleagues, and my supervisor. My supervisor suggested that I continue to explore and immerse myself in my data, simultaneously exploring other theories and hopefully, one would eventually would make sense. In the writing up phase, after reading extensively on culture and power, I decided that Bourdieu's theory of practice was the most suitable theoretical lens to interpret my findings.

Thus the use of Bourdieu's theory of practice to 'illuminate and explain' what others cannot see (Gilbert 2001,17) and also adds value in the social science field by development of theories (Oats 2012, 16). Sutton and Staw (1995) argue that theory is the 'answer to queries of why' as debated in Kaplan (1964) and Merton (1967). 'Theory is about the connections among phenomena, a story about why actions, events, structure, and thoughts occur...' (372 & 377)

The objective of using Bourdieu's theory of practice isn't to make generalisations or to make the findings complex (DiMaggio 1995, 391) or to have a grand theory (Silverman 2010) but to have a 'set of concepts to define and explain' (Silverman 2010) or to have an 'an orienting set of explanatory concepts...' (Ahrens and Chapman 2006, 23) to use as lenses to interpret the findings. Using these simple explanations as given by (Ahrens and Chapman 2006) and (Silverman 2010), this is where, I positioned my findings to connect with theory.

#### **4.5 Conceptual framework**

This study makes a theoretical contribution by developing a conceptual framework which provides a rich description of the property tax field in which enforcement, management and compliance of the property tax take place.

The study draws on three strands of literature: tax administration, fiscal decentralization and Bourdieu's theory of practice. The literature serves to link the actions of the actors to the various levels of administration and policy within the field demonstrating how they influence property tax practice. The main themes and conceptual theories within the literature provide the basis for the conceptual framework developed and are used and drawn upon to explain and help to interpret the findings in Chapters five to seven. The explanatory power of the construct is evidenced throughout the study as it serves to give an increased understanding of property tax administrative practices, the main objective of the study. The framework is presented in two steps: first the descriptive framework which provides the means through which the property tax field can be described, and to understand the dynamics and the structure of interactions amongst the actors within the property tax field. The second stage brings together the core theoretical concepts drawn from the three strands of the literature, through which the findings of the study will be explained and interpreted.

#### **4.5.1 Description of property tax field**

Swartz's (1997) interpretation of Bourdieu's theory of practice is the framework used to describe the property tax field. First of all, field is key spatial metaphor in Bourdieu's sociology and it's the structure of the social setting in which habitus operates (Swartz 1997, 117) as outlined in section 4.4.3.

Fields are arenas of struggle for control for all forms of power is used to maintain, dominate or enhance their position the field (Swartz 1997; Gracia and Oats 2012). It's also the structure of the social setting in which habitus operates (Swartz 1997, 118), a site of social practice, having a certain degree of autonomy, and its own boundaries (Gracia and Oats 2012) but yet such 'boundaries are not sharply drawn' (Swartz 1997, 212). It can also be seen network or configuration of objective relations between positions which are objectively defined or sites of production, circulation, and appropriation of goods, services, knowledge, or status and the competitive knowledge held by the players in their struggle to accumulate and monopolize the different kinds of capital' (Swartz 1997, 117). Applying these concepts to my study, the field is

hereby described. The property field is divided in three subfields: the policy field, the enforcement and compliance field.

### *Policy level*

Actors at the policy level establish the boundaries or set the parameters for the property tax field. This is the social setting for the *production* of the property tax legal framework. It's this setting which determines the allocation of enforcement resources; gives property rights to taxpayers through the constitution; enforcement and administrative responsibilities to tax administrators, local authorities and government ministries and rights to taxpayers via the property tax laws and policies covering issues such as, land titling, property tax base, penalties to be imposed, devolution and allocation of revenues are all produced at this level in this field. The final law and the decision concerning the management of the property tax are shaped by the underlying and invisible relations (Swartz 1997,119) of the actors and also by the habitus (Bird, Slack and Tassoyoni 2012) and by the available capital of the actors in this field. The actors in this field include politicians at the national level: cabinet ministers, senators and legislators. For my study three cabinet ministers, one legislator and a former prime minister were interviewed.

Property tax administration operates within a country's political, social and economic environment. Thus its performance, its complexity, allocation of resources are impacted by whatever happens nationally and also internationally as Jamaica is an open economy. For example, fiscal policy determines the agenda of the tax authority (section 5.2.3). Tax policy emerges from fiscal policy and is fundamental to the tax authority's strategies, processes and output and prescribes the relative importance of the respective taxes for which property tax is one such tax.

Policymakers decide what role the property tax should play as discussed in section 3.3.3. The policymakers' combined philosophy is that the property tax should have multiple roles: revenue raiser or device to give both political and financial autonomy to local authorities and that it should also serve as a benefit tax. Additionally, they believe the tax should be a fairly easy tax to administer, thus there was strong support for the continued use of the unimproved value

with one stating that this base maybe inappropriate for Portmore. The working of the property tax system should support and protect property rights as dictated by the constitution and as such the law supports the adverse possession rule. It's this level which also determines whether the tax should be fiscally decentralised. There was no uniformity of opinion on this. The views ranged in a continuum from a yes to a no and with uncertainty and ambivalence in the middle. The yes suggested that it was necessary for better governance, fulfilment of a political commitment, increased accountability, increased financial viability, and local autonomy. On the part of those who said no, it was suggested there was a lack of trust in the local authorities to manage, a lack of an enabling environment, The **PMC**'s likely inability to provide services which require huge demands for capital outlay (Smoke 2001) and the reluctance of the **PMC** to take on this role as articulated a legislator 'they just don't want to do it'. Those in the middle were unsure because of political and economic issues.

#### *Enforcement level*

Those at the organizational level are the enforcers or implementers of the property tax laws and policies. Their effectiveness is to some extent determined by the level of power they have and the level of support from those at the individual level, the taxpayers and also support from policymakers. The taxpayers are fundamental actors in the field because if they don't comply, then there would be no revenues making tax administration of non-effect. At this level, knowledge of the actors, that is their cultural capital, is critical in their struggle to accumulate and monopolize the economic capital especially property tax revenues, the main object of the struggle within the field. Implementers are also themselves taxpayers and are expected to obey the law. While seeking to enforce the law and to provide services, implementers are impacted by their environment (Mansfield 1988) and their habitus. For example, if actors are to dominate and maintain their position within the field they should have intimate knowledge of the laws, policies, profile of taxpayers; risks taxpayers face and their tax morale which are fundamental. Interviewees included four government bureaucrats, five tax administrators, two councillors, two mayors and four senior managers from a local authority. Actors from the policy level may also serve at the organizational level, thus serving as policymakers and implementers. For

example, cabinet ministers make the laws but at the same time, they are implementers seeing that they oversee some ministries that enforce the property tax. Thus, there is the struggle of what will dominate at any point in time. Speaking of the struggles in being an actor in both fields a policymaker, interviewee 5 said *'it's stressful...the things are diametrically opposed... You are caught between a rock and hard place. So we cannot win, we just cannot win, something have to give'*.

### *Compliance level*

This is the individual level where the property tax laws and policies are either complied with or evaded. It's at this level where service is given and received. In the compliance field, there are various stakeholders, those who by their actions either encourage or discourage taxpayers into compliance for example, housing developers, tax professionals, managers of cooperative societies, and taxpayers themselves. But it's the taxpayers who are the most important players because they are the ones who ultimately take the decision to comply or not to comply and they are the ones whom the tax administration goes after for the money 'the economic capital.' According to (Bourdieu 1989, Swartz 1997, 73) property tax resources become capital when it acts as a 'social relation of power' i.e. because it becomes an object of struggle as a valued resource in the field. As can be seen from the study, taxpayers used various means and arguments in order to retain their economic capital, (sections 7.4.1 to 7.4.6). Taxpayers' attitude towards taxation and the property tax also influence their compliance decisions (Gill 2000)(see sections 7.2.1 and 7.2.2). Taxpayers' interaction with actors in the property field and the wider social field also influence their property tax compliance (section 7.5).

The levels in the field are related to each other and overlap at times with the field of power as a dominant field (Bourdieu 1986, Gracia and Oats 2012, Wynter 2014).



A diagrammatic description of the property tax field is presented in Figure 4.1

Figure 4.1 Diagram of the property tax field

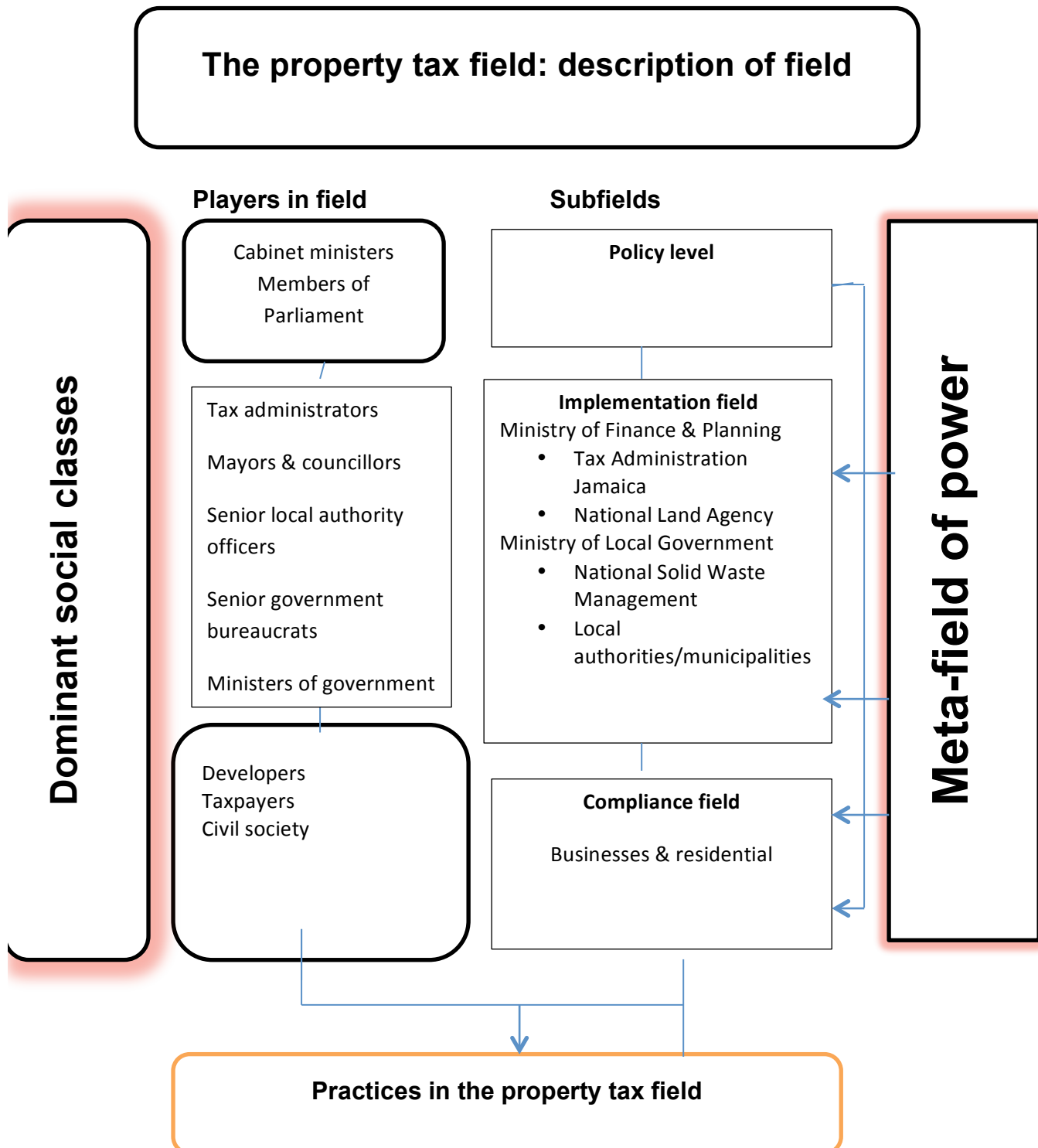


Figure 4.1 – Description of the property tax fie

#### 4. 5. 2 Theoretical concepts

Stage 2 connects the key theoretical constructs with the three main strands of the literature: tax administration, fiscal decentralization and Bourdieu's theory of practice through which property tax practices and the actions of the actors in the property tax field in Jamaica are analysed. Figure 4.2 is a diagrammatic representation. As noted, all areas were discussed in chapter 3 but some are briefly mentioned here to provide some context.

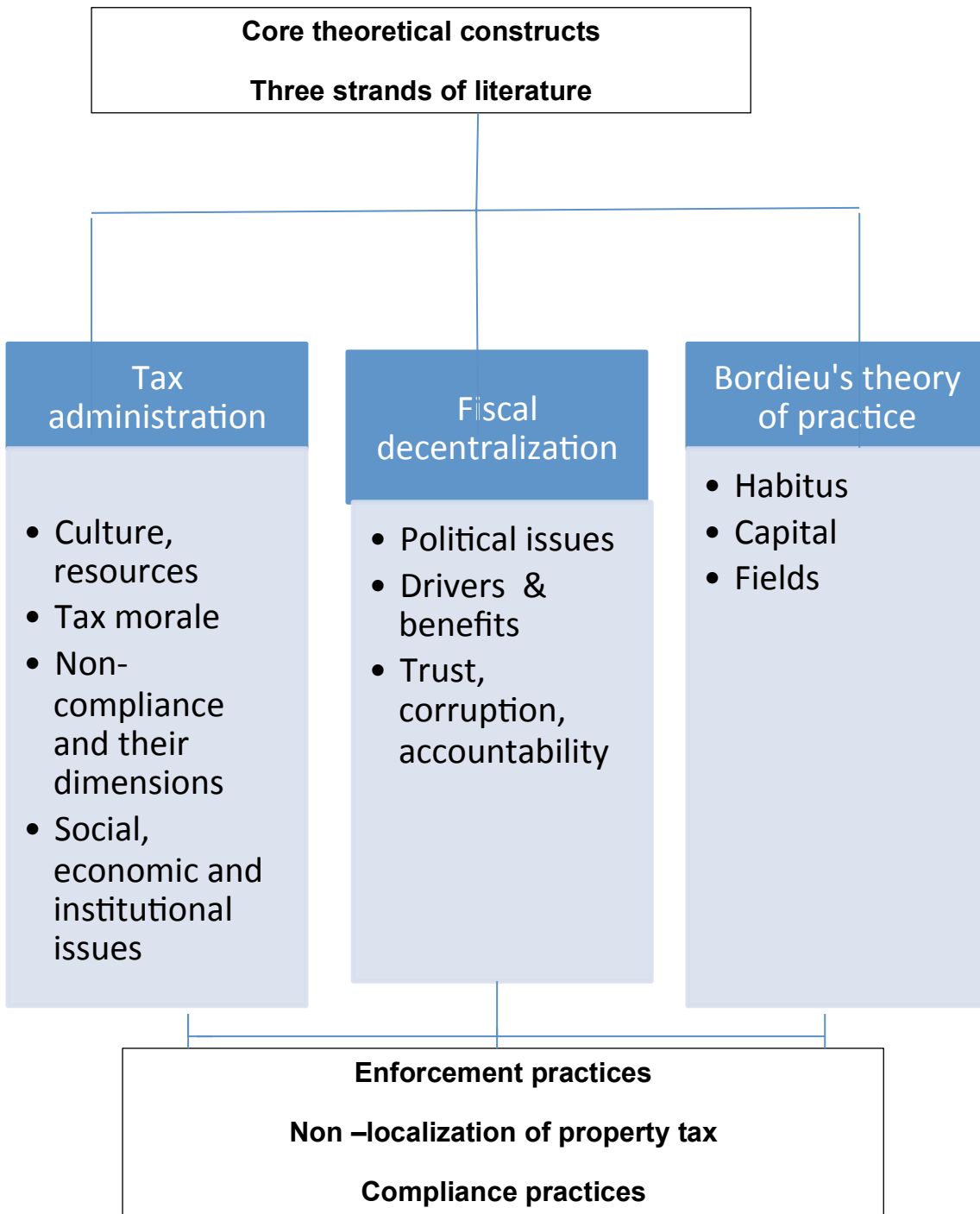


Figure 4.2 to show theoretical concepts

### **Bourdieu's theory of practice**

Bourdieu's theory practice in this study relies largely on Swartz 1997's interpretation of Bourdieu's work supported by other authors; (Bourdieu and Wacquant 1992; Lingard, Rawolle and Taylor 2005; Loveman 2005; Neu 2006; Xu and Xu 2008; Gendron, Grazzini and Malsch 2011; Gracia and Oats 2012). These concepts are used as the lens through which to interpret and explain the findings. Bourdieu's theory of practice seems to be the most appropriate lens through which to explain and interpret the findings as the findings seem to cluster around two main issues: culture and power. The concepts are therefore used as the lens to analyse and interpret how the invisible and underlying interactions of actors in the field shape property tax practices; the struggles between the different players in field and how players use their resources (power) to maintain and dominate their positions within the field, or attempt to make changes to the rules or boundaries within the field. Furthermore the concepts explain how players' actions are conditioned by their dispositions and beliefs. Bourdieu's theory of practice seems more all-embracing because it's able to connect actors' actions to culture, structure and power (Swartz 1997). It's used above (Lukes 2005) because Lukes' definition of power appears more limited in scope.

Additionally, Lukes' concept of power appears to be more organizational focused, it seems that power is orchestrated and planned by and within the organizational context requiring some sort of consensus, whilst Bourdieu's concept of power is both individual and institutional. Secondly, Lukes' concept of power seems to be more rational: actors give more thought to their actions in applying power, whereas with Bourdieu's theory of practice people's actions tend to be dispositional- it's second nature, it's a part of who they are based on their socialization. Even though actors are independent, they may arrive at the same decisions within an organization or may act similarly due to their conditioning and socialization (Swartz 1997).

In order to have a complete understanding of the property field, the concepts weren't individually applied but were used collectively in order to see what drives or motivates the underlying actions of actors. According to (Swartz 1997,

141). 'Bourdieu's complete model of practices conceptualizes that actions are the outcome of a relationship between habitus, capital and field' (Swartz 1997). Sections 3.6.1, 3.6.2 and 3.6.3 have already discussed the concepts habitus, field and capital.

### **Tax administration and fiscal decentralization**

The literature on tax administration and fiscal decentralization make two important contributions . Firstly, they guided the areas for discussions with the interviewees and they formed the bases on which the literature review was presented (see sections 3.2; 3.3 and 3.4). The second area of contribution is by virtue of them making up the conceptual framework as presented in Figure 4.2.

The main concepts drawn from the tax administration address the normal issues encountered in tax administration in relation to enforcement and compliance. In terms of fiscal decentralization a part of tax administration, that is at what level the tax is managed, this process is politically determined but yet may not succeed without the involvement of the various stakeholders. Tax administration carries a number of challenges in practice. Some examples of the references are illustrated below:

- *Selective enforcement of tax law and policy*: tax administrations selectively enforce tax laws and policy based on *culture, resource constraints, tax policy along with ambiguity of the laws and their own dispositions* etc. (Tanzi 1987b, Mansfield 1988; Bird, 2004; Alm, Martinez-Vazquez and Rider 2006; Bahl 2007; Tennant and Tennant 2007; Nerre 2008; Oats and Sadler 2011). Selective enforcement results in the tax authority being unable to maintain that critical balance between evasion and compliance and to maximize revenue collections (Silvani 1992).
- *Tax morale* is a key issue in tax administration thus tax administrators should be aware of those issues that motivate taxpayers' compliance. (Allingham and Sandmo 1972; Cullis and Lewis 1997; Fisher, Wastick and Mark 1992, Taylor 2002; Frey and Frey 2002; Cowell 1999, Falkinger 1999, Wenzel 2002; Bergman 2003; Torgler 2005;

Schmolders 1960, Strumpel, 1969, Alm and Torgler 2006; Alm and Torgler 2006; Kornhauser 2007). Fiscal decentralization, local management of property tax can be used to build a compliance tradition (Guth, Levati and Sausgrubber 2005; Mikesell 2003, Ruhling 2006).

- *Taxpayers' non-compliance* may be based on a number of factors some of which include their attitude towards the property tax (Youngman 2002, Bird 2003; Brunori 2003, Slack 2004; Bird and Slack 2006; Bahl and Wallace 2008; Boyd 2011; Sepulveda and Martinez-Vazquez 2011), *fiscal exchange, trust in government (trust in government and fiscal exchange* (Feld and Frey 2002), or social norms and ethical beliefs (Jackson and Milliron 1986, Alm, McClelland, & Schultze 1992, Alm, McClelland and Schultze 1999, Wenzel 2005; Blanthorne and Kaplan 2008, 685; Traxler 2010) or *fiscal exchange*.
- Successful enforcement requires tax administrations to engage with *social, economic and institutional issues* (Levi 1988; Cullis and Lewis 1997; Hasseldine et al 2001; McKerchar and Evans 2009) and at the same time trying to maximise voluntary compliance (Levi 1988; Cullis and Lewis 1997) within the field.

### **Fiscal decentralization**

- The decision to fiscally decentralize or locally manage the tax is tied to government's *decentralization policy* (Bird and Vaillancourt, 1999; Smoke 2001; Bird and Slack 2002; Bahl and Wallace 2005; Bahl and Martinez-Vazquez 2006; Bahl and Cyan 2011) but it might not be a preferred choice if administration costs are likely to increase along with inadequacy of funds for local services (Brueckner 2009; Bird 2011).
- The decision is influenced by *political, social and economic issues within the environment and also stakeholders attitude* (Asher 2002; Ribot, Agrawal and Larson 2005; Bahl and Wallace 2005); Brueckner 2009; Bahl and Cyan 2011; Bird 2011 Carbonetti et al 2013)

- Fiscal decentralization carries a number of perceived *benefits* including building a tax compliance tradition and also increasing tax morale (Guth, Levati and Sausgrubber 2005). Other benefits include but not limited to improved governance, more intensive use of the property tax, increased accountability and transparency, reduced corruption and increase in citizens' voice (Bird and Vaillancourt 1999; Robinson and Stiedl 2001; Smoke 2001; Shah 1994, McCluskey and Franzsen 2005; Fauget 2012, 2014) all of which will help to improve tax morale. Strengthening of these institutional issues will improve tax compliance (McKerchar and Evans 2009).

#### 4.6 Interview process

Based on my research design and the objective of my research, I conducted thirty-two face- to-face semi-structured interviews with two in a group setting. However participants from three of the one-to-one interviews asked their colleagues and or subordinates to join in the discourse. In one of those interviews, at the wrapping up point I asked the participant *'do you wish to say anything else to me concerning ...?'* The respondent, a senior tax administrator, interviewee 17 immediately said, *'let me ask my people from my department to talk with you...'* inviting her five subordinates (compliance officers) to join the interview. Invitations to have these to join suggested that there was a level of trust and openness of the interviewee, a willingness to share as much data as possible and also giving the opportunity to 'lower-status' (Heiskanen and Newman 1997, Myers and Newman 2007) participants to give additional insights adding to the richness of the data as demonstrated in this case. Another one of these interviews detailed insights into the property tax system were provided as both participants used the interview as a platform to flesh out 'black box' property tax matters, demonstrating some of the existing tensions between actors within the field. This was quite useful for my research as it provided rich data. Generally the interview participants were welcoming, open and ready to talk. Arriving for one interview, interviewee 14A, a senior tax

administrator said *'oh, it's you, I am glad we are having people doing research in tax...'*

For the most part in conducting the interviews, I took a pragmatic approach, i.e. I assumed whatever posture was necessary in order to obtain the data: whether that of a 'miner' or a 'traveller'(Kvale and Brinkmann 2009, 18) i.e. unearthing data but also created stories or a 'romanticist' where I tried to establish an excellent rapport with my respondents, in order to gain their trust and commitment (Alvesson 2003,16). Despite the assumption of these postures, two of my respondents appeared to be 'cautious and superficial' (Alvesson 2003) in their responses but became relaxed in our post interview 'chit chat' revealing rich data on property tax policy issues. None of these post interview conversations were included in my thesis. One of these participants observed me to see whether I was recording these post interview conversations. This suggested a lack of trust.

Humphrey and Lee (2004) suggest that one of the pitfalls of conducting interviews is the cancellation at last moment of the interview. I suffered this fate.

Another limitation with interviews was the reluctance of participants in being recorded (Horton, Macve and Struyven 2004). Luckily, all interviewees gave their consent with the exception of one. Recording the interviews provided me with the freedom to concentrate on the topic and dynamics of the interview such as words, tone, pauses (Kvale and Brinkman 2009, 179) while the interview was being recorded. Each record is stored on the university's database. Having them recorded and permanently stored allowed me to revisit the recordings for verification and clarification. I listened to the recordings several times to get myself immersed in my data. In the case where the interview was not recorded, the data was not as accurate because I relied on my memory.

There was another challenge, that of getting past the 'gatekeepers' - secretaries, public relations personnel, communications officers or personal assistants of some senior participants in some organizations. Some organisations in Jamaica especially the larger and government ones are hierarchical in structure. The 'gatekeepers' were the first point of contact for some senior officers, potential interviewees. I persisted and persevered

through several emails and telephone calls, remaining composed, politically correct, warm, pleasant and polite until a firm date was received for the desired interviewee.

Whilst no interviewee requested copies of their interview script, I received three requests for copies of my thesis with one being a condition for participation. Each expressed the belief that my study will be of value to their respective organisation and the property tax field in Jamaica.

#### **4.6.1 Interview schedule**

Creswell (2004) suggests that qualitative research takes place in the natural setting as the researcher normally goes to the site of the participant to conduct the research. He argues that this gives the researcher an advantage as the researcher is able to develop a level of detail about the individual or place and also gives the researcher the chance to be involved in the actual experiences of the participants. Interview sites varied, whilst most were conducted in the natural setting of the interviewees, i.e. their office or homes a few did not fit into this scheme. Four were conducted at the researcher's home and one in a fast food restaurant. Interviews conducted at interviewees' office had a particular advantage in that interviewees had access to data from their colleagues and records, and it also gave me the opportunity to be a part of the interviewees' experience. But on the other hand, it was distracting at times in that the interviewees were interrupted by telephone calls or by walk-ins from their colleagues. One of the interviews involved members from an unplanned community, I was able to see the issues that affected these residents. At three sites (restaurant, residence and at an office), the surroundings were particularly noisy. I was concerned about the quality of the recordings. However, after listening to the audio recordings, the quality was clear and the voices were distinct and audible.

Thirty two interviews were conducted in two phases. In the first phase, I conducted two 'exploratory' interviews in July 2012 over a two week period. My plan was to do three but one person did not respond to my invitations despite my many attempts. These interviews were done in order to establish among other things: access to major players in the property tax field; to give direction



to my research questions; to see the sort of detail that participants would likely give; to establish the topical issues in property tax field; to see where the interests of the actors lie; to help me to gauge the questions that I could possibly ask; to test people's willingness to respond to requests for interviews; to improve and build my interviewing skills and finally to improve my confidence level. These two interviews were invaluable and the findings were rich. Consequently, I incorporated them along with my findings from phase two in Chapters five to Chapter seven .

Following the transcription and analysis of these interviews, I further reviewed the property tax literature and engaged in other literature based on issues that arose from these interviews. For example fiscal decentralization and tax morale. I then spent time preparing for the second phase.

The preparation included deciding on the general themes along with a second set of research questions with associated objectives, i.e. modified those used in the first phase; sought funding, prepared the list of potential participants, made travel arrangements and made initial email contact with my potential participants. Before going to Jamaica, I made some initial contacts, and blanket confirmations subject to the confirmation of interviewing details on my arrival in Jamaica.

Phase two was conducted February 2013 to April 2013. During this phase, thirty interviews were conducted including two scheduled group interviews. The interview participants were drawn from different interest groups in the property tax field: residents/taxpayers, tax administrators and professionals, politicians, members of civil society and the business community (Appendix 5). It was challenging confirming with some interviewees particularly politicians and tax administrators. It was a busy time for Jamaica. It was the middle of tax season- end of year of filing of returns, plus it was the close of the property tax year. This was compounded by the fact that policymakers, tax administrators, government bureaucrats were busy dealing with property tax policy changes which became effective on April 1, 2013. But all these were good in that the property tax was a topical issue and it seemed as if people were more willing to talk.

My list of interviewees came from a number of sources: referrals from my exploratory interviews, internet searches, government reports, my professional and social network. Whilst it was not difficult to make contact with people from my professional and social network, the challenge was in convincing them to participate. Some viewed the interview as a way of testing their technical and professional knowledge on property tax and even felt that they had to 'study' or read up on property tax before giving their consent. I reassured them that the interviews were not about testing their technical and professional knowledge but rather was a way for them to share their views, opinions, experiences and perceptions of the property tax field.

For those persons for whom I received referrals or through reports, for which I had no direct contact, I conducted internet searches or used my professional and or social networks to obtain their contacts, contacting them was a challenge. Sometimes the internet information was outdated. Where this happened, I relied on my social network. A contact through my social network was particularly fruitful in making contact with a potential interviewee who eventually agreed to be interviewed and also provided me access to key players in the property tax field.

Before proceeding on to the next interview, I listened the previous interview(s), reflected on them to ascertain what is relevant for the upcoming interviews. I also attempted to transcribe if there was time. Sometimes, depending on who the next interviewee was, it necessitated me reviewing a number of interviews. Reviewing and reflecting on the previous interviews gave me the opportunity to correct the mistakes I made and also to modify some questions for the next interview (Miles and Huberman 1994). When I wasn't conducting interviews, I spent time reviewing and reflecting on interviews, adjusting my interview list, contacting potential interviews, confirming interview details and transcribing.

I prepared an interview guide which had the major themes, research questions emphasising different areas based on the interviewee being interviewed. For example, interviewing cabinet ministers, the emphasis concentrated on policy issues. Usually my first question in each interview was one which I perceived

the interviewee would be willing to answer and I then I moved to those which were more involved and intense.

After completing the 32<sup>nd</sup> interview, I believed that I had reached saturation point (even though I wanted to interview one other person) as I had adequately covered the various bases based on what I had set out to do and what the participants wanted to tell me about the property tax field. However, while analysing and writing up, I noticed that there were some gaps in the data, so I followed up with emails and telephone conversations with selected participants.

#### **4.6.2 Ethical considerations**

At the start of each interview, I introduced myself, advised the interviewee of the purpose and nature of my study outlining the ethical issues. Most times, before commencing the questioning, I engaged the interviewees in pre-interview discussions which served as 'ice breakers' i.e. putting both participant and interviewer at ease paving the way for a more relaxed interview atmosphere. There were occasions when I was invited to the interviewees' office while the interviewees concluded or finalised a task. This afforded me the opportunity to observe the interviewees performing their job.

All ethical issues were taken into consideration before, during and after each interview. I received approval from my Business School (see Appendix 7). I prepared an informed consent form for each participant to both reaffirm my oral representations on the ethical issues involved in the study and for the interviewee to keep a copy for reference (see Appendix 3). All participants signed with the exception of one who forgot to sign in his haste to join his colleagues for a game of football. Additionally, at the start of each interview, participants were advised of their right to withdraw at any time, that their participation was voluntary, that the data would be used for academic purposes only; that their confidentiality and anonymity would be maintained. (Kvale and Brinkmann 2009; Silverman 2010). I also requested their consent to record the interview showing them the devices that I would be using.

In the main, most participants instantly agreed to be recorded but some were initially hesitant, reasoning for a moment or two on being recorded, but eventually agreeing. At no time, I attempted to persuade or influence them in

making the decision. One participant declined to be recorded. This particular consent form was to adjusted to reflect the interviewee's decision.

#### 4.6.3 Sample selection and participants

The participants selected were actors who were intimately involved in the property tax field and or had a strong association with the **PMC** and or local government. Players included current and previous residents of the **PMC** including residents from an unplanned community, senior government bureaucrats, senior tax administrators, a developer, a tax professional, members of parliament (including current cabinet ministers), councillors, mayors, former politicians (including a former prime minister) and civil society. Since, my objective is to gain a better understanding of the existing realities of the non-localization of the property tax and issues relating to enforcement and compliance practices in the **PMC** from the interviewees' perspective, it was critical for me to choose the right participants, to meet the objective of depth, rigor and richness. With this in mind, I used purposive sampling which I considered was the most appropriate way to fulfil this objective of richness, rigor and depth (Marshall 1996; Merriam 2002; Silverman 2010; Tracy 2010). I believed that the use of say random sampling was inappropriate (Merriam, 2002; Marshall 1996) as this wouldn't enable me to deliberately choose the participants to get the desired richness of data. Additionally, I didn't have to say, fulfil the condition of interviewing a prescribed number of participants but rather the number of interviews was dependent on whether I thought I had enough descriptions and explanations based on my research questions. This sample therefore included subjects with specific experiences, special expertise and outliers. Before knowing who the final participants would have been, while in the field, I left myself open to include additional interviewees based on recommendations from participants who were selected to be interviewed (Marshall 1996). Thus the final selection of participants was based on my judgment that the selected participants provided me with the richest data that I could have gotten based on the research questions, making them the best candidates based on the desired insights and understanding that I thought I wanted (Marshall 1996) influenced by my literature review on property tax.

For example, I chose a particular politician, because of his perceived knowledge of the **PMC**, his understanding of fiscal decentralization, his knowledge on issues relating to revenue raising in the local authorities, his understanding of the various constituents which he serves and the relationship between fiscal exchange and tax morale. On the other hand, I chose persons from the unplanned community (outliers) who do not pay property tax, so they could share experiences as to why they don't pay; to understand how the non-payment of property tax impacted the delivery of services in their community, how the non-payment of property tax impacts their interactions with the **PMC** and what plans they have in place to pay their property tax.

In concluding, because my aim is for depth, richness and rigor (Miles and Huberman 1994; Marshall 1996; Tracy 2010) i.e. obtaining a deep understanding and not to make generalisations (Marshall 1996) but to give generous, unstinting, bountiful, descriptions and explanations (Weick 2007, Tracy 2010, 841), the sample size was context driven and studied in depth (Miles and Huberman, 1994). When I got to the 32<sup>nd</sup> interview, I believed that I had gotten sufficient explanations but as already mentioned while analysing, I noticed that there were some gaps in the data, so I went back to some interviewees via email and telephone conversations to obtain the additional data.

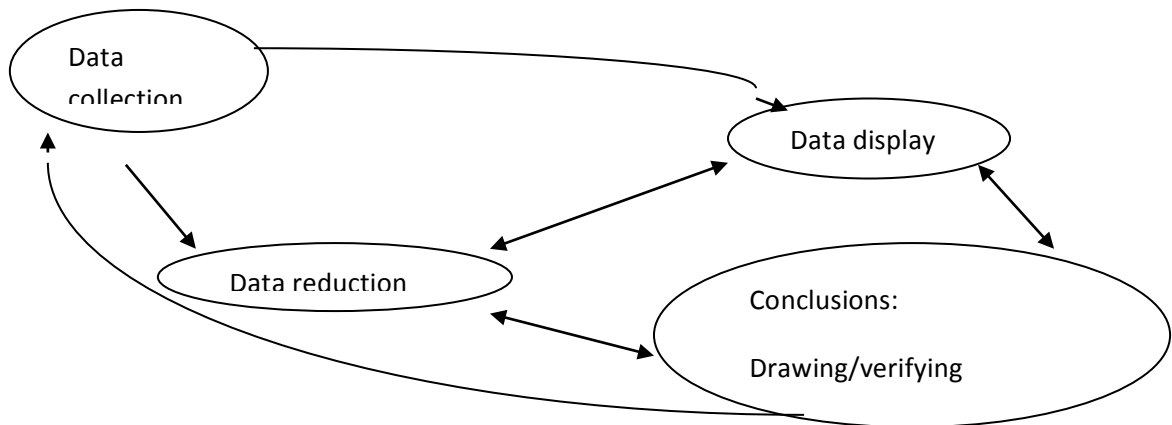
#### 4.7 Data analysis

As previously explained, my research method was mainly interviews, thus my data was mainly in the form of words. The transcripts, post-interview notes and email correspondence prior to and after the interviews made up a lot of data requiring detailed analysis. The challenge was therefore for me to analyze and make sense of all this data. Miles and Huberman (1994); Silverman (2010) suggest that one of the major strengths of qualitative data lies in the competence of data analysis as it's out of data analysis that the interpretations are arrived at. I found the data analysis stage as the most laborious and intense but the most important (Miles and Huberman 1994) in my study. According to (Miles and Huberman 1994; Silverman 2010, 234) data analysis consists of three concurrent stages: data reduction; data display or classification

and conclusion or interpretation. The following is a diagrammatic representation of the stages of data analysis in the iterative mode which represented how I did the data analysis.

*Figure 4.3*

*Diagram of data analysis process: interactive model.*



**Adapted from Miles and Huberman 1994**

**Figure 4.3**

As seen from the diagram, data analysis is an iterative process, all the elements were performed simultaneously throughout my study with most of the time spent in reducing the data to facilitate the drawing of conclusions. It was particularly important for me to perform all functions simultaneously during the data collection process as the processes of data collection, data reduction, data display and the drawing of conclusions influenced my data collection. The rationale for doing them all at once during this period and during the data collection period was that it informed me of gaps in the data collection. For example, while in the field, after each interview, I listened and reviewed the previous interviews before conducting the next interview. I attempted to transcribe and if unable to transcribe, I made notations. By doing this I was able to identify gaps (Miles and Huberman 1994) from the previous interviews, which led me to modify my questionnaire in some instances, and in some cases influenced my decision to amend my list of potential interviewees.

Constant review of the interviews and my transcripts pointed me in the direction where I felt I had enough data or where I reached saturation point.

Data reduction is the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written up field notes was an iterative process (Miles and Huberman 1994) and this characterized my actions throughout the duration of my study. Before I went in the field I did “*anticipatory data reduction*” (Miles and Huberman 1994, 10) narrowing down my themes, research questions, conceptual framework etc. Data reduction was largely iterative (Miles and Huberman 1994) allowing for the shrinking of the data to draw final conclusions. A part of data reduction was transcribing the data. The data transcription was labour intensive and repetitive but nevertheless was enlightening and enjoyable.

I received professional assistance to transcribe eight of the thirty two interviews. For the professionally transcribed interviews, I listened to the recordings, made some minor corrections, and incorporated those corrections into the transcript, for example punctuations that would emphasize certain points and to correct some words that were used which may have been misunderstood by the transcriber. To ensure accuracy of all the transcribed texts, I read the transcriptions while listening the audio recordings. I was careful to note the pauses, emphases of certain words, quotations, use of colloquial words, where sentences run into each other and noting the interviewee’s tone as well. I found this to be important and enlightening as the correct sentence structure sometimes gave a whole new meaning to the data. Additionally, the interviewee’s tone and the use of some colloquial words or jargon sometimes revealed the interviewee’s true feelings about particular issues.

My data is presented as an organised compressed extended text supported by tables to make reading easier, more manageable and understandable for the reader.

Transcribing data can be an overwhelming and labour intensive activity (Miles and Huberman 1994). To ensure the quality of the transcriptions, I repeatedly listened to the interviews, I also read the transcriptions while listening to the audios. Interviews with more than one participants were particularly

challenging to transcribe but were rich in descriptions as respective individuals gave additional insights into “black box” property tax issues especially when they had divergent views as was the case with two senior tax administrators.

Following each interview, I transferred both audio recordings to my laptop- the university’s database giving a pre-assigned code to protect the identity of the interviewee(s). Interviewees are only identifiable in the audios if they gave their names in the introductions.

I used two recording devices; a small digital tape recorder and an Echo pen. These were not intrusive and therefore less distracting to both the interviewer and interviewees with each serving as a backup device in the event one should fail. Additionally, the quality of the audio recordings was good. In the first phase of my interview, I used a digital tape recorder and my laptop as a back-up. Although the audio recording quality of the laptop was good, it was cumbersome and invasive especially when the interview was offsite, therefore the change to use two small devices.

Following the transcription of the data, I entered the coding phase, here I used a computer assisted qualitative data analysis software (CAQDAS) based on my research and discussions with colleagues on the advantages and usefulness of using CAQDAS. Qualitative data is bulky, thus it is important to have some sort of mechanism or tool to assist in the management of this huge volume of data. Thus CAQDAS was chosen to assist me in the more efficient management and retrieval of the data (Bringer et al 2006; Liamputtong 2009, McKerchar 2010, 247) for the enhanced transparency in the data analysis process and also for the help it provides in seeing the connections in the data (Bryman 2008, McKerchar 2010). However, I was mindful that using CAQDAS may lead to the fragmentation of the data thereby losing its ‘essence’ and depth of meaning the foundation of qualitative research (McKerchar 2010). To counter this, I always sought to maintain the *storyline* so as to keep the data contextualized by referring back to the respective interviews to ensure that the context and depth of the data were being captured.

Having decided that I would use CAQDAS, I chose QSR NVivo on the following bases: it carried the advantages associated with using CAQDAS software;



secondly it was easy to learn and manipulate, thirdly, this software was supported by and provided by my university for qualitative researchers. The university took care of licensing and IT issues. Additionally, I obtained assistance from colleagues, plus YouTube carried a range of online tutorials which were quite useful. It's an excellent data management tool which executed some lines of interrogation and performed text searches across my entire data sets. NVivo was also useful as a storage medium for my interview documents. NVivo facilitated data queries or interrogation and analysis. It also aided me in my literature review. I relied on it extensively to assist me in the coding process primarily as the means to organise my coded data.

I also used Microsoft word and manual method to support NVivo. Microsoft was useful when I probed data with respect to individual interviews.

After transcribing each interview, I read and I reflected on each one developing a *storyline* and *themes* for each interview. This developed my familiarity with each interview, so that I could match the respective storylines with the respective interviewees which aided me with the coding. I uploaded each interview into NVivo along with the audio recordings and commenced coding which was iterative, time consuming and laborious.

Coding is 'analysis...differentiating and combining the data making reflections' and thus it was an ongoing, iterative reflective process (Miles and Huberman 1994, 56). I used codes to label or tag chunks of connected data and I also used them for data retrieval (Miles and Huberman 1994). The final codes are displayed in Appendix 1.

The coding process began with those themes that I used for the interview process, modifying them by adding new themes and subthemes generated from the raw data paying attention to concepts and terms used by participants (Barbour 2008) simultaneously discarding those that I thought were inappropriate. In developing the final codes and sub codes, I looked at those codes that seemed to capture what was happening in the property tax field, i.e. those that were compelling and seemed to resonate with the respondents. I reviewed the storyline of the main code/theme, then questioned what is it that the data is trying to say about this particular issue, fleshing out the various aspects with each aspect forming a sub code or sub theme. In all of this, I

ensured that every line or every word was coded. I was careful also to present the opposing view point.

## **4.8 Limitations**

This study carries a number of limitations which are acknowledged hereunder. The qualitative study on property tax practice in an urbanised municipality with data collected from thirty-two interviews in the field is not statistically generalizable. However the objective of the study is not to provide generalisations but rather to obtain a deeper understanding of property tax practice as discussed in section 4.4.1 and also for the development of theory. However the findings carry policy implications for both Jamaica and other countries internationally. Chapters five to seven with the findings provide evidence of the developed theoretical framework on interpretations of the findings. All the data weren't confined to participants from the property tax field in Portmore as discussed in section 4.4.3. Portmore is a unique dormitory town with noticeable political, social and economic differences. An argument could be made that if participants were drawn from Portmore only, the results probably would have been different. But this probably would be unlikely. Seeing that property tax is centrally managed, it was important to obtain perspectives not only from Portmore but also from the wider cross section of actors in the property tax field which adds to the rigor and richness of the data. A second limitation was obtaining secondary data<sup>63</sup> not in the public domain. I made several requests by way of the interviews, then by email and telephone reminders but received no response. I believe that the secondary data would have helped to corroborate the empirical evidence adding richness to the findings.

### **4.8.1 Subjective judgment**

Subjective judgment comes with the use of an interpretive methodological approach, the truth claims that I have made are relative to my ontological and

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<sup>63</sup> Documents requested included Portmore's budget for the past seven years (this would provide details of property revenues collected and those allocated by the Ministry of Local Government; a breakdown of the property tax revenues for Jamaica and Portmore's Citizen's Charter

epistemological assumptions (Sandberg 2005). The nature of qualitative methodology demanded that I be a part of the lived environment of the actors, and therefore I provided the interpretations as one experiencing the field. Additionally, my interpretations are influenced by my own historical, cultural, and linguistic understanding or reality, my education, my socialization, my professional experience (Sandberg 2005) and also my intimate involvement with Portmore seeing that my permanent home is there. The issue therefore is how I justify that my knowledge claims are true or feasible in the light of the foregoing.

Throughout the study, I engaged in continuous self-reflexivity: I tried to be honest and frank about myself, identified my weaknesses, shortcomings and my strengths, leading me to understand who I am, the purpose of my research and who is my audience (Tracy 2010, 842). I also reported my own voice as an active participant in the field (Merriam 2002). This self-reflexivity heightened me into deep critical thinking and reflection which was intensely subjective and spiritual (Tracy 2010), a process which helped me to get to the knowledge claims I made.

Secondly, in the initial phase of the project that is before and during the interviews, I developed a 'community of interpretation' (Sandberg 2005): I sought to develop an understanding of what my project is about between the participants and me. My initial invitation letters, letters of consent, email and telephone conversations to my participants contained this and at the start of each interview, this was reconfirmed. In this way, my participants and I referred to the same object being researched. Thirdly, during data analysis, I sought to develop a circular relationship between the different parts of the data. In other words, the data reported say on an area was not looked at in isolation but was analysed in relation to all the parts and the whole. In doing this I was able to see the big picture with the conflicting views. This strategy enabled me to give a coherent interpretation supporting the communicative validity of the knowledge claims(Sandberg 2005).

The literature argues that truth is achievable through dialogue (Gadamer 1990,1994, Sandberg 2005). Throughout my research, I discussed my

knowledge claims with different groups of interpreters to see how feasible they were. These discussions helped to refine, confirm and in some situations challenged those claims I made giving me the opportunity to rethink and adjust them.

I had the situation in the study where some participants seemed to pass on data through impression management, storytelling or through cultural scripts which I identified was not their reality. To get to the reality, what I did was to ask follow-up questions. For example, in an interview involving two participants from an highly regarded community<sup>64</sup>, one of the participants was careful not to reveal his compliance status giving the impression that he was a compliant taxpayer. However, as the interview progressed and with further questioning, it was revealed that he was an evader for many years having been threatened with legal action from the tax authority.

Another strategy that I used to validate my interpretations was through participant observations. Most of the interviewees were observed in their own settings during the interviews: I got the chance to see the connections of what they said and making comparisons with my interpretations.

Although I strived for coherent interpretations, this may have caused me to overlook some forms of ambiguity, complexity and multiplicity in the property tax field. I engaged transgressive validity (Sandberg 2005) to seek out those taken-for-granted frameworks within the field. Here, I carefully searched for differences and contradictions in the lived experience. For example, in searching to understand why forfeitures are not used as a strategy, I repeatedly read the transcripts which carried a particular line on the issue checking it against other perspectives or opposing views continuing the exercise until I found the truth. Another thing that I did was to include a wide range of voices from the field including women, various types of property owners and occupiers, different age ranges and people from various communities and sectors within the field.

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<sup>64</sup> The nature of this participant's career required him to be compliant. Additionally, the participant was from a community where the expectation was that people from these communities would be compliant.

Finally, to ensure that my interpretations are reliable, I continuously controlled and checked my interpretations throughout the research process, that is, from the research questions, selecting interviewees, gathering and analysing the data. As mentioned in my opening paragraph, I continuously dealt with my subjectivity instead of overlooking it, I was continuously reflective throughout the process. I carefully interpreted the findings through the Bourdieusian theoretical lens, the methodological perspective that I used as the lens, also drawing from the interdisciplinary nature of taxation.

#### **4.9 Summary**

This chapter described the main approach taken to the study as well as presented the three research questions and their related objectives. A detailed explanation was given of the interpretive approach and why it was taken. The suitability of the semi-structured face-to-face interviews was given, outlining the interview process, schedule and basis for the sample selection and the ethical consideration outlined. The study's conceptual framework was presented in two stages: a description of the framework of the property tax field and the key theoretical concepts from the main strands of the literature for the study; tax administration including property tax administration; fiscal decentralization and Bourdieu's theory of practice which provide the lens for the interpretation of the findings as demonstrated in Chapters five to seven. The next three chapters provide the discussions, analyses of the findings within the context of the theoretical framework all of which serve to increase our understanding of property tax in practice. Chapter five looks at enforcement, chapter six, non-localization of the tax and chapter eight compliance issues.

## Empirical findings

### 5.0 Chapter 5 - Property tax enforcement practices

#### 5.1 Introduction

This chapter provides the findings, discussions and analysis of the findings in relation to the first research question. **Research Question One:** *What are the main property tax enforcement practices and how do the tax authority and policymakers use their capital to shape these practices?*

*Objectives:*

- To gain insights into some of those issues and circumstances which contribute to weak and selective enforcement practices
- To establish how policymakers use resources to gauge property tax enforcement, indirectly emphasising the large tax types
- To provide insights into how the tax authority and the policymakers use the enforcement field as a site of struggle and resistance
- To provide insights into how Jamaica's land tenure history and culture shape enforcement strategies
- To provide an overview of the reminder system; to establish how the tax authority uses it as a means to support government policy, extract resources from the local authorities and to maintain and enhance its dominance and visibility in the community
- To provide insights into how the tax authority uses the judicial system as means of demonstrating its disagreement with the lack of adequate resources and its lack of trust and support of the court system

Firstly a number of observations is presented in 5.2 concerning the tax administration's enforcement practices: 5.2.1 weak enforcement; 5.2.2 taxpayer profiles, risk and audit and 5.2.3 enforcement resources. This is followed by the discussions and representations surrounding the non-use of forfeitures in section 5.3.1; section 5.3.2 discusses enforcement on small residential taxpayers, non-enforcement on renters and squatters; section 5.3.3 enforcement in relation to large land barons; section 5.3.4 enforcement through

the provision of third party information; section 5.3.5 the reminder system; section 5.3.6 the judicial system. Section 5.4 summarizes the chapter.

## 5.2 General observations

### 5.2.1 Weak enforcement

Some interviewees expressed concern that there was a problem with enforcement practices by the tax authority, in that the tax authority was not strict about enforcement. In this regard, a taxpayer, interviewee 25A argued that non-enforcement was pervasive, that everybody in Jamaica was able to get away with evasion because tax enforcement and tax collection weren't that serious. Interviewee 25A, also believed that there was no strict property tax collection so taxpayers were able to owe property tax for many years without being bothered until there was an amnesty. The interviewee concluded his point by saying, *'if you don't really want to commit to paying...every year, you have a choice, nobody will come at you (Interviewee 25A/Taxpayer)*. A legislator, interviewee 8 expressed dissatisfaction at the level of evasion and also suggested that the tax authority should bring the 'boom' down on evaders. A member of civil society, interviewee 22 stated that there was non-compliance amongst a large cross section of persons and companies on account of weak enforcement according to a tax professional.

Some interviewees singled out specific groups of taxpayers who evaded tax. A senior manager, interviewee 20B from a local authority stated *'in Jamaica, the big men don't pay tax'*. This view was confirmed by a taxpayer, interviewee 26 who said *'the rich evades tax altogether as they don't see it back in their community...'*. Yet, another taxpayer, interviewee 30 perceived that the tax authority was not aggressive in enforcing on professionals arguing that *'doctors and lawyers in Portmore not (sic) paying tax on their income that they earn in Portmore and they try to avoid or hide the income to pay... and that is something that the government goes after more forcibly than the property tax, then who is going to remember the property tax?'*

In discussing property tax enforcement with a senior tax administrator, interviewee 16 the researcher posed the following question: *Should voluntary organizations be asked to assist in property tax enforcement and if so what would be their role?* The administrator expressed doubt about the viability or practicality of such a partnership attributing this to people's attitude or habitus or the culture towards tax paying as demonstrated in the literature (Bahl and Wallace 2007; Tennant and Tennant 2007). The following quote reflects this:

*'But guess what happen, this could not happen here, because most of the people don't pay tax here. So you can't be fighting people to pay tax and you not paying. Because sometimes I will be listening to the radio and hear some people talking about what the government need (sic) to do...Yes, but these people do not pay tax and what are they talking about. **I am sitting there and I know that these people do not pay tax. But what can I do, I have to keep quiet.** I sit in my house and hear and I say the individual don't (sic) realize what they are saying, who is paying for that? (Interviewee 16/Senior Tax Administrator).*

### **5.2.2 Profiling taxpayers, risk management and audit**

Another observation in the findings that impacted tax enforcement was the absence of taxpayer profiles (Cullis and Lewis 1997) by the tax authority. The authority had no formal profiles for use in their enforcement activities. A senior tax administrator, interviewee 16 stated... *'we don't know (the) taxpayer, we have no idea...of the ages...of a person's profession...employment status...we do not have that information'*. This statement was rather interesting and telling suggesting that the tax authority didn't seem to know who they targeted or serviced (Cullis and Lewis 1997) or seemed to know what motivated or influenced taxpayers' compliance (Allingham and Sandmo 1972; Cullis and Lewis 1997; Cowell 1999; Torgler 2005; Alm and Torgler 2006; Kornhauser 2007) or taxpayers' relationship with the tax authority, a method to gauge their response or to regulate them (Braithwaite 2002).

Additionally, the findings revealed that the tax authority didn't engage a risk based approach nor was there an enforcement strategy for property tax. In this regard another senior tax administrator, interviewee 14A pointed out that there



was no risk management (Bird and Vazquez-Caro 2011) or segmentation strategy whether by geography or demographics. The interviewee further explained that with the exception of setting up a collecting station in Portmore, and the strategy to have additional outstations to support the twenty-nine collecting stations to facilitate enforcement and compliance, there was no other strategy in place. This senior administrator, interviewee 14A justified a non-risk based enforcement strategy to the **IMF's** dictates (Stewart 2008). The interviewee suggested that when a risk assessment was done of all taxes i.e. their ability to contribute towards the national revenue goals as dictated by the **IMF**, property tax fell at the bottom of the scale as its contribution towards national revenues was minimal; thus the concentration was on meeting the revenue goals of the large taxes leaving the property tax behind. This is what the senior administrator said:

*'...come last year September,... we were going to be losing..., about J\$5b in PAYE. GCT was wobbling, SCT wasn't performing and we (were) projecting that we were coming in below 97%, we knew we had to hit 97% or more to meet the numbers for the IMF. When we look at the number, if we look at property tax double, it don't (sic) change. We were looking at an \$11b so we would have to double property tax then. And if we double it, we would still have J\$5 (outstanding)...(Interviewee 14A/Senior Tax Administrator)*

This senior tax administrator, interviewee 14A stated that the absence of a risk based approach led to the underestimation of the number of parcels in some areas. For example, the participant stated that with the new planning dynamics and planning laws as confirmed by (Gill 2000), Portmore was never taken into consideration and was never treated as a strata which accounted for the exclusion of some properties from their compliance model. However, the interviewee stated that corrective action was being taken which utilized a risk assessment approach. The following quote reflects this:

*'We have been changing and...we are seeing the dynamics of compliance in a sort of risk basis...Where, maybe we take a parish like say Hanover or St Mary; maybe those parishes will have property tax*

*having a greater significance than say a Kingston. A Mandeville would have that factor, because it is,...when you look at **PIOJ**<sup>65</sup> report bauxite is not as big as we think. But you have other economic drivers, wholesales, retail right, so property tax is important. So we know it is a high value housing area, property in Mandeville is expensive, Manchester in general...Montego Bay is a good example,...one of the reasons is the high level of villas...and a lot of absentee owners. So if we push that, that is likely to be collected (Interviewee 14A/Senior Tax Administrator).*

In terms of property tax audits, two interviewees: a tax professional, interviewee 18 and former administrator for sixteen years along with a senior tax administrator, interviewee 14A confirmed that the use of property tax audits weren't a practice in the enforcement field. Interviewee 14A, senior tax administrator however stated that he didn't perceive any problems if the practice were to be introduced despite the absence of **TRN**<sup>66</sup> numbers in the property tax base. Interviewee 14A, senior tax administrator further debated that property tax audits could be an easy fix, requiring no special framework, adding that they could 'piggy' back on the other tax audits. Interviewee 14A, senior tax administrator, perceived that such audits would be particularly useful in areas which carried a high concentration of trading and business activities.

### **5.2.3 Enforcement resources**

A tax administrator, interviewee 14A stated that even though the penalty and interest provisions were not draconian there was little voluntary compliance necessitating the tax authorities to carry out a lot of enforcement activities which were costly (Levi 1988; Bahl and Cyan 2009; Bahl 2009). Bahl (2004)

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<sup>65</sup> PIOJ – Planning Institute of Jamaica

<sup>66</sup> Tax registration number- this is a unique nine-digit identification number assigned to each individual taxpayer, business enterprise, organization (non-profit, partnership, charity, etc.) by way of an automated system. The TRN is needed to transact business with other institutions e.g. banks, schools, examination boards etc. The number must be used when conducting business transactions with Tax Departments or Government Agencies.

<http://www.jamaicatax.gov.jm/index.php/2012-05-14-21-28-18#WhatisTRN> retrieved December 19, 2014

articulates that tax administration should be seen as a production process and in this regard adequate inputs such as staff, technical support and equipment should be given to carry out the process. The findings suggest that the tax authority was hampered in its enforcement efforts by resource constraints: monetary; human, equipment and technological which appeared to be a consequence of Jamaica's tax policy.

A key issue in any country's tax policy is the level at which the tax is managed as discussed in the literature review as articulated by (Bird and Slack 2006; Sepulveda and Martinez-Vazquez 2011, 2). Despite the local government reform of 1993/94(see section 2.3.1) which passed on local management of the property tax to the local authorities, findings from the field suggest that this is not yet a reality. The issues concerning the reasons for lack of local management of the property tax are fully discussed in chapter six.

A senior tax administrator, interviewee 14A in discussing the duties of the tax administration stated that among other things, *it's primarily to administer the legislation relating to tax, the main..* Of note here is the absence of any reference to the property tax. The property tax is not a major contributor to national revenues (Sjquoist 2007; Cornia and Walters 2010) nevertheless it's critical to the survival of the local authorities as confirmed in the findings and supported by the literature. Based on its nominal contributions to the national revenues, not much resources were dedicated to the enforcement and compliance confirmed a tax administrator. This was confirmed by a government bureaucrat, interviewee 2, who stated that historically little or no attention was paid to the property tax. Property tax revenues were paid into the consolidated funds with the local authorities receiving a deficit grant or given some funds in lieu of the property tax collected. But there was a policy shift in 1993 according to the bureaucrat (Policy 1993) and property tax was made a dedicated fund to cover street lighting, garbage disposal and beautification.

An essential part of the reform programme the interviewee continued was also to allocate to local authorities adequate and independent sources of revenues(including the property tax) to cover these services. The reform also called for local authorities to have a greater say in the fixing of the property tax

rates and also gave them power to introduce a system of indexation to remedy the lengthy revaluations according to the bureaucrat, interviewee 2. However, the local management of the property tax never passed to the local authorities and at the same time, much attention was not given to it by the central government. This attitude towards the property tax was also worsened by Jamaica's association with the **IMF** (Stewart 2008).<sup>67</sup> in that it paid little or no attention to the property tax in piloting the various tax reforms in Jamaica during the last thirty years according to the administrator.

Property tax was never on the agenda. According to a senior tax administrator, interviewee 14A, the property tax doesn't not drive a large percentage of the revenues or it's not a revenue raising tax as confirmed in the literature (Mansfield 1988), thus *the international financial institutions (IFIs) never really got into the debate of the role and function of local authorities as confirmed by (Fjeldstad and Moore 2008) and therefore when they are looking at broadening the tax base, they tend to look at the wider level with the adequacies of the larger tax types like GCT and the income tax focusing more on issues such as tax expenditure, waivers, tax incentives etc.* Additionally, the property tax never really featured in risk management of the production of tax revenues (Mansfield 1988). According to the administrator, the justification for this was that when the risk assessment was done of all taxes i.e. their ability to contribute towards the national revenue goals as dictated by the **IMF**, property tax fell at the bottom of the scale as its contribution was minimal (Sjquoist 2007; Cornia and Walters 2010); thus the concentration was on meeting the revenue goals of the large taxes leaving the property tax behind as previously discussed.

So the senior administrator, interviewee 14A stated that priority in allocating resources were given to meeting the revenue targets of the large tax types leaving the property tax to sort of fend for itself. Thus property tax received little resources to support its compliance and enforcement activities. Tax administrators therefore struggle with the limited resources with which they have to work.

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<sup>67</sup> See (Stewart 2007, Chapter 10) Tax policy transfer to Developing Countries In Global Debates in Taxation (Nehring, and Schui 2007)

## Staffing

The findings revealed that staff shortage influenced property tax enforcement. A senior tax administrator, interviewee 17 in speaking of the Albion Port tax office<sup>68</sup> stated that *'we can't grab everybody' i.e. enforce on everyone, because, it is a wide amount (sic) of persons to be serviced by only two compliance officers.* This office coverage is forty three thousand parcels of land with a delinquency of 51% for the 2011/12 tax year. However, staffing assistance is received from the local authority increasing the complement to eight<sup>69</sup> including two temporary officers used on a needs basis and are important particularly for Sunday work as the tax office doesn't work on Sundays according to this tax administrator. Sometimes the assignment of personnel by the local authority is tenuous influenced by partisan politics, ultimately threatening enforcement activities reported by a mayor, interviewee 9. The following quotation reflects this:

*'...we send people (tax office) and they work... That relationship was almost destroyed the other day because we have three young (people) there working. Their contract expired and the council want (sic) to get rid of the three young (people). And this is why: they were employed when the former mayor was (there). I said, 'Well you can't hold this against the young people... It was the tax lady I saw on the street and she was upset: 'Look at this.' So I went back and said, 'OK, you get rid of three (people) in the middle of the tax season in April and you don't employ anybody?' So I just, this is where I act (sic), cancelled the termination notice, extended the thing and said 'we're going to reorganise the thing and all of you can apply'. I don't play party politics as mayor, that's me. Part of the Jamaican problem is the tribal politics...Nonsense! (Interviewee 9/Mayor).*

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<sup>68</sup> Named changed to protect interviewee

<sup>69</sup> The complement is a manager, two compliance officers plus three contract assigned and two occasional (needs basis) employees provided by the local authority.

## Equipment shortage

The findings suggested that enforcement efforts were also hampered by the lack of equipment: computers, telephones and printers. A senior tax administrator, interviewee 17 from the Albion Port Office stated that the Property Tax Unit had only two computers to be shared amongst six staff members: at times staff members were '*bungled*<sup>70</sup> (*sic*) *around just one computer*'. The problem was further exacerbated because this same computer was also used for printing jobs and telephone calls. Interviewee 17, senior tax administrator explained that the main printer that was used for printing of notices and reminders was also used by staff in the main service area. Consequently, there was competition for its use. Additionally, the staff in the customer service area complained about the noise level from the printer arising from the printing of large batches of notices according to this interviewee. The resolution to this problem according to the senior tax administrator, interviewee 17 was that '*we have to be printing after work or in small batches, sometimes five at time, which slowed up the work*'. Furthermore, in order to catch up on the work, the administrator often times worked alone until 7pm in the nights stating:

*'So it boils down to just me just staying back and doing the work for most evenings. I just do everything, I don't limit myself anywhere, any job, I just do everything (Interviewee 17/Senior Tax Administrator).*

Based on the lack of monetary resources other staff members from the property tax unit weren't asked to work beyond regular work hours because they wouldn't be compensated. But this administrator based on her disposition of wanting to move the work along used her cultural capital to perform the tasks of other staff members as reflected in her comments, '*I just do everything*' (*Interviewee 17/Senior Tax Administrator*)

Whilst concluding this interview, I asked this participant, would you like to tell me anything else about the property tax system? At this point, the interviewee

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<sup>70</sup> Bungle around in Jamaican parlance means huddled together, grouped together. In this case, it would that the staff members are grouped or are crowded around using the one computer at the same time (to be obtain information on this from Ms Smith, what she meant).

invited five subordinates to join the discussions. They confirmed their superior's claim of the lack of physical and financial resources. With regards to the work resources, one stated, that they had to be *'all over the place getting calls from taxpayers...we have to be at this desk and that desk...'*(Interviewee 17A/Compliance Officer) . Another one said, *'the chairs are not working well with our backs'* (Interviewee 17B/Compliance Officer). One remarked about the low salaries *'honestly, the pay is very discouraging, but seeing that you like the job, you would probably bypass it... it is better to have a job rather than not having one'* (Interviewee 17A/Compliance Officer).

But even in the face of limited resources for enforcement activities and poor remuneration, some interviewees expressed dissatisfaction with the tax authority's ability to stem property tax evasion as previously mentioned in section 5.2.1. Speaking of the inadequacy of the online property tax payment portal, a tax professional, interviewee 18 complained of the system's inability to accommodate advanced property tax payments and its incapacity to handle the volume of transactions on the due date. The above resource limitations hampered the tax authority's ability to effectively carry out enforcement activities which may have attributed to some taxpayers' scant regard for the authority. According to a tax administrator some taxpayers made fun of the tax authority's inability to enforce on delinquent taxpayers. Interviewee 17, senior tax administrator stated that some taxpayers have told her that *'they have never paid it (property tax) and they have never seen anybody come to them'*. Another interviewee 17C who is compliance officer attributed this attitude to taxpayers' knowledge that *'we're (the administration) weak, i.e. have limited resources to effectively enforce compliance.*

Weak enforcement practices regardless of the reasons suggest that tax administrators aren't carrying out their mandate to maximise revenue collection and maintain the critical balance between evasion and non-compliance and also to send the signal that evasion will not be tolerated (Slivani 1992). Their failure to maintain this balance may ultimately lead to more tax evasion within the society as non-compliance in one group may encourage evasion in other groups (Traxler 2010). Additionally, through weak enforcement, tax administrators inadvertently redefined the enforcement field by institutionalising

selective enforcement. Weak enforcement also brings to the fore the issue of retributive fairness, that is, some people are punished for evasion while others aren't (Elkins 2009; OECD 2010).

One of the main contributors to weak enforcement was the absence of adequate resources to the authorities by the government. Economic and material resources are powerful and valuable within the field (Gracia and Oats 2012) and are fundamental to successful enforcement. Resources can thus be used as a means to determine enforcement activities as was confirmed in the findings.

Over the years, the disposition of policymakers is the unimportance of the property tax as a significant revenue producer (Rosengard 2012). In keeping with this belief, inadequate resources were allocated to the tax authority to effectively enforce property tax which is a contributing issue in its weak enforcement and poor revenue production. Poor revenue production not only reaffirms the belief that the property tax is unimportant but that it's incapable of producing significant revenues which may further lead to the pattern of continued allocation of inadequate resources in the field. It would appear that, policymakers' action of the government is really a strategy to communicate not only the relative unimportance of the tax but also to dominate and dictate to the tax authority their sphere of influence in the property tax field: the extent of work that they should perform signalling to the tax authority as to which taxes take should take precedence in Jamaica in keeping with the **IMF** dictates. As stated by a policymaker and cabinet minister, interviewee 7, the property tax '*is coming from the same pocket*', thus it seems that the government wants to ensure that the majority from the pocket goes to the larger national taxes. In this regard, the policymakers by withholding economic capital to the tax authority maintains and perpetuates the practice of weak enforcement in the property tax field (Swartz 1997).

### **5.3 Enforcement (non)practices**

As previously mentioned, the perception is that the tax authority doesn't routinely enforce on all segments of taxpayers but concentrate on enforcing on certain segments. The enforcement strategies used result in an average



compliance rate in the low fifties and in some cases less than 30% in some parishes according to tax administrators, a government bureaucrat and a policymaker. The findings also suggest that some enforcement (non) practices may be conditioned by tax administrators' beliefs, or maybe the methods or means by which they struggle with the policymakers in disagreement against the boundaries, laws or policies. The following sections discuss the enforcement strategies.

### 5.3.1 Forfeitures

A feature in the property tax field was the practice of non-forfeiture by the tax authority which isn't unique to Jamaica as confirmed in the literature (Dillinger 1988; DeCesare 2004; Bird and Martinez-Vazquez 2008) and was confirmed by a number of tax administrators. A government bureaucrat however believed that its use would be effective arguing that it was the best strategy to obtain compliance. Although it's not practiced, a senior tax administrator, interviewee 16 debated that it would be 'nice' if it could be used but another senior administrator, interviewee 14B stated that, 'this will *never happen in Jamaica*' and another senior administrator, interviewee 17, *saying this doesn't happen in Jamaica*. Interviewee 14B, senior tax administrator was rather articulate and passionate, emphatically asserting that this will never be a feature in the property tax system because forfeiture was a politically delicate purporting that politicians will never support its use as evidenced in the literature (Bahl and Martinez-Vazquez 2008). This is what the interviewee said:

*'I wait and see, I say, I know that no politician in this country passing (sic) that law...and land is a very emotive thing, any government of Jamaica who decides to take people's land, remember, I tell you, it is not going to go down well (Interviewee14B/Senior Tax Administrator).*

The senior administrator, interviewee 14B further argued that the idea of not seizing land '*probably (came) out of our Slavic experience*', reasoning '*this, was all we got (from slavery) and so it is a very, very, very sensitive issue*'.

Another senior tax administrator, interviewee 14A also posited additional reasons for not using forfeitures as an enforcement tool but nevertheless stated that in the rare situation when it was used, its application was to prime real

estate property only, when such properties were deemed to be beneficial to the government and or if the action was initiated by the taxpayer. A squatter, interviewee 31B taxpayer from an unplanned community confirmed the tax administrator's assertion on the occasion of her relative's prime real estate forfeited to the government for use in tourism development because the property was abandoned by her relatives.

Firstly, the senior tax administrator, interviewee 14A argued against its use on humanitarian grounds purporting that forfeitures *'would be putting a lot of people out of where they lived and it is generational'* Secondly, the interviewee stated that the government didn't need any more lands:

*'...government don't (sic) want or need to have **one iota more piece of land** (author's emphasis). It doesn't want it... because it knows it would maybe get back about half of St. Ann, top Clarendon, St. Elizabeth and Manchester from the bauxite... It really need no more right now and once its government, squatting becomes paramount as a problem to look at' (Interviewee 14A/Senior Tax Administrator).*

Thirdly, the senior administrator, interviewee 14A continued, forfeiting lands created a conundrum or social dilemma for the government and by extension the politicians. The interviewee argued that as soon as some citizens became aware that government owned the lands, they immediately occupy such lands. This interviewee suggested that sections of the Jamaican society made it their business to squat on government lands with the objective of forcing the government to give them the land and in the event that their bid failed, the government was then forced to relocate them, providing them with houses, implying the use of their cultural capital in the form of 'anancism' (Seaga 2005). The interviewee said:

*'...people know how to do it...right now, near (their) home you know, there is an old road, an old abandoned road, the New Wannings Vale Road<sup>71</sup>, the older maps have it...And what you see, you see people start to squat, (squatters) know exactly where the road is. And that is parish*

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<sup>71</sup> Name changed

*council property and they squat, you understand and they expect to get it and if they don't get it, they expect to be moved into a house. It is like an industry (Interviewee 14A/Senior Tax Administrator)*

These taxpayers used their cultural capital, based on their disposition of 'anancism' (Mordecai 2005; Seaga 2005) to obtain property via the adverse possession rule. The tax authority in a bid to avert this situation takes pre-emptive action of not forfeiting properties to the government unless the government has an immediate need for such properties. Tax administrators take this decision because their actions are interest oriented (Swartz 1997). They will not support the government giving lands to squatters or finding houses for them. Thus, even though the law stipulates that properties should be forfeited for non-payment, acting on their belief that taxpayers will illegally occupy the forfeited properties, they used their belief to guide their decisions and actions resulting in non-enforcement power on these tax evaders. Their actions also suggest some amount of contempt, an attitude reflective of the wider society (Goulbourne 1984; Nerre 2008; Oats and Sadler 2011).

The senior tax administrator, interviewee 14A also perceived that the culture of squatting had become so engrained in the psyche of some sections of the Jamaican society that even when some citizens acquired economic and cultural capitals which give them the power to purchase property and the opportunity to become legal owners, refused this option choosing to continue to squat instead. The administrator provided this example to substantiate the point:

*'...there is a (lady) who is employed by a bank, who has a university education wanted somewhere to live... instead of going to look a mortgage and buy something with title, she took a personal loan to add on to the capture property that she grows (sic) up in...so we might have a generation of bank managers that live on capture land...she went and took an expensive short term loan to build on something that tomorrow morning they can come and bulldoze it...it was said that all they tried to convince her, 'don't do it', she did it...so she risks her five or seven year*

*future income on a piece of land that somebody could easily bulldoze.  
(Interviewee 14A/Senior Tax Administrator).*

Another senior tax administrator, interviewee 14B perceived that some people chose to live in squatter settlements because they didn't want to pay for public utilities.

Fourthly, interviewee 14A, senior tax administrator stated that attempts by the tax administration to forfeit land to settle tax liability particularly inherited land, created disputes amongst the beneficiaries as they often complained that the sale price determined by the authority was too low. This senior tax administrator, interviewee 14A claimed that the tax authority's involvement in the whole matter of seizing and selling properties to settle tax debt pushed the department '*into the business of real estate*'. Getting involved in this activity probably would be considered too much work for administrators. Rather than getting involved in the additional work it's better to do nothing in keeping with their habitus (Mills and Roberts 1974), that is maintaining their current work load stemming from their experience of the issues with taxpayers that arose in getting involved in the sale of property to cover tax liability. This is a way of sending a message to the policymakers that they do not wish any additional work to be tagged on to their jobs, thus their resistance in the field. So in a bid to maintain their position they don't enforce by using forfeitures as a strategy.

Finally, senior tax administrator, interviewee 14A, believed that selling one's property in order to settle property tax liability would be an unfair exchange, in that the purchaser would be obtaining the property for much lower than its fair value, because the property tax base is on the unimproved value. The quotation reflects this:

*'...looking at it mathematically that where you have the tax based on the improved value and you have the property tax outstanding for a long period of times, you are likely to find that the tax due is equivalent with penalty and interest and even more than the value of the property. So it becomes a **fair exchange in my mind**' (Interviewee 14A/Senior Tax Administrator).*

Another senior tax administrator's view of the unimproved value was that it was '*ridiculous*' and inequitable because the tax base bears no relationship to services offered (*Interviewee 15/Senior Tax Administrator*).

Tax administrators' view of the unimproved value seemed to influence their decision on the use of forfeitures as a strategy. Their decision not to forfeit is to demonstrate their resistance in the field to its use and to raise the awareness of the policymakers' for them to change the valuation base to a more appropriate one.

Tax administrators are not the only ones against the use of forfeiture as an enforcement strategy. Policymakers and taxpayers were not in favour of it. A cabinet minister and policymaker, interviewee 7 stated that '*selling somebody's property is really not a light matter because it goes to the heart of a constitutional protected right of every Jamaican. So it's not something... To me, it is a very last resort, but just indicating that, that is available*' (*Interviewee 7/Cabinet Minister/Policymaker*). The interviewee further elaborated, that even though people run the risk of losing their property, '*...we haven't gone to the extreme of seizing and selling property*' (*Interviewee 7/Cabinet Minister/Policymaker*).

Where taxpayers are concerned, the findings suggest that some taxpayers didn't support this remedy. For example, a member of civil society, *interviewee 23* stated that he found the advertisements that delinquent taxpayers run the risk of losing their properties to be distasteful (Hasseldine and Hite 2003 Kornhauser 2007). A taxpayer, interviewee 26 argued that the action of forfeiting properties for non-payment was '*cruel*' but instead suggested that the tax authority should use some other means like public shaming (Kornhauser 2007) which he perceived nobody wants.

Even though the tax authority rarely practiced forfeitures, some taxpayers nevertheless complied out of fear based on the threats of losing their property issued in advertisements via the public media.

The enforcement field is both a site of resistance and domination. The matter of not using forfeitures is a complex matter bringing into focus a number of issues:

cultural and political. Additionally, the tax authority is tasked with enforcing this boundary which isn't supported by the very people who made the boundaries in the first place. This disagreement calls attention to the institutional aspects of individual and group action (Swartz 1997). According to Bourdieu the idea of institution suggests consensus but within fields, practices are weakly institutionalised and boundaries are not well defined (Swartz 1997). In the law, the cabinet minister agrees with forfeiture but in practice the boundaries are not well defined. The enforcement field therefore becomes a site of resistance or struggle over the boundaries. The tax administrator and the policymakers decide on non-forfeitures for different reasons.

### 5.3.2 Small residential property owners and renters

**Residential and small land owners:** Interviewee 22 from civil society suggested that the practice of the tax authority is to target small land owners and owners of residential properties - the poorer people because they perceive that the tax from these taxpayers were collectible but failed to enforce on taxpayers who owned large tracts of land. A taxpayer, interviewee 27 was unhappy with this practice and suggested that the authority *'shouldn't just target the poor man or the one who can't make it, who you consider insignificant (but should) target everybody'*. With the practice of targeting the 'poorer' people, interviewee 22 from member of civil society, suggested that this set of taxpayers was compliant because of the threat of losing their property while at the *'same time multi-million dollar companies owe(sic) tax plus some are delinquent'*. This view was supported by a taxpayer, interviewee 26 who stated that *'there are quite a few rich people who are not paying, ... millions and millions of dollars'* (sic).

The literature confirmed that more than one-third of the high value properties in Jamaica had outstanding property tax liability (Cornia and Walters 2010). A participant, a former politician attributed non-enforcement to the lack of economic capital because these properties may not be in productive use and therefore not generating any income to pay the tax implying that it would be pointless to enforce when there's was no means to pay. A senior tax administrator, interviewee 15 attributed two reasons for non-enforcement on larger non-residential properties: firstly some of these large properties were

inaccessible (Land Policy 1996), and thus owners wouldn't want to pay for them. Secondly, some of these properties were owned by successive generations, with the present generation not having the financial resources to meet tax payments. This was further compounded by the fact that the tax authority didn't routinely seize properties to settle the outstanding liability. However, another senior tax administrator, interviewee 14A stated that in some situations, legatees sold portions of the lands to settle the tax liability. A taxpayer, interviewee 30, a life underwriter stated that the insurance industry having recognised the liquidity problem of legatees markets life insurance policies to provide funds on the death of the donor to cover outstanding tax obligations.

Tax administrators' used their cultural capital to maintain their position of dominance in the enforcement field. Threats are used against the small taxpayers which didn't necessarily work for the large taxpayers. The tax authority doesn't have the resources to go after the large taxpayers, thus their concentration on the smaller ones. Additionally, this is the way of resisting the government's allocation of limited resources, thus it is easier and cheaper to go after small taxpayers, even though the revenue returns may be smaller. Approximately 80% of the parcels of land are owned or occupied by smaller taxpayers (Cornia and Walters 2010)<sup>72</sup>. Even though the cumulative values of these parcels might be smaller than the cumulative values of the 20%, the tax authority's interest is to convey to the public that enforcement is being carried out on the majority of taxpayers. Thus, it would appear that the interest is not necessarily raising the highest amount of tax revenues but rather to bring compliance on the largest number of taxpayers into compliance, thereby conveying the message to the population that non-compliance will not be tolerated. At the same time the larger taxpayers know that it would be a very long legal battle through the court system, thus they appeared to be unmoved by the threats of losing their property for non-payment. Small taxpayers with

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<sup>72</sup> There are approximately 800,000 parcels in Jamaica. In the 2003-2009 J\$5b was outstanding for unpaid property tax. Of this portion J\$2b was owed on approximately 664, 000 parcels valuing 0-J\$1m (Cornia and Walters 2010, 10)

their knowledge of the property tax laws and the threat of losing their property chose to comply as confirmed in the findings.

**Renters:** The findings revealed that it was the tax authority's practice not to enforce on renters despite the high percentage of rented properties (National Land Policy 1996) especially in some areas like Portmore. A senior tax administrator, interviewee 16 in seeking to justify this practice argued that they didn't routinely enforce on renters because they may get the *'back end of the stick'* (Harriott 2003) while another senior tax administrator, interviewee 14A stated *'you would probably get something worse than the poll tax revolt'*. The tax administration's fears were grounded in their beliefs that the Jamaican public may not only rebuff or reject their actions of enforcement on this category of taxpayers but were also likely to carry out violent acts against them and or in the society as chronicled by the country's history of rebellions, riots and demonstrations (Girvan 1999; Seaga, 2005; McLean, Mendes and Wynter 2013, 6; Oats, Sadler and Wynter 2014) or on the other hand suffer victimisation (Harriott 2003).

Tax administrators were unsure whether Jamaicans would accept enforcement on tenants, that is, as stated by a senior tax administrator, interviewee 14A *'that you go to a tenant and collect from a tenant'*. In situations where there was no buy-in, from the public, interviewee 14A, senior tax administrator was emphatic that *'you cannot impose it'* regardless of what is contained in the legislation. To support his viewpoint, the interviewee stated :

*'People power in my view is always greater than legislative power. It has always been and it will ever be and it will never change. So no matter how you legislate to collect from people, if the society does not accept it, they are going to throw it back at you (Interviewee 14A/Senior Tax Administrator).'*

This senior administrator, interviewee 14A perceived that Jamaicans may regard enforcement on renters as an injustice and that their response to this perceived injustice would be to carry out violent demonstrations based on the country's history or even attack them personally. But a taxpayer, interviewee 27 appeared unimpressed or unsympathetic with the authority's fear of perceived



violence in the society or against them insisting that there should be enforcement on all. The quotation reflects this:

*'Don't come to me because of who I am and you cannot get to the next person down there because they will **fire shot**, target everybody' (Interviewee 27/Taxpayer).*

To address issues of enforcement on renters and other taxpayers, a tax administrator expressed the view that the Jamaican tax system should have similar procedures or practices to those obtained in countries like Singapore. In Singapore, the senior tax administrator, interviewee 14A stated *'when tax is owed the state simply deducts it from the taxpayer's bank account'*. But the interviewee stated (with a strain in voice): *'but I don't know if I would want to go publicly and say that. I would be **eaten** because of our sensibilities to those things'*(Interviewee 14A/Senior Tax Administrator).

Furthermore, this senior tax administrator, interviewee 14A argued that the practice of non-enforcement on renters was also conditioned by an apparent *'legal impediment in the law'* which created uncertainty for them. Although, the property tax law allows renters to deduct property tax liability from the rental payment, interviewee 14A, senior tax administrator debated that the tax authority was uncertain whether the landlord could still claim the full rent from the renter, emphasising that this issue was dogged by the many *'why not's'* in law stating that *'there's no place for 'why not's'*. Another senior tax administrator, interviewee 16 also stated that the lack of clarity also exposed renters to possible abuse from landlords. According to (Hume et al 1999, Doyle, Hughes and Glaister 2009) where the law is not specific, then it gives a number of choices from which to select. In this case the tax authority selected to do nothing, that is not enforcing on renters. Interviewee 14A, senior tax administrator stated that until or unless a definitive legal opinion is given to the tax authority that *'it doesn't matter, you can offset it'*, there will be no enforcement on renters.

Jamaicans when they view a situation as unjust will rally to the cause to vent their feelings. As argued by tax administrators, interviewees 14A & 16 when taxpayers disagree and there is consensus on the issue of disagreement, there

is people power. They would then use their social capital to oppose what is contained in the law, making it impossible for them to enforce as there will be no compliance. The struggle in the field is not really between the taxpayers and the tax authority but between the tax administrators and the policymakers. The tax administrators think that the laws are too loosely defined and this is their way of initiating the process of getting the boundaries redefined. Rather than directly confronting the policymakers, they use their internal organizational culture (Mills and Roberts 1974) of doing nothing. According to Bourdieu organizations draw disproportionately from their cultural resources in their struggle to maintain and enhance their positions in the social order (Swartz 1997, 137) in this case the enforcement field relating to renters. The tax administrators' interest is having the policymakers make the law clearer in all respects in relation to the duties of landlords and also to provide protection for renters. Then and only then will they enforce on renters. This action of the tax administrators is in keeping with the civil service culture if you don't agree, you do nothing and at the same time proffer excuses for inaction.

**Squatters:** The findings revealed that Jamaica has two categories of squatters, those occupying government lands and those private lands. Those occupying government lands have no property tax obligation as government lands are exempt from property tax but private lands are liable to property tax with the expectation that they pay property tax and if they are not compliant, then the tax authority will enforce. The findings revealed that some Jamaicans use squatting via the adverse possession rule (National Land Policy 1996) to come into land ownership or obtaining title to land as indicated in the following quote by a squatter:

*'Guess what happen, the land, if you pay the tax over a period of time and no one claims the land over a period of time, and no one claims it, you can claim the land...'* (Interviewee 31A/Squatter).

A cabinet minister/policymaker, interviewee 7 confirmed that whilst some squatters paid property taxes, with the hope of earning rights to the property, he argued that it was not so much the payment of the tax but rather the undisturbed occupation of the land for twelve years or more that had a bearing

on the receipt of title or legal ownership (National Land Policy 1996). The findings suggested that the tax administration tended not to enforce on squatters or occupiers out of fear that they may aid them in obtaining property dishonestly or on the other hand that they may be assisting the agenda of politicians.

According to a senior tax administrator, interviewee 14B some squatters manipulate the law and beat the system (Mordecai and Mordecai 2001; Seaga 2005) by using the adverse possession rule to '*steal people's property*'. This interviewee believed that the law doesn't make a distinction between those who honestly occupy the land with a genuine attachment to it as against those who don't. Therefore, there was wariness in taking a compliance action on these squatters who didn't pay. A senior tax administrator, interviewee 14A in advocating for changes to the law stated that the law shouldn't be taking the same route that the '*dishonest man*' takes and thus there should be another way of forcing him to pay, arguing that a distinction ought to be made between the dishonest taxpayers who voluntarily pay the property tax for the '*piece of land beside him*' according to interviewee 14B another senior tax administrator. i.e. land that is next to him, with the full knowledge that he's not in possession but merely paying to outrun the owner. With this implicit dishonesty, interviewee 14A, senior tax administrator stated, '*I am very cautious of taking a compliance action and when people look at it, they don't see a distinction between it and a dishonest approach*' In the circumstances, no enforcement action is taken against squatters as the government would be horrified if it finds out that it unwittingly aids property ownership or title to dishonest taxpayers via application of the adverse possession rule.

Additionally, senior tax administrator, interviewee 14B articulated that the law was inequitable because of the difference in timing of private lands and government lands occupied by squatters under which the squatters can obtain a legal title. This administrator stated that until the law is changed to reflect parity in timing, there will be enforcement on this set of taxpayers. The quote reflects this:

*'...the commissioner of lands don't say that if somebody who occupies government or crown lands for twelve years, they can get it, who why do you put that there...'* (Interviewee 14B/Senior Tax Administrator).

This senior tax administrator, interviewee 14B argued that the timing remains this way because it was advantageous to the politicians for people to squat on private lands, taking them over after twelve years while it took sixty years to get ownership for crown lands. The administrator further articulated that the twelve year rule was part of the *colonial way of taking away little people's land, (and as such) the law needs to be changed...* (Interviewee 14B/Senior Tax Administrator). The suggestion here by interviewee 14B, senior tax administrator is that under colonial rule, many Jamaicans migrated to other parts of the world. During this period, the government was uncertain whether the migrants would return to Jamaica, thus the twelve year rule debated this administrator.

Thirdly, it was the belief of senior tax administrator, interviewee 14A that some elements of the adverse possession rule were no longer applicable stating *that's not the case that existed thirty or forty years ago* although conceding that the law does offer some accommodation. The senior tax administrator argued that even though Jamaica has presumably gotten rid of some of these rules, some people in the society refused to accept that it doesn't exist. Still relying on the old rule, the administrator claimed people squatting on land were still paying their property tax as the route to obtain land.

Administrators are in disagreement with the adverse possession rule, based on two issues: firstly there is the fear of rewarding dishonest taxpayers and that they maybe inadvertently fulfilling the politicians' objectives of rewarding taxpayers with land. Secondly, they believed that some elements of the adverse possession rule were no longer applicable. On these bases, they argued that the law should be changed and until the changes are made, they will not enforce on squatters. However, one of the senior administrators, interviewee 14B did say that in the situation where taxpayers occupied very large properties, the presumption was that there were some arrangements between

occupier and legal owner, and thus enforcement action is normally taken against such occupiers.

The struggle here is between the government and or the politicians and the tax authority. They used their capital to withhold enforcement on squatters and to bring attention to policymakers that they weren't in agreement with the adverse possession rule and that it should change. The tax authority had particular concerns about the twelve year rule for the occupation of private lands and it would appear which they believed politicians used as a means to surreptitiously award property to taxpayers.

### 5.3.3 Large land barons

The findings suggest that there was non-enforcement on some large land barons as it was perceived that the law wasn't forceful enough to obtain compliance. Some tax administrators believed that effective enforcement was predicated on the changing of the property tax laws to give them more 'force' as presently the law has '*no teeth*' according to interviewees 16 and 17, senior tax administrators. This view was supported by a senior government bureaucrat, interviewee 4 who argued that there are no *stringent measures* in the law to enforce compliance on large land barons. Providing an example, to support this perception, government bureaucrat, interviewee 4, stated that the best way to get compliance in Jamaica is through the action of forfeitures but argued that the current property tax law through the Quit Rents Act, a century old law was not only circuitous but costly (see section 5.3.1). Thus the tax authority with limited financial resources would refrain from taking this route. This he argued encouraged manipulation of the system by large land barons, despite the ability to pay. Frustrated with their actions, this senior government bureaucrat, interviewee 4 described them as '*troublesome delinquents*' who played around with the system, by virtue of their knowledge of the legal process and its attendant costs. Senior government bureaucrat interviewee 4 further debated, that large land barons sold their titled properties with outstanding tax liabilities and when the tax authority attempts to enforce compliance, they simply retorted, '*I don't business with it*' i.e. I have no interest in the property, implying here that the authority may choose to take whatever action it deemed appropriate but at the same time, they knew that the authority

didn't have the necessary resources to enforce compliance on them because of the prohibitive costs and the lengthy court process to effect enforcement. The tax authority therefore shied away from enforcing on this category of taxpayers. Thus, these barons continued to evade. On the other hand, there could be enforcement on the purchaser but the purchaser according to interviewee 4, senior government bureaucrat became aggrieved when told that if he submitted an application for a title for the said property, then the outstanding property tax became his responsibility or else the property would be forfeited. Although the findings didn't specifically state what the purchaser did in the circumstances, it's assumed that the purchaser wouldn't apply for title to the property, thus leaving the liability outstanding. It was also assumed that the purchaser would be au fait with the current enforcement practice of non-forfeitures and that the tax authority might just be issuing empty threats. Furthermore even if the lands are forfeited, it might create additional problems for both the tax authority and the government.<sup>73</sup> The senior bureaucrat, interviewee 4 stated that action was being taken to make changes to the law to correct this situation but until the changes are made, there's no enforcement on large land barons who sell their properties with outstanding property tax liabilities.

Tax administrators did not enforce on large land barons because they perceived that their conduct will most likely not succeed in light of their limited resources and past experience (Swartz 1997, 106). With their limited economic resources to pursue these evaders through the court system, maybe it wouldn't be worthwhile for them to take this route. Going through the court system demanded huge outlays of economic and human capital. A senior tax administrator, interviewee 17 suggested that the court system was time consuming. Additionally, tax administrators' practical knowledge of the field gave some awareness of some policymakers' tacit opposition to the use of forfeitures to obtain payment as in the words of a policymaker, interviewee 7 *'it's not a light thing to sell somebody's property...and we have not really gone to the extreme of selling people's property'* as mentioned in section 5.3.1. They also seemed to have knowledge of the taxpayers' lack of support for this

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<sup>73</sup> See section 5.3.1 above

enforcement tool which results in them taking no enforcement action demonstrating that 'habitus orients action to anticipated consequences' (Swartz 1997, 106).

The above situation is a complex one. There's a small percentage of high value properties in Jamaica (Cornia and Walters 2010). It's likely that the barons within this category know each other. With their huge amount of economic and social capital, there was the likelihood that that they would be able to function outside of the formal system. Selling a large property would likely be to another large baron or people from the drug trade who wish to sanitize their takings. With their intimate knowledge of the land market and the land system, they would be able to function without reference to the tax authority. They thus used their cultural, social and economic resources to maintain and dominate their position in the field, to evade the tax. The tax authority on the other hand doesn't have the economic means to bring them to books. There was no point in forfeiting the properties as there was the likelihood that someone from among the same group would buy and for reasons already expressed, it would be passing on land way below the fair value to another baron. Information about the land would be confined only to large land baron. Furthermore if forfeited and taken by the government, then, there was the possibility that it would be set upon by squatters, thus they did nothing. Politicians wouldn't intervene because they don't agree with seizures, thus the barons indirectly obtained the support of the politicians. Jamaicans don't agree with seizures either. The lack of means of the tax authority to pursue them and bring them to books was out of the question, thus their course of redress was to call for the changing of the law.

Although the large land barons used their cultural capital to evade the property tax, the job of the tax authority is to use their enforcement power to effect compliance. Instead, the tax administrators used their social capital, i.e. combined enforcement power within the tax administration to withhold enforcement justifying that pursuit of the barons would be too lengthy and costly. But behind this action (inaction) was the hidden motive or interest of the tax authority, pressuring the government to change the boundaries to effect easier and cheaper enforcement. They were holding out or struggling

with the policymakers to maintain their dominance rather than struggling with the land barons. By not enforcing, the tax administrators changed the boundaries in the field, communicating to taxpayers that there was no enforcement on large land barons who sought to sell their property with outstanding property tax liability.

Tax administrators' dispositions therefore influenced them to act and respond in certain ways to certain situations (Xu & Xu 2008), in this situation that it was too costly to enforce on the land barons and that the law should be changed to make it easier for them to enforce compliance on them.

#### 5.3.4 Third party information

There is the practice by the tax authority that it doesn't provide third party information to enforce compliance. The Tax Collection Act requires the tax authority (see section 2.6.3) to provide information to the Accountant General of all persons within the government's employ and or of persons in receipt of payment from the government purse who may have outstanding property tax liabilities. The Accountant General on receipt of this information would deduct the outstanding liability from the employees' salaries and or from payments to the said individuals. A senior tax administrator, interviewee 16 stated that although this is required by the law, this is not practiced stating '*I don't think that would be a favourite move especially where people can't or don't get any increase in pay*'. The senior administrator, interviewee 16 appears to be sympathetic to fellow government servants who are believed to be at an economic disadvantage because of the severe economic conditions imposed by the **IMF** on the economy- one of those being a wage freeze. Additionally, reporting fellow employees is like breaching the code of silence a feature of the Jamaican culture. Additionally, talking or whistleblowing may prove to be personally detrimental (Operational Guidance Notes, Jamaica 2013).

Jamaica has been with the **IMF** for many years. Some of the austere economic conditions imposed included wage freeze for civil servants. Tax administrators who are also civil servants were sympathetic with their fellow civil servants and were not prepared to 'whistle blow' on them. On the surface it might appear that they were afraid to speak out because their colleagues maybe unhappy



with their action or they may have felt that their personal safety maybe in jeopardised. It can be argued that the real motive of not advising the Accountant General was to let the government know that they were not in agreement with the harsh policies imposed by the **IMF**, inflicted on government workers of which they are a part. In this regard, the enforcement field becomes a site of resistance against the government in imposing the harsh economic conditions on the civil servants. To maintain their position in the field, tax administrators withheld enforcement power and maintained the culture of silence.

### 5.3.5 Reminder system

The tax authority engages a number of tax strategies to obtain compliance but seems to place greatest emphasis on the practice of the reminder process. According to the findings, the standard procedure is to send three reminders to taxpayers prior to using the severest measure of taking court action against the taxpayer. The law makes provision for one reminder<sup>74</sup>. It is normally carried out throughout the year but with greatest intensity during the period April to June. According to a senior tax administrator, interviewee 16 harsher approaches are used after June because after then *'it means that (taxpayers) don't want to pay'*. Another senior tax administrator, interviewee 17 argued that reminders were sent to taxpayers because the tax authority had no means of verifying the delivery and or receipt of the original assessment notices. Without proof that the taxpayers received their assessment notices, there can be no enforcement action declared another senior tax administrator, interviewee 14B. Thus, the assumption is that those who did not pay their property tax were those who may not have received their assessment notices *'that is why we repeat the process'* claimed a senior tax administrator, interviewee 17. The following procedures were outlined by senior tax administrator, interviewee 17 as the reminder process. This process seemed to be typical across Jamaica as confirmed by other senior tax administrators, interviewees 15 and 16. The process starts with the review of the arrears list.

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<sup>74</sup> See Tax Collection Act , section 23

According to interviewee 17, senior tax administrator, the arrears list for a particular area say Canada City<sup>75</sup> within Portmore is selected- targeting those taxpayers whose tax liabilities are between three and six years. This time period was selected because the authority wanted to catch those liabilities closest to the six year band making them more worthwhile to pursue through the court system should the taxpayer not respond to the reminder and to catch those liabilities before they are written off<sup>76</sup>. Secondly, those taxpayers whose liabilities that were closer to the three year band were more likely to respond. According to the interviewee, older debts proved more challenging to collect.

According to the administrator, typically, five hundred reminders were printed at a time for distribution. Each reminder carried the following information:

- The taxpayer's property tax liability for the current year
- The taxpayer's outstanding liabilities itemised year by year
- A contact telephone number for the tax office
- A request for the taxpayer to respond to the notice to settle the arrears within fifteen days

The procedure is to deliver each reminder by hand within the selected area with the staff staying within the assigned area until *'when we get some of the money from Canada City, then we might move on to another area'* stated interviewee 17, senior tax administrator. The reminder team is typically comprised of two compliance officers supported by three other staff members assigned by the local authority (Policy paper 8/1993). Notices were normally served within working hours, during the week due to the financial limits placed on the tax authority. However, the service time may be extended to include week-ends especially Saturdays with assistance from the local authority. The preference is to personally serve the notices to taxpayers as provided by S3(3)(a)(b)(c) of the act which also provides for the leaving of the notices at the taxpayer's address

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<sup>75</sup> The tax administrator's naming of community within the local jurisdiction that is targeted. Name of community is changed to preserve anonymity the interviewee.

<sup>76</sup> According to the Tax Collection Act S21(3), there's a statute bar of six years on outstanding property tax liability.

for service or for the notice to be sent by registered post to the service address. The taxpayer's address of service according to S3(4) of the act, is the last address given to the tax administration of the parish where the taxable property is located and where no address is provided or where the taxpayer changes his/her address and has not provided a notification to this effect to the tax administration, then the address for service of the taxpayer shall be any address that the tax administration has on record for this taxpayer. A tax administrator, interviewee 16 explained that even though they may opt to leave the notices at the premises, they were unsure if the taxpayer actually received the notice. So, the interviewee asked the rhetorical question '*if the taxpayer doesn't respond, what do you do?*'(Interviewee 16/Senior Tax Administrator). According to this respondent, interviewee 16 leaving the notice at the premises was not a guarantee that the notice was received and recognised by the taxpayer and in the event that no notice was received, no enforcement action can be taken as previously explained by another tax administrator.

The taxpayer on receipt of the notice had three options:

1. settle the outstanding liability
2. contact the tax authority using the telephone number provided or
3. do nothing, i.e. ignore the notice, be unresponsive.

According to the senior tax administrator/interviewee 17 of the five hundred notices assigned for delivery, a few may be returned. Returns were attributed to the team's inability to locate addresses or the team's inability to enter a premises. While interviewing a tax administrator, I got the opportunity to interact with a team of compliance officers, interviewees 17A, 17B, 17C, 17D, 17E. The team complained that stray dogs on the roads or hiding under cars, hindered them from delivering notices; pointing out that this was one of the biggest obstacles which prevented them from serving notices on a premises as reflected in the following quote: '*we might go to a house and the dogs are not actually chained and even if it is outside, they are under the car...*'(Interviewee 17A/Compliance Officer).

Of the five hundred delivered, senior administrator, interviewee 17 stated that approximately one hundred taxpayers responded by calling the tax office using

the given number. The call from the taxpayer signalled the start of a relationship with the tax office to collect the outstanding arrears. The administrator stated that it was easier to collect from those who owed for three years. The senior tax administrator further stated that on contact with the office, payment arrangements were worked out with the respondents, beginning with the date for a first payment. This was what the administrator outlined:

*'We have a book over there (showed me the record book), so we give them dates; they call, they say they can pay next two weeks; we put (their) names, the date, the amount that is outstanding and when (they) are coming in to pay. We follow up, we call. Every morning we have a page and all the persons who would have paid say by the 6th, we would have called by the (preceding) weekend or call before to remind them to come in by the 6<sup>th</sup>... So we keep in touch with (them) until the (liability) is completed. (Interviewee 17/Senior Tax Administrator).*

The idea was to collect the outstanding debt, thus the tax authority became accommodating, providing taxpayers with many payment options not provided for within the law. In the situation where a taxpayer was unable to settle the entire debt immediately, a payment arrangement was brokered giving the taxpayer a reasonable time to pay stated an administrator. Interviewee 16, senior tax administrator stated that the tax authority willingly accepted *'whatever (they) have, (they) can come in and pay each month. So if (they) want to divide it into twelve part parts, we are willing to accommodate (them)'*(Interviewee 16/Senior Tax Administrator). This arrangement seemed to offer an unfair advantage to non-compliant taxpayers. There seemed to be no retributive fairness: even though taxpayers break the rules, they are rewarded for their non-compliance by being given extended time to settle the debt, decide the amounts they wish to pay and payment dates (Elkins 2009; OECD).

However once, the taxpayer agreed to the payment schedule, the tax team ensured that the taxpayer stuck to the agreement by applying *pressure* by being insistent that the taxpayer maintains the arrangement until the liability is settled. The following quote reflects this situation.

*'... we call...we know people have hardships but we **put on the pressure** and then you find out that they will come in. Sometimes they are tired of us and they would say, I don't get the money yet' and our response would be 'but you gave us a date, and the last time you told us you didn't come'. We just continue until we get most of them' (Interviewee17/Senior Tax Administrator).*

For those who were unresponsive, a second set of notices reflecting similar information as was contained in notice number one was prepared and delivered by hand. Again, the taxpayer had the option to settle the liability, respond by calling or do nothing at all. In the case where they responded by telephone, the process as described above was repeated. The process was repeated a third time to the same set of persons within Canada City following the same procedures. Where there were no responses after three notices, then the tax authority moved to the next stage of issuing summonses **but** only on a few of the non-responders according to interviewee 17, senior tax administrator because it was *'not easy to do a lot of summonses'* (implying here that some responders wouldn't be enforced on, remaining non-compliant. Again this raises the issue of retributive fairness. Some taxpayers will not honour their tax obligation because they will never be punished by the tax authority because the tax authority concentrates on collection rather than compliance which was probably is influenced by resource constraints.

The reminder process appeared to be time consuming and expensive: a 20% response rate; three reminders to unresponsive taxpayers; a minimum of 300 telephone calls and five members of staff in the field on three separate occasions to pursue delinquent taxpayers. However, using the reminder process seemed to give the tax authority a sense of control over the taxpayers. But more importantly it appeared to be a way of giving support to the government policy of the partnering approach to property tax enforcement and compliance. The tax authority received limited resources for property tax enforcement. With the local authorities on board, they were at least ensured of some amount of resources for compliance. Additionally, the authority had the opportunity to work alongside with local politicians, getting them involved in tax enforcement process. Involvement of politicians in enforcement, probably will

send a signal to the community (Kornhauser 2007) that property tax was indeed important and thus they should comply. Using the reminder process could also be construed as a means of exacting funds from the local authorities to support enforcement activities seeing there was minimal resource support from central government because property tax wasn't seen as a large tax with importance attached to it.

The tax authority's latent interest of wanting to be visible so as to maintain its position within the field (Swartz 1997) necessitates them using this process despite its apparent inefficiency. Using the process, gives some visibility to the tax authority within the community giving the impression that they were working and that they were serious about tax compliance which is symbolic. Use of the reminder process also gave the impression that there was unity between the institution of tax and politics.

Additionally, the tax authority got the opportunity to 'flex' its muscles with taxpayers through direct interaction. This was also symbolic as it conveyed the message of the seriousness of the tax authority and its mission to ensure compliance with the property tax. Having such direct interaction with the tax authority may be threatening or intimidating to the responsive taxpayers, thus out of fear they complied as indicated by an administrator that pressure was applied until the bill was paid. Nevertheless some taxpayers remained unresponsive.

The use of the reminder system may have given the impression to taxpayers that tax authority was working hard and doing a great job which may build their legitimacy in the field and ultimately their power base. Their presence in the field seemed to create fear amongst some taxpayers as they were in direct contact with them as was reflected in the words of a taxpayer<sup>77</sup>. They also used their presence in the field to apply additional pressure on the taxpayer to get compliance. The **TAJ** dominates the relationship by using their resources and

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<sup>77</sup> '...they going around closing down people business, it started out from the other day, it started from the other day out in the country, pharmacies anywhere, the people don't pay their taxes. They order them to close their business' (Interviewee 28).

symbolic capital to get compliance as indicated by the tax administrator to apply pressure until they pay.

**Outstation activities:** Outstations are temporary collecting stations established in some communities including Portmore making it more convenient for taxpayers to comply. As previously indicated in section 5.2.2 the use of outstation activities was a direct enforcement strategy. A senior tax administrator, interviewee 16 explained that the outstations had to be carefully planned and can only be utilised when there was security stating... *(we) have to make sure we have security to take us back with the money'* (Interviewee 16/Senior Tax Administrator). Because of the security threat and the concern for staff safety, oftentimes outstations were set up in Police Stations. *'[T]he police just give us a little area and people come in (to pay) and at least we know that we are secured'* stated interviewee 16, senior tax administrator. The outstations were staffed by cashiers and recorders and the transactions were usually manual. On return to the office, the transactions are *'key(ed) into the computer'* stated interviewee 16, senior tax administrator.

Based on the objective of increased convenience to taxpayers in an area for example, Portmore, outstations were usually setup on weekends as it was discovered that there was little support for the week days stated an administrator, interviewee 17. This senior administrator stated that the actual outstation activities were preceded by the town crier or cry<sup>78</sup> announcing to the taxpayers within the locality the details of the outstation's schedule: i.e. location and purpose along with an invitation to go in and pay their property tax. The use of the town cry is also a means of *'getting to everybody'* within a designated community stated a interviewee 17, senior tax administrator. A typical announcement by the town crier would be:

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<sup>78</sup> The interviewee tax administrator explained that the town crier was a vehicle often a car with a public address system that carries a pre-recorded message announcing details to taxpayers concerning the impending outstations activities, that is, date, time and location along with a message encouraging them to pay their property tax.

*'...residents of Albion Port, our Tax Office will be at the Bananas Police Station<sup>79</sup> on 23rd of March, make every effort to come out and pay your property taxes to avoid the penalties' (Interviewee 17/Senior Tax Administrator) .*

The local authority partnered with the tax authority in enforcement activities based on (Policy 8/93) by providing resources such as staff, transportation and underwritten expenses for the town crier. Senior tax administrator, interviewee 17 emphasised that *'anything we can't afford we ask them (the local authority) and they assist as it would be a cost to them for which they couldn't afford.* The implication here is that the local authorities were fundamental to the outstation station as well as other enforcement activities and without their help, enforcement would be severely curtailed. At the same time, the local authority by virtue of it providing the economic resources to carry out the field work used its capital to enhance or maintain or even dominate the enforcement field by being able to dictate the frequency and amount of work that is done.

### **5.3.6 Judicial system**

Summonses is the most extreme enforcement practice to effect compliance and is usually reserved for unresponsive taxpayers (Braithwaite 2002). However as previously mentioned by a tax administrator in section 5.3.5 only a few summonses are sent to unresponsive taxpayers from the unresponsive batch in the reminder process. The practice of serving three reminder notices is the preferred choice of the tax authority: serving of summonses for court appearances may not be feasible because the liabilities are small, preparation for this action is time consuming and costly thus making the process uneconomical according to tax administrator. An administrator, interviewee 17 speaking on the preparation of summonses stated *'you have to prepare the summons, you have to get it signed by a Justice of the Peace... and (then) you have to serve it when it comes back' (Interviewee 17/Senior Tax Administrator).* So, according to another senior administrator, interviewee 14B *tak(ing)a person*

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<sup>79</sup> Name changed



*to court for \$2000<sup>80</sup> is just not on...'. The implication here is that collections are given priority over compliance (McKerchar and Evan 2009) thus taxpayers, with small liabilities may remain non-compliant (Murphy 2005; Kornhauser 2007) as the tax authority is not interested in pursuing them through the courts to effect compliance .*

Even, though the preference was to use the reminder process, an administrator, interviewee 17 pointed out that the serving of summonses for intended court action sometimes acts as a measure of last resort in securing immediate compliance. Some taxpayers rather than facing the courts preferred to vacate the summons by immediately paying the outstanding arrears. A taxpayer, interviewee 25B confirmed this, explaining that service of a summons on her, motivated her to immediately settle the arrears rather than face the courts:

*'I got a summons to go to court that property tax was outstanding, and then I wondered what was going to happen to me and I talked to an ombudsman who lives in my scheme and he said "just go and pay it and you don't have to go to court' (Interviewee 25B/Taxpayer).*

By law, summonses must be personally served on taxpayers between the hours of 6am to 6pm Mondays to Saturdays and even in situations where taxpayers can be found on Sundays, summons cannot be served as this wasn't permissible according to an administrator. The findings suggest that this may be an issue for Portmore, due to its dormitory nature, where large numbers of taxpayers were out of Portmore during the summons service period. This was compounded by the fact that the tax authority didn't have a day time work address for taxpayers.

This proved to be problematic for the tax authority as some taxpayers could *'stay out there and don't pay' stated interviewee 16, senior tax administrator.* Interviewee 16 also stated that some taxpayers even on receipt of the summons failed to respond, in which case the court issued a warrant for their

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<sup>80</sup> Approximately £13.00 at 2013 values at an exchange rate of J\$153.85 to 1GBP or US\$20.56 at an exchange rate of J\$97.29 to 1US\$ [http://www.boj.org.jm/foreign\\_exchange/fx\\_historical\\_rates.php](http://www.boj.org.jm/foreign_exchange/fx_historical_rates.php) retrieved December 19, 2014

arrest. Interviewee 16, senior tax administrator explained that when the matter becomes a court issue, it fell outside of the tax authority's jurisdiction, so it was left up to the court to decide the taxpayer's fate. According to interviewee 16, the court may not abide by the statute bar.

Administrators seemed not to routinely use the court system (Tennant and Tennant 2007), with one, interviewee 15 stating that court cases took too long to be resolved, in some situations up to three years. This senior tax administrator, interviewee 15 stated that *'tax is something that is immediate'*, debating that property tax laws should be drafted so as to obtain immediate effect on those who evade. Enforcing by way of the court system was therefore a last resort stated interviewee 15 with the preference of using the reminder route.

Enforcing by way of the court can be also be costly in terms of the time it took for a case to be finalized. As previously mentioned, some court cases took as long as three years to be finalized. The longer a case stayed in the court system, the more time an administrator had to spend on the case thus increasing the cost of operation. According to senior administrator, interviewee 14A, the lengthy court times were based on the limited hours dedicated to tax matters by the court system. For example, in the Kingston Resident Magistrate courts, only two days per week between the hours of 10am-12noon are dedicated to handling tax cases. The dedicated times in the rural courts may be even shorter because these courts deal with other issues such as traffic matters. Thus, interviewee 14A concluded *'we don't have a lot of time in the courts to bring a lot of cases and that is a challenge'* (Interviewee 14A/Senior Tax Administrator).

Tax administrators resisted the use of summonses and the court system to maintain their position or to show their disagreement with the amount of economic resources that were given to the authority. Additionally, based on their practical knowledge of the enforcement field in using the court system, they probably perceived that the courts will not impose or enforce meaningful judgements against taxpayers with outstanding liabilities (Cornia and Walters 2010, 20) and thus limited used of the court system is to demonstrate their lack

of trust in it. Thus, even though a legislator was of the view that evaders should be taken to court, the tax authority thought otherwise and resisted because they perceived that the courts were unsupportive in their enforcement efforts. Here, the enforcement field is a site of struggle between the policymakers and the tax authority with the tax authority assuming a dominant role by virtue of the level of the unequal distribution of capital. In this situation it's the lack of capital that gave the tax authority its dominance. So even though the preference was to take taxpayers to court, the non-availability of capital for them to carry out this task reaffirmed their dominant position in the field and it's also sending a message to policymakers, that additional economic resources are needed for enforcement action through the court system.

Figure 5.1

Cycle of actions reinforcing unimportance of property tax

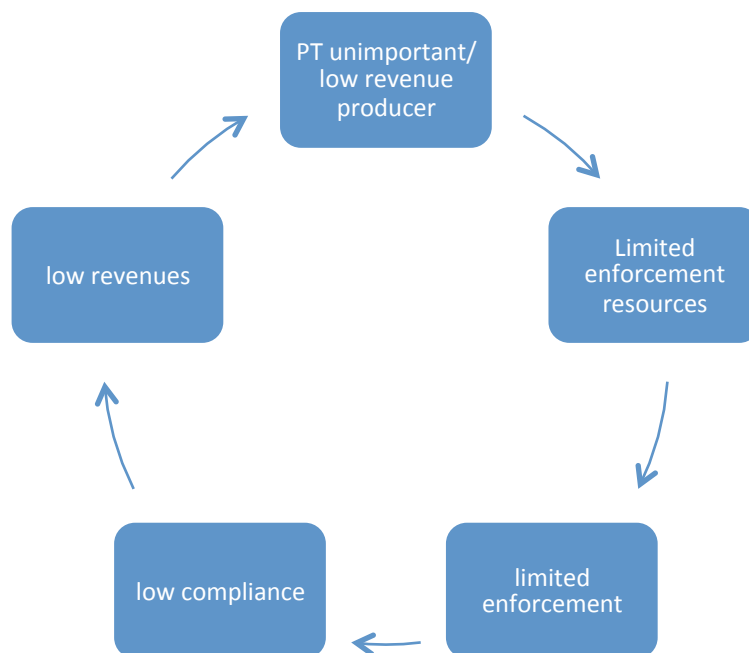


Figure 5.1

Diagram to show cycle of actions of actors reinforcing unimportance of property tax

Source: Author

## 5.4 Summary

This chapter presented and discussed the main findings for *Research Question One: What are the property tax enforcement practices in Jamaica, and how do the tax authority and policymakers use their capital to shape these practices?*

Policymakers provide the legal framework and resources for enforcement while the tax authority uses the resources to enforce the legislation. The findings suggest that there is a gap between legislation and enforcement. Enforcement is fundamental in encouraging voluntary compliance, however the findings suggest that enforcement was weak and selective which compromised the critical balance between evasion and compliance. Tax administrators functioned in an environment of inadequate enforcement resources, absence of a comprehensive compliance and risk strategy, cultural issues within the field and ambiguous legislation. Their choice of enforcement strategies was driven by their own practical dispositions and the use of their capital especially cultural capital with a bid to dominate, maintain or enhance their position in the field. At times, the field was a site of struggle between them and policymakers. The reminder system, the main enforcement strategy was used to increase its visibility and legitimacy in the field, support policy, involve politicians in tax enforcement activities and to extract additional resources from the government through the local authorities. But on the other hand it resisted the use of the judicial system to show its disagreement with resource allocation. The findings suggest that tax administrators and policymakers are really strategists who respond over time to one another as they seek to move through a maze of constraints and opportunities that they grasp imperfectly through their various experiences in practice (Swartz 1997) ultimately shaping the property tax doxa.

Weak and selective enforcement don't encourage compliance or tax morale or increased revenue collections. Currently, property tax in Jamaica, is centrally managed and the question is whether local management of the tax would make for better enforcement and compliance and improved revenues. The literature argues that local management of the tax would build a compliance tradition through which would somehow help with improving revenues. The following chapter discusses the management of the property tax with particular reference

to those issues contributing to the lack of devolution or non-passing of taxing powers to the local authorities.

## Chapter 6

### 6.0 Fiscal decentralization

#### 6.1 Introduction

The property tax in Jamaica appears to meet the requirements of a local tax (section 3.4.2) and despite a history of ongoing local government reform (Mills 1974; Policy 8/93; Nettleford 2006) the tax continues to be organized, managed and administered centrally. The findings in this chapter seek to tell Portmore's story of devolution by answering **Research Question Two**: To what extent is non-localization of the property tax in Portmore influenced by the political dispositions of players within the property tax field?

*Objectives:*

- To investigate the key policy issues that influence the non-localization of the property tax in the **PMC**
- To establish how the lack of a White Paper and the absence of cultural knowledge at both the national and local levels influenced non-localization
- To provide insights into how the disposition and actions of bureaucrats, local politicians and citizens influence non-localization of the tax
- To provide insights as to how the redefinition of local fund raising by the policymakers influence non-localization
- To provide insights into how the social, political and legal environment act as inhibitors to non-localization
- To provide insights into how the lack of economic capital influenced non-localization of the tax
- To provide insights into how fiscal decentralization can be used as means to increase tax morale and tax revenues within the **PMC**

Section 6.2 discusses local government reform, its entrenchment in the constitution; sections 6.3 to 6.3.2 policy issues; sections 6.4 to 6.4.4 trust, accountability and corruption matters; sections 6.5 to 6.5.4 issues relating to

power, political will, attitude of bureaucrats and the nonchalant attitude of taxpayers; sections 6.6 to 6.6.2 the mayoral powers and the regulatory framework. Sections 6.7 to 6.7.4 discuss resource issues and 6.8 summarizes the chapter.

## **6.2 Local government reform, entrenchment and Portmore**

The Ministry of Local Government has responsibility for local government reform with its minister assigned with the responsibility to have local authorities '*entrenched into the constitution*' stated, interviewee 5, cabinet minister and policymaker, a key feature in the fiscal decentralization process debated a cabinet minister as confirmed in the literature by (Bahl and Martinez-Vazquez 2006). Another cabinet minister, interviewee 6 stated that this action was historic in that it was the first time in Jamaica's history that a local government minister has ever been assigned this job. Having someone assigned to this process keeps the momentum going (Bahl and Martinez-Vazquez 2006). Local government reform has been a long standing matter '*suffering many casualties along the way*', interviewee 13, former prime minister pointed out, e.g. an unsuccessful hearing by a constitutional committee. Despite these hindrances, the current political administration continues the reform programme with the objective of constitutional entrenchment of local government. Entrenchment has now become a pressing issue with the ministry of local government working on changing the legal framework. The following quotation from a cabinet minister reflects this:

*'Well we are almost where we can begin the process, they are all in the legislative (process), they have been drafted, they have been to the Ministry of Justice, the Chief Parliamentary Draftsman, the Counsel's office...it came back with Portmore not on it, so Portmore has been placed on it now...'(Interviewee 5/Cabinet Minister/Policymaker).*

The intent is to have local authorities permanently implanted in the Jamaican constitution stated a former politician with the ultimate goal of having property tax devolved, one of the main sources of revenues, as in the past '*municipal*

*councils were completely financed by the central government'* stated interviewee 6, another policymaker/cabinet minister. A cabinet minister, interviewee 5 suggested that Portmore was central to local government reform because the conferment of municipality status in 2003 was with goal of it being developed as a model municipality. Portmore was expected to chart the way in governance, revenue enhancement and collection measures debated the interviewee. Despite its status, Portmore wasn't given authority to manage and administer the property tax. This chapter seeks to explore those underlying relational issues which may have accounted for this. In order to explore those interactions, the findings will concentrate on a cluster of issues: policy issues, trust, power and accountability issues, resource issues and attitude of stakeholders within the municipality.

## 6.3 Policy issues

### 6.3.1 Conflicting views by policymakers

Evidence from the findings indicated that while the government was moving ahead with the entrenchment of local government, conflicting signals were being given by cabinet ministers and some government departments. As previously mentioned, the laws to have local authorities entrenched were in an advanced stage, having already been reviewed by the Chief Parliamentary Draftsman, with the bills for entrenchment shortly to make their way to the legislature for passing.<sup>81</sup> Apparently, the government was proceeding post-haste to have this done wanting to give permanence to local authorities, not risking the demise of the local authorities.<sup>82</sup> The previous administration threatened to dissolve the Portmore municipality some years ago and at one point the Ministry of Local Government was downgraded to department status

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<sup>81</sup> More than likely the bills will pass in both houses as the current political administration has a majority in both houses. The history of voting in the Jamaican senate and parliament is that legislators tend to vote along party lines, thus, the passing of the bills is what I would call a fiat accompli.

<sup>82</sup> [http://www.jamaicaobserver.com/mobile/news/Watch-it-Portmore\\_7769526](http://www.jamaicaobserver.com/mobile/news/Watch-it-Portmore_7769526)  
retrieved December 19, 2014

<http://rjrnewsonline.com/local/prime-minister-chastised-for-threatening-the-portmore-municipal-council>

retrieved December 19, 2014



(Osei 2002). Government's actions suggested that to mitigate this risk and to remove uncertainty, it was moving ahead with the entrenchment process before it leaves office. This process will not only ensure the longevity of the local councils but will also give them local fiscal autonomy, the foundation for fiscal decentralization.

Even though the bills were being prepared for submission to the legislature, conflicting statements were being made by cabinet ministers on the issue of devolution (Bahl and Wallace 2005). For example, one cabinet minister, interviewee 7 stated that the passing of the bill, didn't guarantee devolution debating that entrenchment was merely a symbolic gesture and an exercise to ensure that the local authorities have some measure of permanence as evidenced in the literature as was the case of Indonesia (Smoke 2001). The following statement from this policymaker suggested this perspective:

*'Well, I think that (entrenchment) is under consideration but I don't know how far down that wicket (fiscal decentralization) we're likely to go. But suffice to say, consideration...'* (Interviewee 7/Cabinet Minister/Policymaker)

Another cabinet minister, interviewee 6 didn't share this view but argued that the government was committed to the entire process of devolution and was going *'full speed ahead'* to make it a reality. This interviewee further stated, that if the process remained incomplete it would be a *'serious indictment on the part of the PNP<sup>83</sup>'*(Interviewee 6/Cabinet Minister/Policymaker). It was the PNP government he argued that gave *'municipality status to Portmore (2003) with the intent that it would serve as a model local authority'* in governance, *revenue enhancing and collection measures* (Interviewee 6/Cabinet Minister/Policymaker). In this regard, the cabinet minister, interviewee 6 argued that Portmore should have already been fiscally decentralized with its own revenue sources with property tax being one of those sources.

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<sup>83</sup> The current political administration (PNP) at the time of the fieldwork (February to April 2013).

Yet another cabinet minister/policymaker/interviewee 5, a member of the current administration was not even prepared to share an opinion on devolution of the property tax to Portmore despite the interviewee's apparent intimate knowledge and involvement of and in the entrenchment process. The interviewee perceived that a decision on devolution should be driven by the results of a cost benefit analysis (Smoke 2001) and therefore in the absence of such data was not prepared to comment. However, the interviewee conceded that even if Portmore were to be fiscally decentralised, then it would still be dependent on central government funding for some infrastructural items like water and draining cleaning. The concern of this policymaker, interviewee 6 seemed to be that Portmore would not have the capacity to provide these services or it could be that there would be no economies of scale in the provision of these services.

Bird and Wallace (2005) on decentralization in their study argue that although there is the fear that the delivery of some infrastructural services is beyond the reach of some local authorities, there is evidence to suggest that some local governments do have the capacity to provide such services, citing some localities in the Russian Federation. Findings from my study showed that some gated communities were responsible for their water and infrastructure such as roads much smaller units of governance than say a local authority. The inference here, is that if they as small units are able to deliver such services, it is likely that the **PMC** would or should have the capacity to deliver these services.

But what accounts for these varying perspectives on fiscal decentralization from these policymakers serving in the same administration? Bahl and Wallace (2005:85) attempt to shed some light as to the reasons for such conflicting opinions. They debate that 'many countries never take the steps of developing a White Paper that specifically identifies the problems and how those problems might be resolved while attempting fiscal decentralization. The white paper was the reference for cabinet ministers and government bureaucrats on the boundaries or rules of games on how to implement fiscal decentralization.

According to Bahl and Wallace, it wasn't the practice of governments to define or establish the rules of the games. And this situation in Jamaica was no different. Thus, Bahl and Wallace seem to capture the essence of what was happening in the Jamaica. Although, government and interests groups in Jamaica have produced many reports and policy papers (Nettleford 2009), there was no evidence to suggest that a white paper was produced to provide the requisite knowledge and guidance and to establish the rules of the games as to how to resolve some of these very issues<sup>84</sup> to which they refer. Thus, cabinet ministers the main actors whose responsibility it is to give direction to the fiscal decentralization process were unable to do so as they seemed to lack the requisite knowledge or the cultural capital as to how to proceed with the fiscal decentralization process. There was no white paper, the 'repository of knowledge' for the process, thus variation in their views on the policy direction. According to Swartz when questions arise about boundaries, these questions can function as instruments of struggle as is evidenced in this case. In the absence of these established rules, policymakers tend to have their own ideas shaped by the '*structures constitutive of their type of environment*' (Bourdieu 1977) which in turn influence their actions as to the process, procedures of fiscal decentralization, if, how and when this process should take place and also the guidelines to be followed, which further serve to reaffirm their beliefs on the process. This is evident in the discussions, the participant who perceived that fiscal decentralization must be a reality in Portmore has been in Portmore's reform process since its inception, while the others came on board later in the process.

The absence of this cultural capital to give the process direction has now led to the current state of uncertainty and division and Portmore no nearer to being fiscally decentralized.

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<sup>84</sup> The National Advisory Council (NAC) produced a report in 2009 on local government reform which was commissioned by the government but to date most of the proposals have not been implemented. Economic Development Institute an interest group on local government reform also published a paper in 2003. The government also published a number of policy papers on local government reform. All these reports and papers speak to the issues of fiscal decentralization but there was no White Paper.

### 6.3.2 Revocation of borrowing powers

Although the ministry of local government is actively pursuing local government reform, action from the ministry of finance implied that the government is tending towards fiscal recentralisation. i.e. while the government is in the act of decentralizing, it's taking active steps in centralising some fiscal functions. The findings speak to a change in borrowing policy which took away or curtailed the borrowing powers of local authorities as seen in (Ribot, Agrawal and Larson, 2005). Although, this case study didn't point specifically to fiscal decentralization per se, it speaks to the issue of power: it speaks to the principle of taking away the powers of local authorities in an environment of decentralization.

The dominant player in the field, the ministry of finance used its power to change the rules of the game. The local authorities accepted the legitimacy of the ministry of finance to make those changes, thus they went along with the changes. A government bureaucrat, interviewee 4 argued that the government rescinded the borrowing powers of all local authorities and at the same time made it mandatory for local authorities to request and receive approval from the Minister of Finance should they want to borrow funds. The interviewee debated that Jamaica has been going through a programme of tax reform under the 'watchful' eye of the IMF for the last five years. According to the bureaucrat, taking away the borrowing powers was a fulfilment of a statement made that the:

*'...the proposed measures or legislation which would directly benefit the local authorities, there was some innuendos that those would have been absorbed within the centre (Interviewee 4/Senior Government Bureaucrat).*

As a follow-up to these two assertions from the government bureaucrat, the researcher asked the participant to shed some light on the National Advisory Council (**NAC**) 2009 Report in which recommendations were made to the government that financial autonomy should be given to local authorities including Portmore. To which the participant responded:

*'...it (NAC) got what I believe the formal blessing up to the centre but then unless there are requisite approvals in terms of specific measures to support enhancement and to implement those proposals it becomes just that; a blessing, so we keep on praying' (Interviewee 4/Senior Government Bureaucrat)*

However, a cabinet minister/policymaker, interviewee 5 perceived there were no issues with the **NAC** 2009 report and that strides were being made to fulfil the recommendations but at this stage (2013) the ministry was waiting on a response from the Attorney General with respect to both entrenchment and autonomy of the local councils. Whilst the Attorney General worked on these issues, the government continued its policy of central pooling of property tax resources justifying that *'we are not operating under the normal scheme of things'* according to interviewee 4, senior government bureaucrat, and in the circumstances, the **PMC**'s property tax revenues and by extension other high collecting jurisdictions are used to support other parishes in Jamaica as confirmed by this interviewee.

Ribot, Agrawal and Larson (2005) in an article *Recentralizing while Decentralizing* contend that central governments may limit the powers that are transferred to local authorities in order to stymie the type of decisions that they can make leaving the decision making to the centre. Smoke (2001, 19) also debates that in the midst of decentralization, Indonesia was recentralized. Smoke suggests that Indonesia became more fiscally centralized after a major decentralization law was passed in 1974. Evidence in the literature suggest that this may not be an unusual occurrence.

Based on the findings from the study, the government rescinded the legislation for local government borrowing making it mandatory for local authorities to seek approval through the Ministry of Finance to carry out this function. Secondly, the expenditure decision of the local councils have been significantly curtailed in that the central government pools the financial resources to cover the two main property tax related services. Local government cannot independently borrow funds nor can it determine the nature of the garbage collection and street lighting services for their citizens.

But this action begs the question as to why? Bahl and Wallace (2005); Asher (2002) in trying to answer the question articulate that governments in developing countries may be justified in limiting some powers especially borrowing powers similar to the position taken by the government in Jamaica in the interest of macroeconomic stability. The argument of the authors is that developing countries are more likely to suffer from 'external shocks' e.g. movements in the international markets, or changes in world price for primary export products or energy prices (ibid). Brazil and Argentina were cited by the authors as examples of 'fiscal decentralization compromising stability.' In these situations, the central government would want to limit the financial powers of local governments so as to have full control over the national debt particularly in situations where there are no 'hard budget constraints at the local level' (Bahl and Wallace 2005).

Currently, Jamaica's deficit is 134.1% of its GDP (Fiscal Policy Paper 2013), curtailing this power might just be one way of ensuring that the government controls the debt from the centre even though this move runs counter to its attempts at decentralization. Bahl and Wallace also suggest that some research disagree with the idea that 'macroeconomic stability is a constraint to the enactment of fiscal decentralization program (sic)' saying that if business cycles are regional, some local governments may be positioned more strategically to absorb the external shocks than central government. Others debate that in certain situations local governments can play a role in stabilization policy (Bahl and Wallace, 2008:95, Gramlich 1987). Additionally, the pooling of resources by the centre may be linked to the debt issue as well.

Anecdotal evidence suggested that if local authorities were directly responsible for their own borrowing and if the government didn't take over the pooling of resources, then there was the likelihood that local authorities would not repay loans and or not pay their bills for the services provided resulting in the accumulation of huge deficits increasing the government's debt portfolio. Smoke (2001) debates that many analysts-opponents of fiscal decentralization argue along this line of adverse macroeconomic effects by the behaviour of local authorities but their conclusions he believes are drawn from studies from countries such as Brazil, Argentina and Russia who might not be

representative. He debates that few developing countries decentralize to the point or allow uncontrolled access to capital markets by local governments where their actions would impact the economy.

It could be argued that government in removing borrowing powers and the pooling of resources were strategies to keep the national debt in check. The rules of the games or the boundaries are being redefined and this is done by taking away one source of their economic capital. The message is being sent that the ministry of finance will be the only actor that determines the extent of the national debt.

#### **6.4 Trust, accountability and corruption**

One of the primary arguments of the benefits of fiscal decentralization is increased accountability on the part of local government officials because they are responsible for service delivery to the local population who elected them (Bahl 2008). But there is another school of thought that decentralized systems maybe more corrupt, in part because local politicians are more likely to give in to pressure from local interest groups (Bahl and Wallace 2005). Some participants spoke about issues of trust, abuse of power, accountability, transparency and corruption by some local politicians citing these as issues why the **PMC** should not be fiscally decentralized. Findings in these areas also suggested some tensions between the stakeholders.

##### **6.4.1 Trust in local authorities and abuse of powers**

A bureaucrat, interviewee 3 feared that localization of the property tax would result in the local authorities abusing their new independent financial powers by virtue of them having full control of the property tax revenues. The participant voiced the view that the authorities would use this power to manipulate and starve the service providers - *'hold them to ransom,'* fulfilling their intent to have control over the money, *'choosing what to pay and when to pay'* (Interviewee 3/Senior Government Bureaucrat). The participant's perception was based on previous interactions between the local authorities and the **NSWMA**, provider of garbage services. The participant claimed that the **NSWMA** had an arrangement with the local councils to clean public markets for which they refused to make payments on the grounds that such payments

should be properly taken from the Parochial Revenue Fund<sup>85</sup> and as such were already included in payments made to it from the central government. On the other hand, the **NSWMA** contended that cleaning of markets was a commercial service and therefore shouldn't be from the fund but from direct payments from the authorities' budgets. According to the bureaucrat, the local authorities didn't pay and hadn't paid. This issue led to mistrust by the **NSWMA** in the local authorities, with the **NSWMA** convinced that should the local authorities control the funds, service providers would be held to ransom ultimately leading to breakdown in the delivery of services. A senior manager, from a local authority, interviewee 20B whilst not saying that the **NSWMA** would be held to ransom; commented that should the property tax be localized, *'it would not be business as usual'* and the **NSWMA** would only receive payment for services rendered, so in situations where there was no garbage collection in selected areas in a local authority the authority would simply prorate payment and the standard payment that it was accustomed to receiving from the ministry of local government would no longer be a feature of the system.

Another government official, a senior government bureaucrat, interviewee 2 stated that there were some bureaucrats at the centre with different orientations in terms of governance with some of them still having the *'thing to command'* giving excuses as to why there shouldn't be local autonomy. One such excuse was that local authorities were not paying as promptly as they should, justifying their decisions by referring to past payment disputes that local authorities may have had with service providers. The interviewee pointed out that he didn't support the local authorities utilizing the services and not paying, although there was evidence to suggest *'there were some legitimate things on which the local authorities spent the money leaving the bills outstanding and run up(sic) deficits'* (Interviewee 2/Senior Government Bureaucrat). The interviewee seemed not be convinced by the non-payment argument.

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<sup>85</sup> Parochial Revenue Fund is fund to which property tax revenues are deposited and pooled and from which allocations and or payments are made for the designated services. See the Parochial Rates and Finance Act (1900) Sections 6A and 6B.



There was another dimension to the trust issues, some participants were fearful of how the funds would be spent by the local authorities. A former prime minister, interviewee 13 revealed that he didn't trust the local authorities to have control over the property tax stating that in the past there were too many issues concerning mismanagement of funds coupled with the lack of concern by the authorities over their level of accountability. This view is probably based on local government's history of not reporting their finances (*Eisner 1961*).

#### 6.4.2 Trust within Jamaican society

A developer, interviewee 32 was of the opinion that there can be no devolution of property tax due to mistrust amongst the Jamaican society as confirmed in the literature by (Powell et al 2006). The participant elaborated by stating that there was no trust between the different tiers of government and also between the national government and the general populace. The issues the participant debated stemmed from a history of corruption, with the government not living up to its promises and a lack of accountability in the Jamaican society:

*'We have a trust issue in this country... central government doesn't trust local government to do what local government says they will do, and rightly so...If you cast your mind way back to when local government officers were elected... it was not a non-paid function...A lot of their pay for workmen was monies that came through that fund, somehow just reached them (elected officials)... So central government felt 'why no, we'd better keep this money and hold it back and dole it out little bit because they go through that process...And now central government's in the position that nobody trusts their leader. They (politicians) are doing the same thing... So the government themselves break the law...'*  
(Interviewee 32/Developer)

The **PMC** was not keen to have the property tax localized because of past experiences with the government based on its failure to deliver on its promise to give start-up capital for staffing and physical infrastructure at the inception of Portmore becoming a municipality. Thus the **PMC** is wary to take on this task as they feared that the government wouldn't give the requisite support for the proper management of the property tax according to a mayor, interviewee 9.

The foregoing evidence from the study suggest that there was little or no confidence in either the local authorities and or the government that they will perform to expectations to make fiscal decentralization a success as demonstrated in literature (Nguyen and Rose 2009). **The NSWMA's** past interaction with the local authorities was an unpleasant one and this led to the bureaucrat, interviewee 3 not to have any trust in the local authorities as it is thought that there is the likelihood that the local authorities will repeat their action once they have control over the funds. Similarly, the former prime minister's past experience with the local authorities' mismanagement of public funds led him to believe that the authorities have not changed and fiscal decentralization will provide an opportunity for them to repeat their actions, thus he has no confidence in them to judiciously appropriate public funds. Thirdly, the mayor, interviewee 9 did not have a positive experience with the government when the **PMC** received municipality status. The interaction with the government at the time placed the **PMC** under severe financial constraints which made it very challenging for it to effectively deliver services to Portmore. The participant therefore does not trust the government to provide the necessary start-up funds to put the **PMC** on the right footing to carry out its job if the property tax were to be localized.

The point raised by the developer seemed to fall in a larger realm touching both contextual factors of trust which has to do with culture and institutions and also past experiences (Dore 1987, Fukuayma 1995, Nguyen and Rose 2009).

#### **6.4.3 Accountability of councillors and transparency in PMC**

Findings from the study revealed that the lack of accountability and transparency in the council coupled by the corrupt action(s) of some councillors who used their office for personal gain and the absence of a strong internal control system were some of the issues that interviewees suggested that made **PMC** not ready for fiscal decentralization. A policymaker/cabinet minister, interviewee 6 debated that although councils wanted local autonomy, their actions didn't demonstrate that they were serious about managing themselves. The interviewee expressed displeasure in the conduct of some councillors who seemed never available to interact with and make themselves accountable to their constituents. Furthermore the policymaker/cabinet minister

suggested that the position of councillor was used more for personal advantage rather than as the means or medium to serve and make themselves accountable to their constituents . The following quotation reflects the views of the policymaker (**preceding the expression of the view, he wondered out aloud whether he should these perceptions recorded and also reread the consent form out aloud- section which relate to how his views would be treated**, having been satisfied he continued...)

*'(Someone) is elected as councillor and he is not seen again because the whole thing has change (I wonder if I should say this on the tape, words of the interviewee). For some (councillors) it is a way of moving to another stage. It is almost like a profile, you get that on your profile, and you also get a concession of 20%, so you are going to get a Prado. You have a nice job, you have the council thing and you get a money (sic). And you can get benefits thereafter...One of the biggest problem affecting local government is transparency, they are not, **they are not doing, they are not showing, they are not telling** and it is not manifested in the work. No matter how you tell them to take photographs before and after, you cannot get one...'* (Interviewee 6/Cabinet Minister/Policymaker).

Similarly, a member from civil society, interviewee 23 argued that the **PMC** was not ready for fiscal decentralization until the requisite '*checks and balances*' (internal control mechanism) were in place and making the reporting structure '*more rigid and tightened up*'. In the absence of these checks and balances and the reporting structure, the interviewee claimed that the actions of some councillors increased the vulnerability of the **PMC**. For example, the interviewee stated that some councillors contracted work to their constituents without proper terms of reference and work conditions and related an incident to demonstrate the point:

*'I was somewhere couple of months ago and a councillor came on and there were two gentlemen who were standing by the side and they knew the councillor and they started to talk to the councillor and they were complaining about another councillor giving them work and the work that*

*was given to them, they don't know how much the job was for, but at the end of the day the councillor came and gave them X(sic) amount. Things like that leave us open for corruption and that is why I said the checks and balance...'* (Interviewee 23/Civil Society).

Speaking of councillors, a cabinet minister also a policymaker, interviewee 6 also stated that councillors operated in a climate where they *'don't believe that they can be fired'* and under the circumstances they perceived it was unnecessary to make themselves accountable to their constituents. This attitude or belief according to this policymaker, interviewee 6 stemmed from the practice that councillors were not implementers but rather like policymakers who didn't *'carry out the work'* in other words they were not on the front line the policymaker further argued.

#### **6.4.4 Corrupt politicians**

Evidence from the study also revealed that there was also the fear of corruption if there were fiscal decentralization. A tax administrator, interviewee 15 voiced the concern that the present political climate in Jamaica was conducive to corruption (Transparency International 2012)<sup>86</sup> and thus wasn't prepared to support devolution unless the local authorities were supervised. A taxpayer, interviewee 30 equally supported the view that the present level of corruption in the **PMC** demanded central government supervision as the **PMC** didn't have the *'credibility'* to be fiscally autonomous.

A mayor, interviewee 9 claimed that corruption was always an issue in the society, pointing out that everyone faces it, and everyone has to deal with it. He stated *'it's like an elephant in the room; not only in Southmore<sup>87</sup> but in the country...'*(Interviewee 9/Mayor). *Even civil servants at the higher level are caught in the web of deceit and corruption'* stated interviewee 23 from civil society. Thus, in advance of any sort of fiscal decentralization in the **PMC**, this member of civil society suggested that the **PMC** needed a *'culture shock or culture change, implementing clear rules of engagement in the way things are*

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<sup>86</sup> Jamaica was ranked 83 out of 176 in 2013 in the International Transparency Index. The ranking was similar in 2012. <http://www.transparency.org/cpi2013/results> retrieved December 19, 2014

<sup>87</sup> Name of community changed to protect the anonymity of the interviewee.

done'(Interviewee 23/Civil Service). Interviewee 23 also stated that the process of changing the culture of corruption will take a long time to happen as confirmed in the literature so he was not hopeful that the local authorities would be ready for this.

Interviewee 23 further argued that the political situation in Jamaica was one characterized by party patronage (Edie 1989) where some politicians use government funds as a means to enrich their loyal party constituents providing them with contracts even though they may be unqualified to execute such contracts. In this regard, interviewee 23 from civil society stated that '*whenever one political party is(sic) in power, they tend to look out for their people to give them contracts, whether these persons can do the contract or not. **You have a mason doing an engineer's job***'.

Interviewee 23 argued further that in the hope of securing government contracts, party supporters make election campaign contributions to their party. Interviewee 26, a taxpayer in supporting this view, stated that some party supporters went to the extreme of making political campaign contributions to both political parties to guarantee obtaining contracts from whichever party wins the elections. Interviewee 23, from civil society believed that if there were a proper internal system of accountability, it would prevent or curb this type of activity.

Another feature of the political environment was the appropriation of government property by politicians in certain situations with attendant justification for such action. For example, interviewee 6, a cabinet minister/policymaker pointed out that when the previous government demitted office, '*the previous government ministers took away all the vehicles, took away everyone...*' but argued that he didn't see anything wrong with this action as these politicians were poorly paid and they had nothing else to show for the hard work and long hours that they put in while they were in office... '**so for them to get the vehicles when they are leaving, it is just a little incentive**' (author's emphasis)(Interviewee 6/Cabinet Minister/Policymaker).

Interviewee 6 also stated that councillors in some situations were involved in corruption colluding with technocrats within the local authority in

misappropriating government funds. This he believed was done subtly via project work within the community, i.e. submitting work as special project but ordinarily executed; the money paid for the special project was then shared between the councillors and the contractor. The participant provided this scenario to substantiate the point:

*'There is a drain at northwest and bush comes over the drain, it is overgrown by shrubs but it is really the drain that needs to be cleaned. They can work out something to say the drain is cleaned and get a man and cut off the shrubs (Interviewer interjected: is that the drain by Park Grade<sup>88</sup> High School?) I am not specifically calling a name, I am just talking about a drain in Southmore<sup>89</sup>, I am just talking about a drain (Interviewer: Ok, no problem). This is a drain (Interviewer: ok and laughter by interviewee). So you can get (someone) cut off the (shrub) at the embankment: both sides; but the drain is now cleaned. But that drain is written up as a (special project)... They have somebody who comes and collect the money and they know how they dispose and do that. So the level of corruption and people see it' (Interviewee 6/Cabinet minister/ Policymaker).*

Lessmann and Markwardt (2009) in a study on corruption in sixty four countries concluded that the level of corruption is found to be lower in decentralized countries as decentralization has been assumed to be an appropriate instrument for tackling the issue. This study also confirms previous literature on corruption that effectiveness in monitoring bureaucrats' behaviour is an important determinant of the relationship between decentralization and corruption. In another study by (Fisman and Gatti 2002), looking at the cross-country relationship between fiscal decentralization and corruption suggests that fiscal decentralization in government expenditure is strongly and significantly associated with lower levels of corruption when decentralization emanates out of the country's legal system.

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<sup>88</sup> Name changed

<sup>89</sup> Name changed

The views of two taxpayers concurred with some aspects of the findings of the study in Lessman and Markwardt, that there should be monitoring of bureaucrats' behaviour under fiscal decentralization. Decentralization is therefore a feasible instrument for reducing corruption if there's monitoring. Otherwise, if those institutions don't work sufficiently well, decentralization can contribute to high levels of corruption. Studies have shown that in Russia in the absence of monitoring at the local level there was high scale corruption (Lessmann and Markwardt, 2009, Blanchard and Shleifer, 2000) as against other previous communist countries where there was monitoring of local corruption was less.

Jamaica is ranked 83rd out of 176 countries with a score of 38 by Transparency International based (2012 index). Jamaica with a score below 50 suggests that public institutions need to be more transparent and powerful officials more accountable. The ranking of 83 confirms some interviewees' view that local authorities, politicians and councillors need to be more transparent and accountable in their actions and a member of civil society's view that there needs to be more transparency within the authorities.

### **6.5 Power, attitude of politicians, technocrats**

Some participants believe that some politicians were in politics for power only and therefore issues that concerned their constituents were not their primary focus. Interviewee 23 from civil society debated that some councillors' sole purpose for being in politics was to have control, '*all they are interested in, is power*' and not in the improvement or welfare of the community. To demonstrate the point, interviewee 23 from civil society stated that some work was taking place in his community without the prior knowledge of the sitting councillor, the interviewee said that he was accosted by the said councillor who stated '*nothing should happen in his division without his knowledge*'.

Interviewee 30, a taxpayer argued that it would be difficult to have local management of the property tax because councillors would be incapable of leading based on their level of divisiveness in the **PMC** and their inability to negotiate suggesting a lack of cultural capital. Interviewee 30 stated that they didn't have the capacity to '*even agree on simple things, they seem to just have*

*quarrels over there (PMC)*’ attributing this type of attitude to the political culture (Edie 1985) and the composition of the council. This behaviour suggest an absence of cultural capital (Swartz 1997) inability to unite around a common cause which may be attributable to them being overpowered by the political culture of divisiveness or loyalty to party above everything else (Edie 1985). Interviewee 30 further articulated that even though the **PMC** was controlled by the ruling party- the **PNP**, it made no difference in arriving at a consensus on any issue. The participant taxpayer, interviewee 30 further debated that the political situation was worsened when members of the council and the members of parliament in which the **PMC** falls were from opposing parties. When this was the situation, this interviewee taxpayer stated that there were always political conflicts between the mayors and the members of parliament. The interviewee reasoned that these actions and behaviour were not conducive to fiscal decentralization. Furthermore this taxpayer, interviewee 30 questioned whether any real benefits would be derived from localization stating that benefits to any community within the **PMC** was really determined by political affiliation as confirmed by (Edie 1985) or social network or social capital rather than from revenues generated by property tax:

*‘...how (your political representative) is aligned to the party(in power)- the leadership politically, that will filter down to what the benefits that your community gets. For example, the councillor, she was attached to French Town<sup>90</sup>, she came from our community. She lived over the flat houses so she was able to get a road or two fixed for the community because it is her community too. She was able to get a basic school, she was able to get a little park and she was able to get (these)... because her party was in power, so we were able to get a little of the benefits because of where she was at in the community. She moved from the community) and there went some of the little benefits’ (laughter by taxpayer)(Interviewee 30/Taxpayer).*

Interviewee 30 suggested that the politician used her social capital through use of her network; political and social to garner support to obtain economic capital

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<sup>90</sup> Name changed



for the community. Thus the benefits that accrued to the community were not as a result of property tax compliance. In this case, it would seem that social capital was superior to the economic capital in bringing benefits to the community as suggested in the literature (Swartz 1997 136-137).

Portmore is a diverse community articulated interviewee 10, a former mayor calling it the '*United States of Portmore*' arguing that communities may look and act differently because of their socioeconomic conditions. For example, the interviewee former mayor debated that one community may be willing to accept a community shop while others were unwilling to. He perceived that those who were willing to accept may have done so because they didn't have the convenience of a car, thus a community shop would be ideal for them to do small purchases. Having realised the dynamics of the situation, interviewee 10, former mayor stated that attempts were made to rezone some of the communities in a standardised fashion. The starting point was using council lands to make this a reality. The former mayor, interviewee 10 argued that while he was in office, he was unable to do so as **Melon**<sup>91</sup> owned no land '*not even one piece*' but as soon as he demitted office '**Melon had over twenty three pieces of land, the titles sitting in the council vault**'. The interviewee stated that it was a *miracle* for him as to how these titles got to the vault so soon after he left office and thus surmised that '*(councillors) didn't want any cahoots to come to the mayor at the time*' (Interviewee 10/Former Mayor).

The former mayor also related another incident in which a proposal was made for increased governance of the roadways in Melon by way of imposing a hoarding fee. This fee was to regulate the use of roads as a storage and impromptu building construction sites. The interviewee former mayor stated that the council was unable to reach a consensus on the issue as '*councillors' thoughts were not necessarily in making (Melon) much better*' and further stated:

*'Persons would quarrel eternally about that fee but yet when you look at the roadways, when you are done with construction, it would be filled*

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<sup>91</sup> Name changed to protect identity of interviewee

*with concrete, (citizens) would have dug up the road way, the sidewalk would have had more materials lying on its side with sand and gravel for many months; citizens who are passing there, would have to walk out in the middle of the road because of your inconsideration (Interviewee10/Former Mayor).*

These incidents confirmed the perception of a taxpayer, interviewee 30 that councillors voted along party lines. They used the support of their party to act against the opposing party even in situations where the outcome would improve the welfare of the community. Lack of consensus seemed to be used by councillors as a source of power to frustrate the opposing party and to maintain their position in the field or on the other hand it could be that they are conditioned not to give support to the opposing party thus this would be their natural response to the issues on hand as confirmed in the literature (Eddie 1985).

Interviewee 22 from civil society argued that an independent mayor without a vote with a majority of councillors from the opposing party was really a *'one party system, a one party municipality, with the votes swinging towards the majority and the development (going with) what they want, (not) in the interest of the people.'* Interviewee 23 also from civil society debated that bi-partisan politics stood in the way of *real and continuous development in Portmore*<sup>92</sup>. The majority in the council used their powers to thwart the progress of the council by voting along party lines even though the decisions taken may not have worked to the benefit of the municipality. These two incidents not only demonstrate how power can be captured by a local elite and used against the interest of the community which is particularly undesirable under fiscal decentralization (Bahl and Wallace 2005).

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<sup>92</sup> The Mayor at the time was from the ruling party, the Jamaica Labour Party (JLP) during the period 2007 to 2012 but the council had a majority from the opposing party, the PNP.

<http://www.eoj.com.jm/cms/uploads/ElectionResults/ParishCouncil/20071205%20Parish%20Council%20Election%20Box%20by%20Box.pdf> retrieved December 19, 2014

### 6.5.1 Political will

In terms of attitude, a former mayor, a government bureaucrat and a cabinet minister believed there ought to be a change of attitude at both the local and the central level before fiscal decentralization can be achieved. A former mayor, interviewee 10, suggested, there was an absence of political will<sup>93</sup> (Carbonetti et al, 2013) on the part of councillors within the **PMC** to seriously address the issues relating to fiscal decentralization and its implementation. The former mayor argued that whilst there were lively debates in the past within the council, there appeared to be an inability on the part of the **PMC** to arrive at a decision and the will to follow up. Carbonetti et al argue that political will may be driven by people coming together to address the threats that face the community supported by the power of collaboration, social capital. In the case of the **PMC** the councillors' unwillingness could be due to a number of reasons some of which may be that they didn't see any clear benefits of fiscal decentralization or it could be a situation where they thought that they would have to be more accountable to their constituents because not making themselves accountable would be more advantageous for them or they could see fiscal decentralization as purely a political issue and not one being supported by their party, thus they have to go along with their party's decision or it could be that managing locally falls outside of their intellectual depth or it could be that no one locally or nationally is championing the cause of fiscal decentralization or for them it was just not a priority or it could be or as it was said by, a member of parliament/legislator, interviewee 8 they want the benefits of the property tax but do not want the responsibility of raising the revenues. Additionally, a senior manager, interviewee 20A, from a local authority pointed out that fiscal decentralization would only be a reality if all local authorities within Jamaica lend their voices and lobbied for it; *'you couldn't isolate Portmore, as they say the sum of the parts is greater than the whole'*.

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<sup>93</sup> Political will is defined as 'commitment by a political actor or group of actors to create and/or implement a policy for the sake of that policy's implementation' by (Carbonetti et al 2013) Overcoming the lack of political will in small scale fisheries Marine Policy.

### 6.5.2 Dependency attitude towards fundraising

A cabinet minister, interviewee 6 expressed his unhappiness with councillors' mentality towards fundraising, suggesting that their attitude was one of dependency on central government to provide funds for the council rather than an attitude of independence, inventing new and creative ideas to raise the funds within the council. He believed that the councillors needed a reorientation of their attitude towards fundraising for the sustenance of the municipality: one which demonstrated independence rather than dependence (Ruhling 2006). The participant further stated that the general mind-set of the council as fundraisers was to make requests from the government for such funds which he perceived to be untenable:

*'The council just sit and make resolution in council meetings to get money from the ministry. This is not how I think they should operate... (they) should be finding innovative ways to manage...whatever it is to ease the pressure on central government. It is central government who has to be finding money to help them to subsidize them...'*<sup>94</sup>(Interviewee 6/Cabinet minister/ Policymaker).

The opinion of a senior manager, interviewee 20A from a local authority confirmed the cabinet minister's perception of the councillors' attitude towards fundraising. This interviewee's outlook was that it was safer to stay in the ambit of central government, reasoning that this relationship guaranteed deficit funding (Ruhling 2006). The participant's fear was that <sup>1</sup>sometimes Portmore would be unable to raise enough property tax to cover the designated services<sup>95</sup> and thus was unwilling to take the risk of local management. With devolution, government wouldn't finance budgetary gaps, thus the preference was for property tax to be managed centrally.

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<sup>94</sup> Since April 1, 2013 there was a change in the property tax policy, which stopped transfers from central government to local government. See (Wynter 2014) Wielding power: property tax policy change in Jamaica (unpublished paper)

<sup>95</sup> Subsequent to the this particular interview, property tax liabilities substantially increased with some participants arguing that government will no longer subsidize the local authorities including the **PMC**.

A member of parliament, interviewee 8 in supporting the cabinet minister's view stated that the council had no desire to be fiscally decentralized but rather wanted the benefits of the property tax via the expenditure budget without responsibility of raising or imposing the property tax. The participant stated that politicians didn't like to impose tax and thus the attitude of the councillors. However, a councillor, interviewee 12 refuted this claim stating that the **PMC** would do a better job of managing the property tax. This councillor, interviewee 8 also suggested that the increased compliance rate in Portmore was largely due to the initiatives undertaken by the **PMC** in providing more '*windows and opportunities*' (Rühling 2006) to make taxpayers more compliant. This councillor therefore argued that the council had no fear in managing the property tax, as it wasn't a new tax debating that the citizens of Portmore were already accustomed to it (Hale 1985). The councillor, interviewee 12 stated that it was the government who was fearful of devolving the tax to the local authorities because of its lack of confidence in the ability of the local authorities to manage.

### 6.5.3 Command and control of bureaucrats

Non-implementation of devolution may also be attributed to the attitude of technocrats and politicians within central government wanting to retain their control and power at the centre. Conventionally, property tax is administered by the ministry of finance with some technocrats supporting the continued arrangement but conceded at times it should be localised according to a government bureaucrat, interviewee 2. This interviewee stated that this problem was further compounded by the difficulty of getting an existing administration to agree on the policy of localization (Bahl and Wallace 2005) as it was the practice by some newly elected politicians not to support local autonomy while others may just give it their lukewarm response. The absence of established boundaries on the implementation process in the form of a white paper led to personal and organizational conflicts (Hume et al 1999, Doyle, Hughes and Glaister 2009) with personal goals succeeding.

A senior manager from a local authority, interviewee 20A theorized that some bureaucrats at the centre wanted to have exclusive control over the funds and thus their unwillingness to let go of this power. Another senior manager from a local authority, interviewee 20B stated that personnel within some ministries

didn't want to surrender their power as retention of power facilitated or maintained their connections to the larger community. For example, the **PMC** not being fiscally decentralized would still afford them the opportunity to interact with developers and for them to retain their approval status on developmental issues in Portmore without reference to and consensus with the **PMC**.

#### **6.5.4 Nonchalance of residents**

Added to the lack of agreement between local government and central government, was the level of apathy by some residents especially those who have tertiary level training contended a former mayor, interviewee 10. The former mayor interviewee argued that if the residents in the community showed more interest in Portmore then the political administration under his tenure couldn't have gotten away with their '*nonsensical behaviour*' also stating that if these community members displayed more interest, then the councillors would be more accountable.

Interviewee 10, a former mayor likened taxpayers in Portmore to '*...5 pound millionaire(s): they are pretty much like you and me, a little bit of education, a nice little vehicle, a nice little house, not too much money in the bank and we have arrived, oh boy*' but reiterated that they had no interest in the governance of Portmore.

Interviewee 23, from civil society confirmed the former mayor's viewpoint of the disconnect of some citizens with the community saying that residents get involved in the community only when issues affected them directly. Interviewee 26, a taxpayer attributed this attitude to the practice and governance of community organizations being structured around issues of the day **not** policy issues. Additionally this taxpayer participant suggested that people in Portmore have lost their African tradition of community spirit and had adopted the American way of life which was more individualistic. However some taxpayers refuted these claims saying that their lack of interest stemmed from and was structured by the dormitory nature of the community leaving them little or no time to spend in the community so as to interact with fellow taxpayers, participate in activities and lend their support to the Portmore community (see section 7.2.6).

Despite this living situation, interviewee 25A a taxpayer said he made every effort to vote and attend special events, stating that he wanted to know more about what was happening in Portmore. This interviewee blamed the **PMC** for not interacting with the community bearing in mind the dormitory nature of the community. He called for late night town hall meetings at which the **PMC** would inform people on how funds were spent.

Taxpayers attitude may stem from the lack of awareness of the values of fiscal decentralization whether to improve national welfare or local welfare (Bird and Vaillancourt 1999).

## **6.6 Regulatory and legal framework**

### **6.6.1 Mayoral powers in PMC**

Some interviewees believed that the current regulatory or legal framework in Portmore was inadequate and required changes to make it more appropriate to the needs and operation of an autonomous local authority. Portmore has a unique political situation, in that its directly elected mayor *'has no power... is powerless...(without a ) vote'* argued interviewee 32, a developer. The participant suggested that fiscal decentralization cannot survive under this type of governance in which the mayor has no vote within the council. The developer interviewee also stated that the order to create the municipality was incomplete referring to the framework as *'farcical'*.

A policymaker, interviewee 5 and also a cabinet minister, argued that in the present framework, the councillors did not regard the mayor as a councillor, so the success of the mayoral job and the **PMC** were largely dependent on the *'tactical'* ability of an incumbent mayor. On the other hand, this interviewee debated that the mayor not being recognized as a councillor maybe politically expedient for the **PMC** in that the mayor cannot be ousted by his opponents because he is elected by the people. The mayor, interviewee 9 whilst confirming his advantageous position nevertheless argued that the framework did not provide the mayoral office with any measure of autonomy to manage locally. Furthermore, the mayor stated, that the framework did not provide a financial budget to undertake work and to facilitate direct report nor does it

empower the mayoral office to have control over service providers in Portmore, like the police and fire brigade. The mayor perceived that the design of the regulatory framework creating this political anomaly was deliberate because bureaucrats were upset with Portmore becoming independent. This is what the mayor said:

*‘Somehow when they created this thing, I think civil servants were so angry about Portmore being selected – that’s my own view – that they did everything not to support whatever was done.’ (Interviewee 9/Mayor).*

### **6.6.2 Property tax laws within legal and governance framework**

Interviewee 9, a mayor argued that the municipality still fell under *the whole reins of the parish council archaic laws*; making it difficult for him and the council to have a new approach to doing things because *‘you are saddled by the same set of laws that govern the council that you’re trying to get away from’*. The mayor was not hopeful in the local government reform process as he felt that it didn’t go far enough stating that if central government wants councils including the **PMC** to be effective, they should be given autonomy to do so. He recounted the following situation to highlight the lack of autonomy because of the present governance framework:

*‘For instance, I have a piece of land in Pellshire<sup>96</sup> I want to sell, for a joint venture park; and when you write to the Permanent Secretary, he sends I think it’s about sixteen questions for you – so by the time you’ve finished answering, your term is finished... So it frustrates the efforts of local government. (Interviewee 9/Mayor).*

The mayor believed that the local reform is a farce which is reflected by the following comments:

*‘I told the minister ... ‘You guys are joking. Because you talk one thing and the facts are if you send it to the Ministry, the people there are going to hold it... and ask things because they’re not certain themselves.’ They are not tuned in to business initiatives, and ...so all they do is frustrate you’ (Interviewee 9/Mayor).*

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<sup>96</sup> Name changed to preserve anonymity of interviewee.



Interviewee 10, a former mayor speaking on the regulatory framework pointed out that the **PMC** was not allowed to reap the financial rewards based on cost inputs arguing that *'Portmore does the work; incur the charges but central government takes the money not (sic) putting in any work'*. This assertion referred to the specific situation of taking court action against citizens for breaches of the law. He argued that the **PMC** often expended its own resources to have breaches corrected but on successful defence, the monetary settlements were collected by the central government. The current legal framework lends itself to this anomaly and in the circumstances would need to be changed to support an environment of fiscal decentralization the interviewee debated. The former mayor, interviewee 10 also argued that if changes are made to the legal framework and the **PMC** were responsible for managing the property tax with the *'responsibility to pay its way through'*, it would be in the interest of the **PMC** to go out and *'make sure that these taxes are collected, and should in a case a citizen feels that the taxes ought not to be paid, it is in the interest of the PMC to take the citizen to court and seek the necessary remedies'*. Under devolution, he suggested that Portmore would make every effort to ensure that citizens were compliant.

A cabinet minister, policymaker and interviewee 6 supported the former mayor's position that the legal framework needed to be changed, adding that it should also consider empowering the **PMC** to raise other sources of revenues to complement property tax revenues. A government bureaucrat, interviewee 3 in supporting this argued that the borrowing status of the **PMC** should be restored. This participant also articulated that the regulatory changes should be accompanied by training to develop the requisite skill sets to ensure implementation and maintenance of the laws.

Finalizing local government reform along with the entrenchment process should change the legal landscape of the **PMC**. But as was previously mentioned, entrenchment doesn't guarantee fiscal decentralization as demonstrated in Indonesia in 1974 (Smoke 2001). Entrenchment alone would not suffice, there should also be changes in the property tax laws making them more relevant to Portmore's environment as seen in sections 5.3.5 & 5.3.6, for example,

extending the time of serving summonses to reflect the dormitory nature of the community.

Tax administrators argued that changing some areas of the property tax laws were critical for enforcement and compliance. They articulated that by virtue of the fact that Portmore is a dormitory town, a large percentage of Portmore residents were only available on Sundays and or before 6am and after 6pm Mondays to Saturdays which did not allow for some enforcement activities on these residents, thus they believed that the law should be changed to reflect the realities of the new living arrangements. A senior tax administrator, interviewee 14A argued for changes to the property tax database suggesting that it should be updated to reflect taxpayers' **TRN**, as linking taxpayers' **TRN** to properties would facilitate enforcement on taxpayers at say their workplaces' lessening the challenges of locating taxpayers.

Secondly, a taxpayer, interviewee 24 argued that the laws should be changed making it compulsory for persons from the unplanned communities to pay property tax given that they obtain services similar to those received by taxpaying citizens and legitimate owners and occupiers of properties in Portmore.

## **6.7 Resource constraints**

Fauget (2004; 867) drawing from studies conducted by (Smith 1985; Crook and Sverrisson, 1999), posits the view that local government's lack of human, financial and technical resources or material capital will prevent it from providing appropriate public services under decentralization, and thus power should remain at the centre. He however argues that although these claims are made they have never been extensively tested. But Smoke (2001, 16) provided evidence that decentralization was actually delayed in Ethiopia because of capacity or capital constraints and in the case of Uganda, the process 'backtracked' due to poor performance by the local authorities.

Some participants were of the view that the **PMC** and other local authorities didn't have the requisite skills, resources or capital to manage a fiscal decentralised system. Their concerns surrounded economic and cultural capital.

However, there was one participant, a former councillor, interviewee 11 who believed that the requisite human resource skills or cultural capital resided within the local authorities including the **PMC** making them ready to take on the challenge of managing a fiscally decentralised authority.

### 6.7.1 Leadership and soft skills

Poor leadership skills, absence of business skills, paucity of intellect, limited educational background, lack of tertiary training, lack of vision and unwillingness to engage in lifelong learning were some of the issues raised by participants. Other matters relating to human resources inadequacy included lack of technical capability of operational staff and a general shortage in personnel to effectively manage if the **PMC** were to be fiscally decentralised.

A developer, interviewee 32 opined that the political directorate lacked leadership skills and as such they have nothing intellectually to offer to their local community. The participant further stated that councillors *'don't read, are under-educated, making no effort to expand their horizons... and they can't even work with basic technology'*(Interviewee 32/Developer), thus the participant argued that even though councillors were elected to office, in light of their intellectual and technical deficiencies, he believed that they were incapable of providing effective and meaningful leadership to the **PMC** under fiscal decentralization.

Similarly, a former mayor, interviewee 10 argued that it was difficult for councillors without higher education, business training or experience in business to be managers; and should the **PMC** be given leadership under these conditions, it is like a *'disaster waiting to happen'*. Another mayor, interviewee 9 expressed his unhappiness with the leadership limitations of the councillors in the **PMC**, citing poor vision and or a lack of creativity resulting in their inability to generate new ideas or take initiative in council matters. The quote reflects this perspective: :

*'And one of the observations I recently made is that both political parties must try to encourage a higher level of personal councillors. People who not only think about the next contract, but have some ability to plan and to think and to lead. One of the issues is that you need people with a*

*better level so that they can bring something to the table in terms of governance...In the construct of a municipality, the directors are the councillors, and most of the issues and things are done in committee meetings (Interviewee 9/Mayor).*

Further commenting on the leadership issues, the mayor also expressed his disappointment at the level of leadership from the citizens' representative arm- Portmore Citizen's Advisory Council, the citizens' watchdog on the council. The interviewee argued that the group wasn't representative of the people and he perceived that:

*'...their interests are more narrow, than looking at the community in general. Right now we have too few people who are genuinely community people, and too many people who are professionals, who don't have the contact or involvement with the community. And, as I say, that's a problem (Interviewee 9/Mayor).*

According to (Swartz 1997), actors need capital to enhance and retain their position within the field. In this case, interviewees were saying that there was a lack of cultural capital and social capital for the effective governance of a fiscally decentralised authority. Administrative and political staff who didn't possess cultural capital lacked the requisite dispositions or personality to be appreciative and understanding of this type of environment, thus making them incapable of leading (Swartz 1997, 76). The lack of cultural capital will thus impact their management practices as they would be unaware of what decisions to be made for respective situations that may confront or face the authority from time to time and resulting in poor decisions which may ultimately be disastrous as stated by a former mayor 'a disaster waiting to happen.' Furthermore when staff has cultural capital especially in the form of credentials it brings autonomy from the dominant patronage (Swartz 1997, 76) which is a part of the Jamaican landscape (Edie 1989). In other words this type of cultural capital would encourage meritocracy and for people to be less reliant on politicians for their economic livelihood and that politicians would be more confident on their credentials and their leadership qualities rather than economic support and the

promise to provide economic support as a condition for re-election to office. This would change the political rules of the game.

### 6.7.2 Technical and professional skills

A mayor, interviewee 9 reflected that the shortage of technical skills within the municipality was an inhibitor to effective governance, hampering localization. To bring home the seriousness of the situation, he stated that the **PMC** had '*one and half building officers*' to police and monitor over fifty thousand houses, '*because one can do some things and the other can't*' (Interviewee 9/Mayor). A senior tax administrator, a former politician and a legislator confirmed the mayor's viewpoint being evident in how '*some things fall through the cracks*' stated a senior tax administrator/interviewee 14B. Whilst a government bureaucrat, interviewee 3 concurred that staffing may be an issue, he perceived that if there's staff upgrading, changing or appointing additional staff based on professional qualification, then the **PMC** should be able to meet the demands of managing a fiscally decentralised regime. But, the government bureaucrat interviewee 3 emphasised that the appointment of qualified staff should be independent and transparent, i.e. without '*nepotism or bly*'. The staff upgrade and new appointments he argued should also be supported by other resources in place: a proper computing system and an appropriate legal framework. Additionally, staff training should be given to develop the requisite competencies. Following the simultaneous introduction of all these elements, he believed that fiscal decentralization should be introduced on a phased basis.

Despite all of the foregoing views of limited or the absence of cultural capital, a former councillor, interviewee 11 firmly believed that localization of the property tax can be an instant reality because the requisite technical, administrative, legal and fiscal expertise – '*improved management and administrative capacity*' (Bahl 2008, 23)<sup>97</sup> already reside within the local authorities.<sup>98</sup> The participant

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<sup>97</sup> See (Bahl 2008) Opportunities and risks of fiscal decentralization: A Developing Country perspective IN Fiscal Decentralization and Land Policies (Ingram, Yu-Hung Hong 2008) (eds.)

<sup>98</sup> I interviewed four administrative/technical/financial staff from the **PMC** and three of the four interviewees on the consent forms indicated that they had postgraduate qualifications. Additionally, a former politician from the **PMC** disclosed that he was pursuing postgraduate studies in Public Administration. This seemed to confirm the assertion by a former councillor that the councils including the **PMC** were employing persons with professional training.

stated that capacity building training programmes were conducted by the World Bank within all local authorities and since that time local authorities have been employing better and trained personnel not only in fiscal management but in other areas with expertise in auditing, financial accounting, cost accounting and legal affairs. This former councillor interviewee however didn't address the lack of cultural capital of councillors.

The lack of economic capital hindered decentralization in Ethiopia and Uganda (Smoke 2001).

### **6.7.3 Financial**

Financial constraints or insufficient economic capital were mentioned as a limiting factor by a few participants which would prevent the **PMC** from gaining local management of the property tax. A mayor, interviewee 9 viewed the concept of localizing the property tax as laudable but was concerned about the lack of financial resources or economic capital to both start up and administer the system under fiscal decentralization. The mayor was sceptical and doubtful. His scepticism or mistrust was based on his past experience with the government. He explained that when Portmore received municipality status in 2003, the government didn't fulfil its commitment to provide the promised start-up capital for the municipality to hire staff, acquire new furniture or generally put the administrative structure in place. Consequently, the newly formed municipality diverted financial resources earmarked for infrastructural development in Portmore to use as start-up capital the mayor stated.

*'And we had to take the money that we were getting to build roads, to buy the desks and chairs, because the first J\$39 million dollars promised to us we never got – we never received it – and staff. So, although, yes we got the thing (municipality status), we didn't get the sort of support' (Interviewee 9/Mayor).*

Additionally, the mayor intimated that before he considered giving his support to have property tax localized, he would want to know the parameters for both energy (streetlight) and for solid waste. In this regard, the mayor, interviewee 9 argued, that a *'due diligence study would have to be conducted on the two*

*major cost inputs of service delivery*'. Furthermore, the mayor stated that the **PMC** had no interest in inheriting the present inefficient solid waste system.

Players at the central level didn't provide the economic capital for the municipality start-up. It could be that they were not ready to give autonomy to the **PMC** and wanted to continue their control and domination by the **PMC** being dependent on them for financing or giving municipality status was symbolic and not meant to pass on real power. Furthermore the non-fulfilment of the promise lead to issues of distrust between the local authorities and central government.

#### 6.7.4 Adequacy of property tax base

Some participants were concerned about the present unimproved tax base, its inadequacy to meet recurrent expenditures to cover services along with the present level of compliance, the administration would have a challenge supporting a paid administration (Bahl 1998). In view of this, a developer, interviewee 32 suggested that the **PMC** should wait until Jamaica was in a more prosperous position. To supplement the base, a cabinet minister, interviewee 7 debated that the **PMC** would need to seek ways and means of attracting new investment in Portmore to support it financially while another cabinet minister, interviewee 6 suggested that other own source revenues should supplement the property tax.

Inadequacy of the tax base to support the activities of the local municipality has been debated in the literature. Bird (2011) articulates that a desirable feature of a local tax is that it should be able to yield sufficient revenues to meet the local needs. Brueckner (2009, 23) confirms Bird's point by debating that a lack of adequate tax capacity (especially at the local level) often prevents local governments from funding expenditures out of their own revenues. It is therefore desirable that if the property tax is to be localised then it should be able to raise adequate funds sufficient economic capital to cover the designated services, i.e. garbage collection, street lighting, administration and beautification. Some participants in the study had doubts whether the property tax base in the **PMC** would be able to produce enough revenues to cover these services based on the unimproved base. This is not unique to Portmore as a government bureaucrat, interviewee 4 confirmed that if everyone

in Jamaica were to be property tax compliant the revenues would still be insufficient to cover the dedicated services

A cabinet minister, interviewee 7 argued that whilst it was good to be independent, expressed the concern that the **PMC** may face a major challenge in that it might be unable to raise enough revenues. He further pointed out that expanding the property tax base to the level where enough revenues can be raised to support the services may not be such a good idea as this action may run counter to central government's tax raising policy (Brueckner, 2009) stating *'it's the same pool of persons you are taxing'*(Interviewee 7/Cabinet Minister/Policy maker). A senior manager, interviewee 20A from a local authority was similarly concerned that the Portmore's property tax base would be inadequate, stating *'given the demand of what we pay, the property tax cannot fulfil the present needs'*. Interviewee 20A also articulated that the property tax would have to be supported by another tax and this tax would have to be more *'significant'* than the property tax. A taxpayer, interviewee 30 also expressed the view that the municipality may need to have other revenue sources as she was doubtful whether the present property tax base is enough to cover the designated services. Interviewee 2, a government bureaucrat debated that if local authorities were allowed to be more involved in the management of the tax, then they could apply indexation. Interviewee 14A, a senior tax administrator believed that the improved value was more appropriate for Portmore based on the physical nature of the community and the earning potential of most citizens. Interviewee 5, cabinet minister and policymaker similarly shared this view.

Not having enough economic resources both money and property to provide services would undermine the position of the municipality making the central government the dominant player in the field. Not having the resources means that it would be unable to provide services to taxpayers, thereby causing fall out with some taxpayers, losing their social capital. If the municipality is given control of the tax, then it would give it the ability to raise the desired revenues through rate setting and base determination (DeCesare 2004). Central government would not want to lose this control as it would lose its dominant position in the field in determining the amount of revenues, the type of services



to be offered, the rates and base to be used. Their underlying interest is to control the level of revenues that pass through the municipality.

## 6.8 Summary

This chapter presented the findings analysis and discussions in relation to *Research Question Two*: To what extent is non-localization of the property tax in Portmore influenced by the political dispositions of players within the property tax field?

The findings showed that fiscal decentralization was being pursued within the context of local government reform which had been going on for a long time. The findings further revealed that although steps were being taken to entrench local government in the constitution and to change the regulatory framework, there was no guarantee that these changes would bring about fiscal decentralization. Non-localisation seemed to be a complex issue and was influenced by a combination of issues. Such issues included the lack of a clearly defined political path along with the absence of a white paper to give direction to the process. In the absence of these, government ministers and bureaucrats' response to localization was based on their own belief system. Bureaucrats' lukewarm response was out of fear that their powers would be whittled away. At the municipality level, the findings suggest that non-localization was threatened by inadequate economic resources, that councillors lacked the necessary cultural capital to lead, that they were not trusted by citizens due to their inability to work with people or politicians with different political ideologies, their lack of accountability to citizens, corruption on their part, their poor attitude towards local fund raising and citizens' failure to demand accountability from councillors .

Despite the challenges outlined above some participants believed that fiscal decentralization can be a reality and would be critical vehicle to both improve tax morale and build compliance as confirmed in the literature (Guth, Levati and Sausgrubber 2005; Mikesell 2003, Ruhling 2006) which would result in increased revenues for local authorities. Without fiscal decentralisation, the tax continues to be centrally managed.

The following chapter presents the findings on the dimensions of compliance and non-compliance within the context of a centrally managed property tax regime.

## Chapter 7

### 7.0 Dimensions of Property Tax Compliance

#### 7.1 Introduction

This chapter presents the findings and analyses in relation to the third research question. **Research Question Three:** *What are the dimensions of property tax compliance and non-compliance in Jamaica?* How do taxpayers use their capital to influence their compliance practices?

*Objectives:*

- To provide insights into how taxpayers' indifference, alienation from the community and their lack of awareness of the property tax or cultural capital shape their compliance practices
- To establish how property ownership or the lack thereof influence compliance
- To establish how some taxpayers use their economic and cultural capital to maintain and enhance their evasive practices
- To provide insights into how taxpayers' disposition towards public financial commitments and tax in particular shape their attitude towards property tax compliance
- To highlight those issues that motivate tax compliance
- To establish how administrative and institutional practices shape compliance practices
- To provide insights into how taxpayers' attachment to property, moral and social conditioning shape their compliance practices
- To provide insights into how taxpayers' perception of Jamaican politicians, government departments (including the tax authority) and the local authorities influence tax compliance
- To provide insights into how the media and taxpayers' interaction with housing developers influence compliance

Section 7.2 discusses actors in the tax compliance field; section 7.2.1 discusses the attitude of taxpayers towards taxation; section 7.2.2 attitude of taxpayers towards the property tax; sections 7.2.3 and 7.2.4 discuss compliant and non-compliant taxpayers respectively, sections 7.3 to 7.3.4 outline the main issues influencing taxpayers' compliance. Sections 7.4 and 7.5 discuss the main issues which tend to influence non-compliance with section 7.5 to 7.5.5 discussing taxpayers' perception and issues of trust with government and politicians. Section 7.6 concludes the chapter with a summary.

## **7.2 Actors in the compliance field**

According to a tax administrator, there are approximately forty-two thousand seven hundred and ninety six taxable properties in Portmore (National Land Agency 2012) and approximately eight hundred thousand parcels in Jamaica. In Jamaica, the average property tax compliance rate was 50% with Portmore having a compliance rate of 49% at the end of the 2011/12 financial year, increasing to this rate from under 40% since the last several years according to a former mayor, interviewee 10. But interviewee 2, a government bureaucrat stated that in some parishes the rate was less than 30%. These statistics indicate that in Jamaica that on an average only one of every two taxpayers in pay their property tax but in some parishes only three of every ten taxpayers comply. According to the literature (Cowell 1999, Cummings et al 2004,1) this level of tax evasion should not only be perceived as only a matter of taxpayers committing an offence against the law but it should also be been in light of the how the lost revenues limit government's ability to provide services. Additionally evasion may encourage more evasion (Traxler 2010).

Portmore is a diverse community, described as the *United States of Portmore* by a former mayor, interviewee 10(see section 6.5). This interviewee attributed this to the migratory way some residents came to settle in Portmore from their old communities arguing that they carried their old cultures and lifestyle or habitus which he believed contributed to the segregatory, divisiveness or fragmented nature of Portmore, thus his nomenclature of '*The United States of Portmore*'. Additionally, interviewee 10 stated that some persons who migrated to Portmore from inner city communities stepped out of a different kind of living

arrangement and found it difficult to disassociate their '*minds*' from their previous living arrangements,<sup>99</sup> making it impossible for them to live in an organized environment confirmed another mayor. The mayor, interviewee 9 also stated that sometimes lower income people found themselves living alongside professionals. The juxtaposition of different living situations i.e. living with people from divergent backgrounds and different economic means caused a '*culture shock*' to both parties stated the mayor, interviewee 9. According to the mayor, those unaccustomed to organized living behaved outrageously, lacked civic pride, thus failing to preserve and maintain the community. The interviewee mayor believed that it was this set of citizens who threw garbage in the drains and left cuttings on the road with the expectation they should be collected.

Interviewee 10, a former mayor also suggested that some taxpayers perceived Portmore as '*just as place to kotch,*' with minimal involvement in the community despite Portmore having the highest level of tertiary trained graduates and professionals confirmed another mayor in Jamaica. The former mayor, interviewee 10 stated that these graduates and professionals didn't make contact or get involved in the affairs of the community as they were '*crowded out*' by the '*lower participants*', i.e. those persons who didn't have much to offer, nor much to lose.

Interviewee 26, a taxpayer who lived in Portmore for sixteen years confirmed the former mayor's perception that people were not as involved as they should. Interviewee 26 however attributed lack of involvement to a combination of issues: economic, referring to the state of the economy; the lack of a nuclear family structure in Portmore and the promotion of the individualistic lifestyle. Interviewee 26 stated that taxpayers particularly those who were single and headed households were stressed and pressed for time, having little or no time to devote themselves or get involved in community work. Rather they spent most of their time tending to the economic welfare of the family particularly in

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<sup>99</sup> Some people came from ghettos where they lived free, not paying tax and no utility bills as told by a policy maker. Sometimes these communities determined their own governance system. See (Charles and Beckford 2012) The informal justice system in garrison communities

light of the prevailing economic circumstances in Jamaica. Speaking of the individualistic lifestyle, this taxpayer, interviewee 26 suggested that this lifestyle contributed to the disconnect with the community. Interviewee 26 stated that people in Portmore were adopting the “*American system*” forgetting that their involvement was needed in the community. The interviewee also argued that this individualism manifested itself in the action of the ‘*rich people in the community who will spend J\$2m or J\$3m on their homes yet are unwilling to spend J\$5 on the community*’ (Interviewee 26/Taxpayer).

Some taxpayers confirmed their lack of involvement and alienation from the community for a number of reasons. A taxpayer, interviewee 29, a tertiary trained graduate and also a property owner confirmed that although she had been living in the Portmore community for almost eight years, stated she had no connection with the community due to her present personal commitments of a fulltime job and part-time attendance at university as a graduate student during weekdays. According to this taxpayer, interviewee 29 her weekends were dedicated to church activities and home chores. Furthermore, interviewee 29 stated that the municipality’s seemingly lack of interest in the community was also a contributory factor.

Interviewee 28, another taxpayer, pensioner, retiree and property owner who has lived in Portmore for forty years (although not a tertiary trained graduate) stated that she was never involved in the community. This pensioner, retiree taxpayer stated that her lack of involvement was as a result of the combination of Portmore’s dormitory nature and her work dynamics. The participant said:

*‘I never attended citizen’s association meetings, (it) was just from home to work, because sometimes it was night that took (me) home and the bus system was really bad in those days... You have to fight to get on to a bus..., fight your way out, rush out in the mornings, walk far distances to get the bus, you have to think of your chores...as most times when you get home it is night...I only went to church or attend a funeral but nothing else (Interviewee 28/Taxpayer).*

Two taxpayers (interviewees 25A and 30) who are tertiary trained graduates and who lived and owned property in Portmore in excess of twenty years

similarly confirmed that their limited or lack of involvement with the community was a result of the dynamics of the dormitory nature of Portmore and their personal circumstances. Interviewee 25A related that he spent long hours commuting to and from Portmore weekdays, getting home late at nights and leaving home early the following morning, which left no time to get involved in community activities saying that he was '*enslaved in this kind of routine*'. This taxpayer further stated that normally weekends were devoted to religious activities and even then he had to be judicious about giving time for them or else he may spend the entire week end sleeping due to exhaustion from the extensive travel in and out of Portmore.

Interviewee 30, taxpayer also a tertiary trained graduate and a former resident of Portmore for more than twenty years commented that while living in Portmore she had no involvement due to its dormitory nature and her work situation. All her activities were therefore centred in Kingston: work, social club, church which left her no time to get involved in community activities in Portmore. Additionally, interviewee 30 stated that the location of her community in Portmore was nearer to Kingston, thus it was more convenient to attend to these activities in Kingston. Moreover she claimed, she feared getting involved because Portmore appeared to be '*too political*' (Interviewee 30/Taxpayer).

Interviewee 23 from civil society, commenting on taxpayers' disposition and their involvement in Portmore attributed their disposition to Portmore being politically segregated. Interviewee 23 also stated that their lack of involvement was further compounded by what he perceived to be a '*don't care attitude*' by citizens in Portmore. Interviewee 23 further suggested that people in Portmore preferred to concentrate on going to work, attend to their personal affairs and only get involved in the community when an issue directly affected them or when a matter '*reach(sic) their doorsteps.*' The civil society participant reiterated, '*they don't basically care... So until something comes along the attitude is I don't really care*' (Interviewee 23/Civil Society). With regard to the political segregation, interviewee 23 debated that this was evident in the quality of the decisions that were made concerning Portmore. He debated that even though Portmore boasted a wide cross section of professionals like teachers, police and other civil servants, he was disappointed, in that people in Portmore

seemed unable to make good judgments as to what is right and wrong due to it being 'colour coded'<sup>100</sup> (Interviewee 23/Civil Society). He expressed concern that there seemed to be a general inability of objectivity even when the issues were non-political. Interviewee 23 called on the people of Portmore to become politically mature. This maturity he believed would increase their level of understanding of the various issues impacting the community purporting that such issues had a greater impact on citizens than the politicians.

Interviewee 24, a taxpayer who lived in a gated community confirmed the view that involvement was needs driven. This interviewee stated that he didn't get involved in the wider Portmore community as there was no need to. Interviewee 24 also stated that all the services and amenities that a local authority would normally provide were provided by his gated community, thus there was no need for involvement in the wider community as there was nothing to be gained from this wider involvement. Nevertheless this taxpayer, interviewee 24 confirmed that members from his community paid their property tax.

In relation to the property tax in Portmore, interviewee 19B, a senior manager from the municipality commented that there was a general lack of awareness amongst taxpayers in Portmore concerning the property tax. This view was confirmed by interviewee 28, a taxpayer, resident of forty years in the community who suggested that some people may act irresponsibly and not pay their property tax due to the lack of tax education.

In Portmore, most occupiers of property were property owners: the rest consisted of renters and squatters. With regards to the renters, a tax administrator, interviewee 17 stated that there was a large rent population with some of them being non-compliant because of not wanting to pay or some with no economic means to pay and still others may not have passed on the notices to the owners of the property for them to be aware of their obligation. According to this senior tax administrator/interviewee 17, some renters may

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<sup>100</sup> Colour coded refers to the people's political affiliation parties, the two major parties in Jamaica, the Jamaica Labour Party (JLP) and the People's National Party (PNP) and their undying loyalty as perceived by the interviewee. The interviewee suggested that taxpayers blindly support their party, voting along party lines without weighing the issues, even when such decisions may adversely affect their community.



also be occupying properties because they were keeping house on account of the migration of the owners or in other situations, some may be allowed to live rent free by relatives because they cannot afford to pay rent. There also tend to be cases of absentee owners who leave their homes unattended: another administrator, interviewee 14A suggested that some taxpayers migrate as soon as they purchase their homes leaving their houses locked up.

A government bureaucrat, interviewee 3 perceived that some people who live in Portmore shouldn't be living there, as they '*can't string together two cents*' i.e. they have no economic means or potential to support themselves, because they have '*never worked and don't plan to work*' and thus have not contributed to the development of Portmore. Interviewee 3, a senior government bureaucrat stated that it was these people who created havoc in Portmore calling them the '*grandfathers and grandmothers of delinquency that now exist in some communities in Portmore*'.

Residents from gated communities were perceived to be more responsive to the authorities as they didn't want to give the impression that they didn't have money to pay but rather prefer the tax authority to think that they had forgotten the tax bill according to a senior tax administrator, interviewee 17.

The findings suggested that taxpayers in Portmore had many social problems which contributed to non-compliance. A senior tax administrator, interviewee 17 stated that in conducting their enforcement activities they have had '*people telling me that they have this, that they have that...*' requiring them to '*act as social workers, just listening to their problems*'. A compliance officer, interviewee 17A stated that whilst some taxpayers were cooperative, other were found to be '*tedious, rude or angry*' which required them to be as '*professional as possible*'.

#### **7.2.1 Attitude of taxpayers towards taxation**

*'There is a story been told to me once about a gentleman, I don't remember the name of the country that he said he visited. But in the business establishment, there was a notice put up saying that I was a proud payer of my taxes, I pay my taxes or I am told to pay my taxes, something to that effect. I don't think that in Jamaica we have that sort of culture'* Interviewee 23/Civil Society). Interviewee

23 continued, ***‘persons are not really anxious to pay because they look at tax as a burden whether the tax is PAYE, anyone of them (author’s emphasis).***

The above quote came from an interviewee from civil society who spoke of Jamaicans’ attitude towards the payment of tax as confirmed in the literature by (Bahl 2007).

The findings revealed that Jamaicans’ attitude towards the payment of tax influenced property tax compliance. According to a former mayor, interviewee 10, Jamaicans have a culture of not wanting to pay their tax. Interviewee 10 debated that Jamaicans will prepare for every other expense including parties but will not make preparations for paying their tax liability. A number of suggestions was given for their attitude. According to a taxpayer, interviewee 24, some people’s attitude towards tax payment was that it was seen as an oppression and an unnecessary evil and non-compliance was their way of registering their protest (Braithwaite 2009). But this taxpayer, interviewee 24 believed that ultimately these non-compliant taxpayers will suffer the consequences. Interviewee 24 argued that non-compliant taxpayers will have to pay the outstanding tax liability along with the associated legal fees for court action to bring about their compliance. This taxpayer, interviewee 24 therefore believed that it was pointless being non-compliant because eventually, *‘you have to pay’*.

A cabinet minister, policymaker, interviewee 5 suggested that it was in the psyche of people to evade and avoid tax and thus non-compliance was not unique to Jamaica. In this regard, interviewee 5, a policymaker stated that there ought to be enforcement through imposition of fines, prosecution and penalties to ensure compliance (Allingham and Sandmo 1972) and at the same time implied that tax evasion was due to the ineffectiveness of the tax authority was ineffective (Silvani 1992)<sup>101</sup>.

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<sup>101</sup> See (Silvani 1992) Improving tax compliance In Improving Tax Administration in Developing countries (Bird and Casanegra de Jantscher 1992) eds.

According to interviewee 14A, a senior tax administrator some Jamaicans perceived '*taxation as a decree, not as an agreed way of funding social costs*'. And as such this senior tax administrator, interviewee 14A argued that this attitude towards the payment of tax was one of the biggest obstacles towards compliance, regardless of the extent of the tax liability, whether it was large or small and regardless of the tax type. Irrespective of the tax liability, the interviewee emphasised, there will be no compliance. To substantiate the point, the interviewee made the following assertion:

*'A businessman that has a turnover with a pharmacy or retail hardware or whatever it is, probably turning over J\$100m (per year) is required to pay J\$5000 (per year) for the business license, that's the highest amount. And they still don't pay...**the tax will not be paid**' (Interviewee 14A/Senior Tax Administrator) (bold is author's emphasis)*

Another senior tax administrator, interviewee 16 supported this view stating that on a whole '*in Jamaica we don't believe in paying tax...(Jamaicans) don't like to pay tax*', their attitude is that they should receive everything free added another senior tax administrator. In the circumstances, voluntary compliance was '*very, very, small,*) stated this tax administrator, interviewee 16. This senior administrator suggested that the ratio of property tax voluntary compliance was 2%, stating that '*only one out of maybe fifty taxpayers who having not received their assessment notices will voluntarily pay their property tax*'(Interviewee 16/Senior Tax Administrator). Not wanting to pay their tax, this tax administrator suggested that taxpayers often hide (Braithwaite 2002) forcing the tax authority to spend huge resources to physically find them to enforce compliance which can be costly as confirmed by (Levi 1988).

Interviewee 16 further pointed out that *it gets so bad* that even when court orders and notices were served on some taxpayers they remained unresponsive to the efforts of the tax authorities (Braithwaite 2002). For example, interviewee 16, senior tax administrator stated that when notices which were served at some taxpayers' homes and or at their premises, taxpayers didn't normally respond. In other situations when court orders were

served on them to attend court, they didn't turn up, in which case the court issues a warrant for their arrest, one of the most extreme measures in obtaining compliance (Braithwaite 2002).

### 7.2.2 Attitude towards property tax

Interviewee 5, cabinet minister and policymaker stated that non-compliance of property tax in Jamaica was not just about not paying property tax but it was about an attitude or a culture amongst some people of not honouring their financial commitments for public services. To substantiate this point, this policymaker/cabinet minister, interviewee 6 stated that some people '*pay nothing at all; 'no light, no water...'*'. This view expressed by the cabinet minister, interviewee 5 was confirmed by interviewee 16, a senior tax administrator who said that some people in Jamaica liked the '*freeness mentality*'. With this attitude or disposition or habitus, property tax was thus another one of those items among a list of public services for which no payments were made but for which services are provided. This behaviour suggests passive dismissive defiance, which totally ignores efforts by the authorities to take control (Braithwaite 2009). According to Braithwaite this behaviour is evident when people perceive that the authority has no right to interfere with their freedom (Brehm and Brehm 1981, Braithwaite 2009, 1). The taxpayers used their culture of non-compliance to dominate the compliance field using their non-compliance as a means to communicate (Swartz 1997, 1) with the various institutions of government and politicians their dissatisfaction with them. In this case it would be the providers of some public services in Jamaica where taxpayers refused to engage with them by not paying their obligations. This suggests disengagement with the authorities. Thus their non-compliance of property tax would be them resisting (Swartz 1997) the authorities in a bid to dominate the compliance field

In relation to property tax, interviewee 17C, a compliance officer suggested that taxpayers' attitude toward the tax was fostered by the government's lack of emphasis on this tax type. Nevertheless, this compliance officer argued that there appeared to be a change in recent times because she '*noticed that that everybody is getting excited about it*' (Interviewee 17C/Compliance Officer)-referring to the huge increases in property tax rates and change in policy which

became effective April 1, 2013. The compliance officer further stated that the government came to the realisation that some money can be raised from the property tax.

A former councillor, interviewee 11 suggested that some people's attitude towards the property tax was a part of their general attitude of indifference and lack of involvement in the community stating *'it is all about themselves'* confirming interviewees' 26 and 23 perceptions.

A senior manager from a local authority, interviewee 20B suggested that taxpayers' perception of the property tax was that it was meaningless because of the small liabilities *'it is just J\$400'* (meaning that it is nothing, it is small, it is not a big thing). So he reasoned that because of this mentality of smallness of the tax, taxpayers believed that they did not have to concern themselves with it until it reached a stage where they were called upon to pay. When called upon to pay, they simply went in their pockets and settled. This view was also confirmed by government bureaucrat, interviewee 3 who also argued that because the tax was perceived to be insignificant, some taxpayers forgo compliance up to four years at a time and even when penalties and interest were applied, the amounts still remained insignificant. But another government bureaucrat, interviewee 1 stated that he hoped that the increased rates would change the attitude of some taxpayers towards the tax, and eventually becoming compliant.

A former councillor, interviewee 11 suggested that some taxpayers' attitude towards the property tax was that it was a nuisance and an inconvenience, albeit a necessary evil. He made special reference to taxpayers at the upper end of the economic ladder, making mention of the very wealthy landowners who owned several types of well-developed, high-end properties. The former councillor, interviewee 11 debated that these wealthy landowners wondered why they had to pay the tax particularly in light of the fact they paid for their own garbage services and thus not receiving any value from the payment of the tax.

A member of civil society, interviewee 22 perceived that the property tax was an innovative way to take money from people without the government earning it in that it wasn't a tax on income.

Finally, the findings revealed that the perception of the property tax by taxpayers was that it was unimportant. Commenting on the property tax in relation to the other taxes, a taxpayer, interviewee 30 stressed that the setup, design and structure of the tax system encouraged the taxpayers' attitude of non-compliance as the tax system didn't seem to capture the property tax. Furthermore a member of parliament, interviewee 8 suggested that no serious focus was placed on the property tax even though it could be an avenue to raise needed funds.

### **7.2.3 Compliant taxpayers**

Interviewee 14A, a senior tax administrator pointed out that when there was property tax compliance, it tended to be from the elderly as confirmed by (McGee and Taylor 2006) and (Torgler 2006, 87-88) on fixed income. The senior administrator, interviewee 14A suggested that older persons particularly those with unregistered titles sought to comply using their property tax payments as the means to obtain property ownership via the adverse possession rule (National Land Policy 1996). Another senior tax administrator, interviewee 15 expressed the view that older people voluntarily complied because they saw tax compliance as part of their civic responsibility being '*instilled*' in them from the older days. Interviewee 15 also stated that in the older days, people had respect for tax inspectors implying that they were socialized to both pay their tax and respect the tax inspector.

Jamaican residents residing overseas were also named as another set of compliant taxpayers by interviewee 14A, a senior tax administrator. According interviewee 14A, a lot of these overseas residents sent their cheques at the beginning of each year to settle their property tax liability. During the interview, this senior administrator, interviewee 14A mentioned that the tax authority was presently processing some of those payments which were already received from these overseas residents for the new tax year. Taxpayers who live overseas especially in the USA may have developed a new appreciation for

the property tax based on the environment (Traxler 2010), being re-socialized changed their habitus leading to a new practice of paying their property tax and even paying before it was due payable. Additionally it could be that they now have access to more economic capital because of change in their economic circumstances.

#### 7.2.4 Non-compliant taxpayers

A senior manager from a local authority, interviewee 19B suggested that younger people tended not to pay their tax arguing that young people in Jamaican society tended not to focus on *certain things property tax being one of them*. However the senior manager perceived that engagement with them through community activities, raising their awareness i.e. providing property tax education, like what the property tax does, should increase their compliance as confirmed by (Swartz 1997). According to a senior government bureaucrat, interviewee 4 non-compliance was rife among some taxpayers who have the economic means but used their intimate knowledge of the law and the property tax system to evade payment. One such set of taxpayers was named as the large land barons (see section 5.3.3) who the senior government bureaucrat, interviewee 4 argued exploited loopholes in the property tax laws and '*play around with the system*' or gaming playing as posited by Braithwaite (2002).

A tax professional, interviewee 18 from the corporate world whilst concurring that there was a high level of non-compliance in property tax, stated that '*there is not a lot of enforcement either*'. This tax professional perceived that compliance could be improved if the tax authority responded with enforcement (Braithwaite 2002). The tax professional was puzzled as to why property tax evasion was so high particularly in light of the immobility of the property tax base emphasising that the property '*cannot migrate*'. Contrary to what the tax professional thought, interviewee 16, a senior tax administrator suggested that even when notices were left at the property, taxpayers were unresponsive and in the circumstances there could be no enforcement until the taxpayer acknowledges the notice(s).

A developer, interviewee 32 in contributing to the conversation suggested that Jamaicans for the most part were unaccustomed to obtaining good service

from both central and local government, thus, paying property tax and then demanding proper services from the authorities wouldn't be something they would do. Additionally, interviewee 32 claimed that some citizens had zero social responsibility with antisocial behavioural traits that were viewed to be normal and then there were others he stated who 'don't care' or showed no interest in what was happening. The developer, interviewee 32 further stated that Jamaica as a nation was uneducated with citizens having very little skill, which inhibited them from contributing in any meaningful way to the structured and orderly development of the nation. The developer interviewee suggested that on account of the low educational level of some citizens, it made it impossible for them to hold their political representatives accountable. The developer interviewee perceived that their inability to reason out or rationalize the nature of their entitlements and needs made it impossible for them to ensure or require accountability. He used this analogy to capture the attitude, education and behaviour of the Jamaican society:

*'It's no different from we have a whole set of bankers who know nothing about banking, because they grew up thinking that banking is buying government paper, not going in the field and engaging a man in production and saying 'have you sold many?' A whole nation of bankers haven't got a single clue of how banks perform. It is a way of operating for such a long time that if you have some money, then you don't need anything – you just buy paper' (Interviewee 32/Developer).*

### **7.3 Dimensions of compliance - reasons for paying property tax**

The following sections provides the key issues that influence tax compliance: tax morale, fear of embarrassment; economic motivation and fulfilling an administrative requirement.

#### **7.3.1 Moral obligation and civic responsibility**

According to a pensioner taxpayer interviewee 28 she was compliant because she perceived that it was her duty or moral obligation to pay (Kornhauser



2007). Interviewee 28 stated, *'it was one's duty to pay,'* and reaffirming this belief, she quoted from the bible, *'what is due to Caesar, give unto Caesar...'*. The pensioner taxpayer interviewee stated that the government declared that *'it's your duty to pay'* and as such each citizen should pay not only property tax but whatever other tax they were asked to pay. Additionally, interviewee 28 indicated that she wanted her country to *'run'* well and since the government had no other source except tax revenues, paying her tax was the means of showing her support for the government (Cullis and Lewis 1997). Referring to her present personal economic circumstances, that of having a minimal pension, interviewee 28 reiterated her belief that once you have the mind-set to pay the tax, *'regardless of your circumstances, you will pay the tax'*. This taxpayer, interviewee 28 has a worldview, that is, collectivist-oriented and or egalitarian view, looking out for the good of the nation rather than herself as confirmed in the literature (Kornhauser 2007). Interviewee 28 however confirmed that in the past, on one occasion (*during the illness and subsequent death of her daughter*) she was late with her property tax payments. She stated that she was reminded by the tax authority of the outstanding payment by way of a written notice. The pensioner interviewee said she immediately made arrangements to pay and since then, she has never allowed her property tax to fall in arrears.

The pensioner, interviewee 28 pointed out that even though her pension was small and the property tax payments appeared to be unmanageable sometimes, she believed that God helped her to pay. Additionally, interviewee 28 stated that she was not on her own and thus depended on the Lord to give her the ability to pay her property tax whenever it became due (Grasmick, Bursik and Cochran 1984; Torgler 2006).

A member of civil society, a minister of religion, interviewee 22 similarly confirmed that paying tax was a moral and ethical obligation. He stated that people who didn't pay their tax were morally and religiously out of line. Asked by the interviewer whether he thought that religious people who didn't pay their property tax should serve on church boards; his response was that they

should not. Then he suggested that if more people got saved<sup>102</sup> (become Christians) they would pay their property tax. To substantiate his point, interviewee 22 quoted from the bible '*render to Caesar the things that are Caesar's and unto God the things that are God's*' as confirmed in the literature (Grasmick, Bursik and Cochran 1984; Torgler 2006).

Another member of civil society, interviewee 23, stated that people should pay their tax as it is *our* obligation to do so (Kornhauser 2007). Interviewee 23 emphasized that even when there were increases in tax rates and taxpayers were in disagreement with the rate increases, they should not withhold payment but rather continue paying until a more equitable way was found to resolve the disagreement.

A government bureaucrat, interviewee 3 said he paid his tax because he regarded tax payment as one of his financial commitments and thus the payment was the means to fulfil this obligation. This government bureaucrat suggested that payment or non-payment of his property tax was never motivated by whether or not services were provided in his community.

*'As a matter of fact, back in the nineties coming up into the 2000s, your garbage was being collected I think something maybe like twice a week, routinely, and there was no miss up, and it never encouraged me to pay my property tax any more than it demotivated me from paying it.*  
(Interviewee 3/Senior Government Bureaucrat)

### **7.3.2 Embarrassment mental relief and pride**

Some taxpayers were compliant because they want to avoid public embarrassment and shame. Two members of civil society, interviewees 22 and 23 stated they were compliant because they feared embarrassment with interviewee 22 stating that he feared being posted as a delinquent. A taxpayer, interviewee 24 suggested that people from the gated communities of which he was a member paid their property tax to avoid embarrassment or shame (Kornhauser 2007). Interviewee 24 suggested that citizens from gated

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<sup>102</sup> Jamaica is deemed to be a highly religious country with the dominant religion being Christianity. See (Mordecai and Mordecai 2001, 39-54) Culture and Customs of Jamaica; and (Davis 2011, 32) The Essential Guide to Customs and Culture: Jamaica

communities were of the '*status in society*' that they wouldn't want their names to be publicized for non-compliance. This view was confirmed by another taxpayer, interviewee 25A from another gated community who said he was compliant *not* because he knew how it was spent but rather that he wanted to avoid embarrassment: '*you don't want to be caught in the dragnet and your reputation dragged in the public... I don't know why apart from saving myself from embarrassment*' (Interviewee 25A/Taxpayer).

These two taxpayers, interviewees 24 and 25A from the gated communities also said they paid their tax because of how they felt good about paying. Interviewee 25A stated that he complied because it gave him *that 'feeling of pride in knowing that he had accomplished a milestone in life'* i.e. of owning a piece of property. Compliance he stated was a way to express this accomplishment and pride. Similarly interviewee 24 also a businessman stated that being compliant brought some measure of mental relief to him, knowing that there was '*no bill for tomorrow and nobody can come and ask you for it*'. This businessman, taxpayer interviewee's compliance served as a means of getting the liability out of the way and policing himself into compliance. The interviewee stated:

*'I pay all the tax at the beginning of the year rather than quarterly as some people do. When you pay quarterly you tend to forget and it becomes half yearly and sometimes no field officer comes out to check you and it sometimes when the next tax dues you realise that the tax isn't not paid. I pay the tax up front it is a mental relief because you know that it is out of the way* (Interviewee 24/Taxpayer).

Some people were compliant based on the level of services they obtained from the payment of their taxes stated a former mayor.

### **7.3.3 Deterrence and economic motivation**

A government bureaucrat, interviewee 3 perceived that some people paid their property tax out of fear of the penalties (Allingham and Sandmo 1972) and also of not wanting to attend court. Attending court might be a lengthy and costly process for the taxpayer. A taxpayer, interviewee 25B confirmed that she had an outstanding balance and was sent a summons to attend court. Not wanting

to attend court, this taxpayer interviewee stated that she sought legal advice from an ombudsman residing in the community, who advised that if payment was made, then court attendance could be avoided. This taxpayer, interviewee 25B stated she paid the outstanding balance and avoided court attendance. The action of this participant was confirmed by a senior tax administrator, interviewee 17 who stated that some people were unwilling to pay the property tax but as soon as they were issued with a summons, they tend to find the money to pay to avoid the court attendance.

A government bureaucrat, interviewee 3 perceived that some taxpayers were compliant based on the threats and fear of seizures for non-compliance. Additionally, a member of civil society, interviewee 22 confirmed that some taxpayers, particularly the poorer ones complied because of the threat of losing their property (Allingham and Sandmo, 1972). A taxpayer, interviewee 25A stated that he was compliant out of fear of being dragged through the courts. He stated that the law states that he should pay and as owner of the property if he declined to pay, then one day he may be taken to court or his children may be taken to court on his death. Another taxpayer and member of civil society, interviewee 22 said he was compliant because he was forced to. This member of civil society stated that if he didn't pay then there was the threat that the government may seize his property although he was unconvinced that he was getting value for his property tax payments. Interviewee 22 commented that '*poorer people*' tend to pay because they were afraid of the threat of losing their property. Another taxpayer, interviewee 30 was concerned that non-payment meant that a debt would be permanently tied to her property and stated she wanted 'no debt dragging' her stating that the '*debt will not go anywhere*', i.e. it will never be written off and at the same time the debt will attract interest. To avoid all of this, taxpayer interviewee 23 stated that she complied.

Interviewee 13, a former prime minister stated that some taxpayers paid their property tax to keep their land titles free and clear. The former prime minister suggested that these taxpayers depended on the title of their properties to conduct transactions with financial institutions to obtain loans and as such they complied to keep their titles free and clear of encumbrances. Others he suggested paid as a means to show or demonstrate ownership of the land and

as such, ownership of their property cannot be challenged, thus they will do nothing to prejudice this, hence the faithful compliance of the property tax (Land Use policy 1996; Feder and Nishio 1999). According to a former councillor, interviewee 11, poorer taxpayers tended to be faithful in their compliance of the property tax as they see the payment of the property tax as *'ensuring that the property remains in the family, because they wouldn't want any unscrupulous, preying, adverse possession of their land. So they guard it zealously, and every 1st of April, if it is a working day, they are on to the tax office to pay...'*. The interviewee pointed out that these taxpayers were compliant irrespective of their economic plight or circumstances emphasizing that even *'if they don't eat, they pay their tax'*(Interviewee 11/Former Councillor).

Some squatters paid property tax because they perceived that payment of the property tax may ultimately earn or gain them rights to the property or give them title for the property (National Land Policy, 1996; The Registration Titles Act 1889) according to a cabinet minister/policymaker, interviewee 7 and a squatter, interviewee 31A from an unplanned community.

#### **7.3.4 Administrative or organization requirement**

Interviewee 3, a government bureaucrat suggested that some taxpayers paid their property tax because of an organizational or administrative requirement. This interviewee suggested that purchasing houses in certain developments in Portmore and by extension other parts of Jamaica necessitated obtaining mortgages from external mortgage companies.<sup>103</sup> These mortgagees this government bureaucrat interviewee stated required proof of property tax compliance from mortgagors who financed with them. According to the property tax law, when property tax is not paid, the government has a first lien on the property. Thus, it seemed that the mortgagees made this request to ensure that they had the first lien or rights to the property in case there was a default on the mortgage payments. By fulfilling this condition with the

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<sup>103</sup> In certain developments in Jamaica, a house can be obtained through a government agency like the National Housing Trust. When such properties are obtained via such institutions, the mortgage requirements are less stringent and in some cases, it takes years for taxpayers to receive their title in order to commence payment of the property tax

mortgagees, taxpayers were forced to be compliant with their property tax payments.

A second area in fulfilling an administrative requirement was with developers. A developer, interviewee 32 explained that developers of properties in Portmore (also applicable to other developments in Jamaica) were required to pay the developer property taxes for properties up to and including the time when developers handed over the titles for the respective subdivisions. This interviewee developer pointed out that failure to show evidence of payment of the property tax, meant that the developer wouldn't receive final payment or settlement for the development. Additionally, a government bureaucrat, interviewee 1 stated that on completion of some developments, it took an inordinately long time for some taxpayers to complete purchases. During the wait period, property tax would remain outstanding, thus to rectify this situation, developers were now placed on the property tax roll to ensure compliance until the mortgage process was completed. The senior bureaucrat, interviewee 1 stated that some developers were unhappy with this new development but the government took this action to ensure compliance.

## **7.4 Dimensions of non-compliance (1)**

### **7.4.1 Fiscal Exchange and distributive justice**

The first and most frequent objection given by taxpayers for not paying their property tax was that they didn't feel that they were getting value for money. In some cases, some taxpayers believed the provision of services should precede property tax payment. A taxpayer, interviewee 26 argued that *'there must be a direct correlation between what we input (pay) and what you get out back', referring to this as 'basic incentive in a selfish society.'* Interviewee 26 believed that without this *basic incentive*, then there will never be a high level of compliance or the desired compliance level will never be reached. He also debated that this incentive should be accompanied by some sort of deterrence, or some sort of consequence for not paying arguing that the penalties in Jamaica were very light but emphasized that those consequences should never include forfeitures as he viewed this action as *cruel* (section 5.3.1)

A senior tax administrator, interviewee 14B argued that non-compliers perceived that their property tax was not working for them- because '*(they) don't feel it*'. Furthermore this senior tax administrator debated that in instances where taxpayers were compliant and nothing was happening in their community then the taxpayer may become upset. Thus, for taxpayers to comply, the senior tax administrator, interviewee 14B argued, '*they must feel it, they must sense it and they must be aware of it*'. In other words, they should be able to see the property tax at work in their community.

A member of the political directorate, a mayor, interviewee 9 supported the view the tax administrator, interviewee 14B, arguing that some people had a problem complying or refused to comply because they were not receiving services in their community for the payment of their tax. For example, the mayor stated that some taxpayers from Pimento Valley<sup>104</sup> in Portmore refused to pay their property tax because of the poor state of the roads in their community. The mayor clearly being sympathetic with his constituents, declared '*now if I owned one of those mansions (in Pimento Valley) I wouldn't pay my property tax if they're not fixing the roads*' (Interviewee 9/Mayor). A councillor, interviewee 12 from a local authority also confirmed that when services were not provided, it made it difficult for taxpayers to comply. However, a cabinet minister, interviewee 7 was ambivalent towards the taxpayers' claim of non-compliance due to poor road conditions in Pimento Valley stating that withholding the property tax was '*really neither here nor there*' because the property tax would be insufficient to cover the type of repairs that were needed to fix the roads, thus their action of withholding payment would be '*symbolic at best*' (Interviewee 7/Cabinet Minister/ Policymaker)

A senior tax administrator, interviewee 16 on the other hand argued that bad roads have nothing to do with tax compliance. This interviewee stated that failure to be compliant on the basis that the roads were not being fixed and services not being provided were merely excuses taxpayers made in a bid not to comply. This senior tax administrator debated that what taxpayers ought to do was to pay their tax and then demand services based on the fulfilment of

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<sup>104</sup> Name of community changed

their tax paying obligation. The interviewee then rhetorically asked the question. *How are you not going to pay your taxes and then expect to get the road fixed?*(Interviewee 16/Senior Tax Administrator). Interviewee 16 acknowledged that whilst services must be tied to the tax opined that if people didn't pay their tax then there can be no service. The belief by interviewee 16 is that tax compliance should precede services to the community.

A member of civil society, interviewee 22 suggested that the average taxpayer was dissatisfied with how the property tax was used thus their non-compliance. This member from civil society, interviewee 22 reasoned that in the first place taxpayers were *'uncomfortable with the amount of good returns'* on the obligations of property tax. Secondly, taxpayers were frustrated with the level of service as they didn't see the property tax at work in their communities in that the results of the property tax were *not apparent to them*(Interviewee 22/Civil Society).

Another member of civil society, interviewee 23 suggested that the services were poor and this was compounded by the fact that services had deteriorated over the years in some instances. Referring to garbage collection services in his community, interviewee 23 stated that years ago, garbage was collected twice per week, then it reduced to once per week and currently (2013) it was collected once every two or three weeks. Interviewee 23 drew a comparison with places like New York and Florida, saying that although property taxes may appear to be high in these jurisdictions *'at least the people get (sic) value for money'*. The interviewee concluded by stating that he believed that taxpayers in Jamaica will pay high taxes if they perceived that they receive value for their money. This view was confirmed by two squatters, interviewees 31A and 31C in Portmore (although they do not pay property tax). Interviewee 23, from civil society in expressing the extent of his dissatisfaction with public services finally stated *'payment of tax in Jamaica is similar to (when) your pocket is being picked'*.

Moving on to another issue, and mentioning the matter of street lights one of the services covered by the property tax, interviewee 23 stated that the property tax



seemed not to be working for the community as whole but rather for the benefit of some politicians:

*'When you talk about street lights, I know a councillor that lives in my community she has four consecutive light posts with light on it (sic) close to her house, but in the community we are asking the councillor to put a light somewhere else and he says he has no light to put there. But the councillor at her gate can have four light posts with street lamps on them. But, is our taxes working for us or is it working for the political arm of the council? (Interviewee 23/Civil Society)*

Interviewee 23 emphasised that although these issues might appear to be '*little things*' he didn't see them as tokens, as they were very important in the taxpayers' psyche which ultimately influenced their perception and their practice. The interviewee concluded that whilst he couldn't definitively state that the street lighting issues in his community affected taxpayers' compliance, he believed that taxpayers may negatively perceive this matter which may lead them to say that they were not getting the sort of benefit to which they are entitled. So, in the circumstances he believed that when money was short, the taxpayer would treat property tax as a non-priority and may say '*I am not paying this because I am not getting any benefit*' (Interviewee 23/Civil Society).

Yet another participant, interviewee 25A, a taxpayer stated that the nature, design and development of communities in Portmore left taxpayers' properties unprotected particularly in the nights which may influence taxpayers' (non)compliance. This taxpayer thought that the perception that one's property was unprotected may lead to additional stress and fear on taxpayers, forcing taxpayers to spend additional money to secure their property. This he believed influenced taxpayers' willingness to comply. The following quote reflects the taxpayer's thoughts:

*'..there wasn't much wisdom in developing Portmore that way or most of Portmore that way. I think that the developers went to the bank over and over and very happy, yes, but it has left a bitter taste in a lot of us mouths and in the governments' of the past. I don't think that there was a vision that even crime would reach Portmore and we would live in a nice little*

*utopia, you know and we could just park our property out on the roadside, go to bed and tomorrow morning you come back, and everybody would say good morning and you don't have to worry about it. That's not the community we live in now. **So when we pay our tax all that is on my mind, I pay my property tax and I still have to worry about, where to put even my bike if I don't have a car, even my bike.** Maybe, I don't have enough land to build a veranda or a bike porch (laugh) I have to be putting it in the kitchen, it is a serious thing...There is nothing that we can do about it, but maybe the municipality can be honest with the citizens and in education, show that these ills are there, there is nothing we can do about it again, even to be apologetic so that we can be encouraged to pay our taxes (Interviewee 25A/Taxpayer).*

Some interviewees were also concerned with how public funds were spent by the municipality and the government (OECD 2010) . According to a member of civil society, interviewee 22, the municipality spent approximately J\$22m<sup>105</sup> in 2012 to clean one earth drain<sup>106</sup> in Portmore, an exorbitant amount to clean one drain. Furthermore, interviewee 22 believed that these drains were inappropriately constructed for Portmore needs, resulting in excessive cleaning and maintenance costs. On a wider scale, this interviewee suggested that there was cynicism from taxpayers about how other tax revenues were being spent say in hospitals and other government institutions. Taxpayers he claimed were also concerned about the lack of infrastructural development in many areas because of the large scale delinquency evidenced in public facilities. Interviewee 23, from civil society perceived that all these issues influenced property tax compliance.

Taxpayers may also be influenced by the efficiency of the service providers and how funds were allocated to local authorities from the ministry. A senior

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<sup>105</sup> Equivalent of £147,000 at an approximate exchange rate of £1=J\$150 when this activity took place.

<sup>106</sup> An earth drain is dirt gully or dirt drain than a drain made from deep concreted culverts. These drains accumulate large amounts of silt and there tends to be rapid overgrowth in them and also the accumulation of water if they are not properly maintained.

[http://www.who.int/water\\_sanitation\\_health/hygiene/settings/hvchap5.pdf](http://www.who.int/water_sanitation_health/hygiene/settings/hvchap5.pdf) retrieved December 22, 2014

manager from a local authority, interviewee 20B stated that when taxpayers witnessed the level of inefficiencies in the **NSWMA**, the garbage service provider, they were not motivated to be compliant. Another senior manager, interviewee 20A stated that the present system of pooling of resources may act as a demotivator in property tax compliance. The quote reflects this:

*'...if Portmore today starts to and be compliant a 100%, all that is going to happen is that Portmore's money is going to be used to subsidise other parishes and we would still not see the benefits of a good garbage collection system (Interviewee 20A/Senior Manager, Local Authority)*

#### **7.4.2 Interaction of developers and PMC**

A senior manager from a local authority, interviewee 20B explained that sometimes failure of developers to settle their outstanding contractual issues in the Portmore community ultimately influenced tax compliance. According to the interviewee, when there were outstanding contractual obligations by the developers in the respective communities, the municipality refused to recognise the new community as a part of the municipality. This lack of recognition meant that the municipality refused to provide some basic services, for example, regular road maintenance services and or other activities such as bushing which would maintain the general wellbeing, safety and health of the community. When this happened, the community retaliated with non-compliance. Citing an example, the senior manager made reference to a community in Portmore:

*'Take a scheme like Pimento Valley<sup>107</sup>: it's an upscale development in Portmore. The roads are non-existent. We haven't taken it over. Most people in Pimento Valley don't pay (property) tax as a result, and I can't disagree with them because they're not getting any service because the developers haven't made the road and we haven't taken it over (Interviewee 20B/Senior Manager, Local Authority).*

The problem was exacerbated in that the developers left the community, refusing to return to complete their contractual obligations, i.e. provide the

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<sup>107</sup> Name of community changed

roads as stated in their contract. A mayor, interviewee 9 weighing in on the debate stated that although the obligations were outstanding, the developers were freed of their obligations by the parish council resulting in taxpayers receiving their titles, emphatically stating that the *'parish council should never have released the titles'*. If the titles weren't released then the developers' contracts wouldn't be signed off according to the mayor. In a pained voice, the mayor, interviewee 9 bemoaned this action stating that this occurred because we have a *'loose system in Jamaica...an imperfect system...along with a level of corruption...'*.

According to the mayor, interviewee 9 and a senior manager, interviewee 20B the developers being able to leave without proper execution of their final obligations stemmed from the powers which the Minister of Housing has under the Housing Act. The minister exercises his power without reference to the local authorities according to these interviewees. The mayor suggested that the minister gave permission to developers to construct developments without collaborating with the local authorities and at the same time didn't ensure that the developers fulfilled their contractual obligations when the developments were 'completed.' Whenever local authorities weren't a part of the approval of development process, it was perceived (by the political directorate and the technocrats in the local authorities) that invariably infrastructural developments in the new development were unsatisfactorily completed. In the circumstances, the local authority refused to formally recognize the community. This lack of recognition meant that the local authority refused to take on the responsibility of providing general municipal or local services like road repairs to the community as previously mentioned. This was the situation in Pimento Valley in Portmore. This is what the mayor said:

*'The Minister of Housing, when they go in the office, they build houses under the Housing Act, but they don't come to the council first and get the proper specification. They're building sub-standard housing and then they expect us to take it over; but that is why a number of houses in Portmore have not been taken over by the council – and all across Jamaica, because they allow the developers to walk away. They don't come to us until after the fact, and so there is a problem with us taking*

*over, so we haven't taken over some of the houses. And the Minister has that power, that he doesn't come in your community and get permission for housing to be built... And you complain and they listen, but it doesn't stop them. They want to have that power. Trust me. Don't care what they talk (sic) they want to have that power..., do their own thing and cut their own deal (Interviewee 9/Mayor).*

The mayor also stated that the ministry's justification of bypassing the local authorities was that they took too long to approve developers' applications. But a senior manager from the local authority, interviewee 20B justified the length of the approval process arguing that the local authorities spent the time confirming and ensuring that the various processes and procedures were fulfilled by the developers. Thus the mayor, interviewee 9 sarcastically stated *'between the two arguments lie the truth'*.

A cabinet minister, interviewee 7 believed that to remedy the situation, taxpayers should take legal action against the developers. However, the cabinet minister took note of the difficulty taxpayers are likely to face in exercising this option. He therefore argued that the government should intervene, take over the new developments, make the necessary corrective actions, place sanctions against the developers by either barring them from future developments throughout the country or have them pay for the corrective work. However, a senior manager from a local authority, interviewee 20B perceived that the government will never hold the developers accountable as they cannot afford to fall out of favour with them. The developers the senior manager argued were needed to provide shelter for the rapidly growing population and the government being unable to provide this service because of lack of financial resources cannot afford to rein them; reining them in he perceived will make them angry.

Then, there was the other situation where the local authority was in direct contact with the developers and was responsible for the approval process. In this situation if the local authority deemed that the development was unsatisfactorily completed, what the local authority did was to use its power by refusing to release the titles for the new subdivisions within the new

development. The non-release of titles meant that the developer wouldn't receive final payment for their work according to a developer and it was a strategy to force the developer to fulfil its obligation according to a councillor. The problem created here is that the taxpayers in that particular development were unable to pay their property tax because they had no titles for their property tax assessments.<sup>108</sup> The researcher asked the councillor, interviewee 12 *'why do you use this method, when it is your local authority who would lose the tax revenues?* This was the councillor's response:

*'...as I said before, when it is done, it is deliberately done...it is a deliberate thing. This is the only weapon that we have to get them (developers) to comply with the standard' (Interviewee 12/Councillor).*

A taxpayer, interviewee 30 from Martin Park<sup>109</sup> in Portmore confirmed that she lived in Martin Park, for close to twenty years without receiving her title and during this period, she nor other taxpayers in Martin Park paid any property tax. The taxpayer confirmed that although Martin Park received garbage and street lighting services, the roads were never maintained and were largely neglected throughout the twenty year period. Interviewee 30 surmised that there were issues with the developer and the local authority which led to the non-recognition of Martin Park as being formally a part of the Portmore community.

A senior tax administrator, interviewee 14A suggested that the entrance of the National Housing Trust, a government entity, a new player into the developer market also contributed to the lack of property tax compliance. Prior to its entrance, taxpayers had to be property tax compliant with the major mortgagees as they insisted that this was a condition for receiving a certificate to claim tax credit<sup>110</sup>. With the entrance of the National Housing Trust to the market, it *took*

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<sup>108</sup> As noted in section 7.3.4 based on the new government directive, the developer is required to pay the property tax until the titles are released to the respective taxpayers. However, a tax administrator suggested that the amount paid would be less than the sum of the individual tax liabilities for the respective subdivisions as the payment would reflect payment for the parent lot.

<sup>109</sup> Name of community changed

<sup>110</sup> The tax credit system was abandoned in Jamaica after 1985 Tax Reform Mendes. See (Mendes, McLean and Wynter 2013, 25) Essentials of Jamaican Taxation

years for some people to get their titles as the National Housing Trust didn't finalize the subdivisions stated this administrator interviewee. Interviewee 14A thus argued that new owners didn't know their property tax obligation and couldn't pay their tax. Not having paid property tax for many years, the senior tax administrator perceived that these new owners didn't get in the 'grove' i.e. habit of paying property tax.

### 7.4.3 Property tax roll and titling issues

The findings revealed that some taxpayers weren't on the property tax roll. A former mayor, interviewee 10 asserted that approximately 30% of the properties in Portmore were affected. However a senior government bureaucrat, interviewee 1 refuted the former mayor's claim saying he would '*dismiss this outright*' but conceded that '*there might be one or two omissions*'. The bureaucrat interviewee 1 also stated that the law mandated taxpayers who acquired new properties and where such properties were omitted from the tax roll, the new owners were obligated to report this omission to the tax authority or the National Land Agency. But this senior bureaucrat, interviewee 1 stated that this didn't necessarily happen as '*Jamaica is a lawless county*'.

However, this seemed not to be the case as a senior manager from a local authority, interviewee 19A stated that they have had situations where taxpayers have come forward to say that they weren't on the property tax roll and in some situations entire communities were omitted. This senior manager attributed this to possible administrative bungling at the National Land Agency. The senior manager in trying to explain the process of getting on the tax roll stated that on satisfactory completion of new developments in Portmore, and where the developments received final approval from the municipality, the normal practice of the municipality was to send copies of the new subdivisions to the relevant government agencies including the National Land Agency which served as the catalyst for the National Land Agency to place the new properties on the tax roll to enable property tax payment. But in some situations, interviewee 19A, stated '*this didn't happen so you might have a community, and that community is not on the system paying taxes*'(Senior Manager, Local

*Authority*). Subsequent to the interview a Jamaican newspaper article confirmed the senior manager/interviewee 20A's claim.<sup>111</sup>

A taxpayer, interviewee 30 who previously mentioned that she didn't pay property tax for close to twenty years, revealed that when she discovered that she wasn't on the tax roll, she made no attempt to advise the tax authority because she perceived that it would be an exercise in futility as the tax authority wouldn't know how to assist her.

The findings suggested that the process of getting new subdivisions on the tax roll may be an arduous one and probably explained why some taxpayers didn't make attempts to notify the tax authority or the National Land Agency on the acquisition of property. A government bureaucrat, interviewee 3 wearing the taxpayer's 'hat' stated that years ago he bought land, made several attempts to get it on the tax roll, for which he never succeeded. Out of frustration, he said he abandoned the process and to date at the time of the interview (March/April 2013) the matter remained unresolved. The literature confirms this to be a problem in Jamaica (National Land Policy 1996).

On the matter of the taxpayers being unable to pay their tax because of the absence of titles, a senior tax administrator, interviewee 14 commented that some taxpayers gave this as an excuse in order not to comply. This senior administrator argued that not having a title didn't prevent anyone from paying property tax suggesting that they should pay their property tax and seek to obtain a title<sup>112</sup>. However as previously suggested by another senior administrator, interviewee 14 this wasn't so straightforward especially with new subdivisions. This administrator argued that it was the presence of the title that provided the basis of assessment for the payment of the tax.

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<sup>111</sup> [http://www.jamaicaobserver.com/news/Error-robbing-Portmore-council-of-property-tax\\_14518909](http://www.jamaicaobserver.com/news/Error-robbing-Portmore-council-of-property-tax_14518909) retrieved June 16, 2014

<sup>112</sup> It would appear that this administrator referred to a situation in which the tax related to only one parcel or a few parcels.



#### 7.4.4 Economic issues

Some participants stated that some taxpayers were unable to pay their property tax because of lack of economic means. A former politician, interviewee 13 suggested that Jamaica is a very poor society, the poorest society in the Caribbean apart from Haiti and as such people have very low incomes, thus they will avoid or evade the tax because they just cannot afford it. Speaking specifically of Portmore, a taxpayer, interviewee 30 argued that low salaries and high unemployment in Portmore may contribute to the non-compliance but this was contradicted by interviewee 13, the former politician's perception that employment in Portmore was high. This taxpayer, interviewee 30 debated that the competing bills for workers' low income placed property tax in the taxpayers' non-priority list. A senior tax administrator, interviewee 15 stated that that she wouldn't blame the taxpayers for taking this route. Knowing that nothing will happen if the property tax wasn't paid, taxpayers resorted to paying all other bills leaving the property tax behind argued another taxpayer, interviewee 25A. This taxpayer reasoned, *'if you don't pay your cable, light or water they will be disconnected, but when you don't pay property tax, nothing happens, your garbage will still be collected'* (Interviewee 25A/Taxpayer)

Interviewee 13, a former politician suggested that in situations where some taxpayers owned large tracts of land and where large estates were unproductive, the owners may be non-compliant because the properties weren't generating income therefore, these owners would evade. This view was confirmed by a member of civil society, interviewee 22 who stated that some properties remained undeveloped and landowners weren't encouraged to develop their properties and thus they were unable to pay their property tax. It was noted that there were large acreages of newly undeveloped properties in some parts of Jamaica by two senior tax administrators – interviewees 14A & 14B. Interviewee 14A suggested that the changing macro-economic policy of the country may have led to the abandonment of these properties leaving owners without the ability to pay their property tax. Specific reference was made of its impact on the dairy and beef industry in south west Jamaica based on the following excerpt how this situation impacted property tax compliance:

*'...when you go rural, (we) drove there (Montego Bay to Middle Quarters)<sup>113</sup>, the first week of the year (2013) coming from Montego Bay, and all of the cow pastures that we used to see around there, most of them is just bush... they no longer have them as rearing cattle... we killed our milk industry... we also killed our beef industry because we say our beef was too tough... so there was a time when farmers couldn't sell their animals so they got out of it... and when you put that into the database we have 150 acres... unoccupied parcels... if you have the lots and you are not able to identify the owners...you can't collect (Interviewees 14A & 14B/Senior Tax Administrators).*

A business operator, interviewee 24 confirmed that the property tax for commercial property can be excessive particularly when the properties were not in use. Or there might be situations where taxpayers may have inherited large tracts of land, failed to develop them, and in these cases affordability of the tax became an issue suggested a senior tax administrator, interviewee 14A in which case there was a lack of alignment between land, wealth and income (Bird and Slack 2006).

While in the field (February to April 2013), there was an announcement of an intended increase in the property tax rates. Some interviewees expressed concern about the increases while others commented on the actual increases. Interviewee 22 from civil society expressed concern about taxpayers' ability to pay the increases particularly those in rural Jamaica. He argued that their economic circumstances would make the new property tax payments unaffordable. The interviewee suggested that the government should have imposed new taxes on goods and services like cigarettes, white rum and motor vehicles which can better absorb tax increases. The interviewee 22 was adamant that '*little people*' cannot afford to pay the increased property tax. A taxpayer, interviewee 28 not knowing the extent of the increase, said if it were

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<sup>113</sup> Montego Bay is Jamaica's second largest city and it is in Western Jamaica. Middle Quarters is in the parish of St. Elizabeth in Southern Jamaica. <http://www.ezilon.com/maps/north-america/jamaica-maps.html> retrieved December 22, 2014

[http://www.jamaicatravelandculture.com/destinations/st\\_elizabeth/middle-quarters.htm](http://www.jamaicatravelandculture.com/destinations/st_elizabeth/middle-quarters.htm) retrieved December 22, 2014.

exorbitant she would have to seek assistance from relatives in paying the tax. Another taxpayer, interviewee 24 believed that if the rates were huge, taxpayers might have difficulty paying the new property tax rates as taxpayers' wages in both public and private sector would be unable to absorb on any additional costs (Wynter and Oats unpublished paper)

Another member from civil society, interviewee 23 argued that taxpayers especially from the public sector may decide not to pay the property tax in light of the wage restraints imposed on them because they cannot afford the new rates. The interviewee suggested it was unfair to have a restraint on income but yet imposed huge the property tax increases. Then he asked a rhetorical question, '*how will I survive?*'(Interviewee 23/Civil Society).

Prior to the increases, property tax payments for some properties were relatively small with some taxpayers finding it a disincentive to pay the small amounts especially when the payment stations were far distances from their residences or work places. According to a cabinet minister, interviewee 5 sometimes transportation costs were more than the actual property tax payments and taxpayers faced with this situation evaded because it was uneconomical for them to comply. The cabinet minister stated that this was a problem for some people who lived in deep rural parishes far away from the payment stations. According to former councillor, interviewee 11, some taxpayers didn't comply because their tax liability was too '*infinitesimal*' and as such these taxpayers regarded it as a waste of their time and money to go and pay such small amounts. Additionally, the former councillor suggested that some taxpayers found the queues at the tax offices too long causing them to be spend inordinately long periods at times in excess of two-and-half hours to these pay small amounts. The former councillor perceived that these taxpayers had the intention to pay but because they were turned off by the long lines at that particular time they left and they may never return to pay. A policymaker/cabinet minister, interviewee 5 also believed that the wait time in the queue was too long which he said influenced some taxpayers' decision to evade. He felt that the tax authority should take corrective action to improve the situation.

A taxpayer, interviewee 30 confirmed the long wait times in the line and asserted that she found it challenging to wait in the line *'just to pay a small amount of J\$3,000'*<sup>114</sup>. This taxpayer stated that although the notices give taxpayers the option to pay in two or in quarterly instalments, she would never consider utilizing this option, as she thought it was a waste of her time to pay anything less than the full amount.

#### **7.4.5 Exploiting legislative loopholes**

Although it's perceived that it's difficult to evade property tax liability, some taxpayers do evade by manipulating loopholes with the law: firstly by the statute bar and secondly, based on provisions of the Quit Rent's Act which speaks to forfeiture on non-payment of the property tax (see section 5.3.1-5.3.3)

Based on the statute bar, taxpayers are required only to pay a total of six years of their outstanding property tax payments regardless of the outstanding number of years. So in situations where a taxpayer may have had ten or twenty years outstanding liability; by law, all the liability is written off excepting the last six years. A senior government bureaucrat, interviewee 2 argued that the statute bar created a loophole by serving as an *'incentive'* for taxpayers to evade and also preventing the tax authority from enforcing liabilities in excess of six years. This was confirmed by a taxpayer, interviewee 29 who told the interviewer that some taxpayers took advantage of this facility. Taxpayer, interviewee 29 stated that she overheard one of her work colleagues boasting in the office that he didn't pay his property tax for a very long time i.e. more than seven years and that when he decided to pay, he would only pay for six years.

A senior tax administrator, interviewee 17 suggested that the bar should be opened to facilitate increased compliance. However these opinions were not shared by a former councillor, interviewee 11 who stated that the statute bar was a means of providing some balance to the adverse possession rule. The former councillor, interviewee 11 stated that without the statute bar some taxpayers *'can through the drop of a hat use the loophole of adverse*

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<sup>114</sup> J\$3,000 is the equivalent of approximately £20 (exchange rate of £1=J\$150)

*possession to own property*'. The former councillor further argued that the law anticipated the likelihood of this happening and thus its inclusion. A cabinet minister/policymaker, interviewee 7 justified the statute bar suggesting that it served as an accounting function because debt that was outstanding for more than six years was unlikely to be collected. A tax administrator, interviewee 17 confirmed the cabinet minister's position, stating that in Portmore, there was a greater degree of difficulty collecting property tax liability which was outstanding for more than three years.

Another means through which some taxpayers evaded the property tax was through manipulation of the forfeiture rule as outlined in the Quit Rents Acts. Taxpayers should not sell property with outstanding property tax debt but some taxpayers particularly those with huge economic resources or economic capital and a good understanding of how the property tax laws and processes work or cultural capital use the Quit Rents Act to their advantage (see section 5.3.3).

#### **7.4.6 Property tax awareness**

A senior manager from a local authority, interviewee 19B suggested that public awareness or cultural capital was lacking in Jamaica and it needed to be addressed. This interviewee also argued that this lack of cultural capital sometimes led to non-compliance. The senior manager stated that in interacting with some taxpayers, the realization was brought home to bear that they didn't pay the property tax due to ignorance (Bahl 2009) especially amongst new property owners. Drawing from her personal experience, this senior manager stated:

*'The whole matter of property tax does not resonate with you until you hear something that you need to pay. I've had a personal experience. I lived in an apartment complex and I lived there for years and thing I own this place, and I never paid property tax. And even although I heard these things on the radio and whatever, it never occurred to me that I needed to do something. And I had to do something with my property at some point in time, and it was there and then that I understood the importance of paying the property tax. And for me it was ignorance, and I find that that happens. So public education in these areas, like in a new*

*development, can help to an extent and I think, as far as the council is concerned, we can take that input (Interviewee 19B/Senior Manager, Local Authority).*

Some interviewees confirmed that they had little knowledge of the property tax and or the property tax system although these taxpayers didn't confirm that their lack of knowledge led them to being non-compliant. These are some short responses from three taxpayers:

*'...my knowledge is superficial and is limited to the receipt of the assessment notice and the payment of the tax' (Interviewee 26/Taxpayer)*

*'...except for the little that I am expected to pay, I don't know much' (Interviewee 27/Taxpayer).*

*'I don't know nothing much about the tax per se' (Interviewee 30/Taxpayer).*

Equally, another interviewee a member of parliament, interviewee 8 when asked to share his knowledge of the property tax system stated the following:

*'But generally what it is, is that each parcel of land has a valuation and there is a tax rate that is a set rate of tax per acre or per area that is charged to each parcel. So the larger the property, the larger the tax, and the smaller the property...Different valuation at different tax rate. Now, the tax rate is on the unimproved value of the property (Interviewee 8/Legislator).*

The above quotes suggest a lack of fiscal consciousness of the tax or cultural capital by some stakeholders in the field which may contribute to non-compliance (Cullis and Lewis 1997). A member of civil society, interviewee 22 debated that *'compliance is kind of contagious and if people are taught social obligation and responsibility, they will pay their tax'*. This interviewee stated that even though there were advertisements on the radio, he believed that these were insufficient as more information should be given on how the property tax works and what it does.

A taxpayer, interviewee 25A bemoaned the lack of education across the nation stating that free communication was unavailable to ordinary citizens, thus making them unaware of current issues including property tax. This taxpayer in arguing for increased awareness of the taxpayer suggested that such education should be the type which builds a 'value system', expressing the view that the inculcation of a value system should involve patriotism and the payment of tax. The taxpayer interviewee 25A further stated *'I am thinking it must go beyond examination purposes; the education that I'm thinking of, is for the person to develop a value system'*. Jamaicans he debated, should be taught that they are important to their community and country and on how the property tax is used. The taxpayer drew a comparison with the Americans, stating that Americans were patriotic to the point where they were willing to die for their country. This is the sort of patriotism that he suggested should be inculcated through the education system.

Taxpayer interviewee 25A also argued that the oversight ministry for property tax should have a permanent promotions department with the job of educating taxpayers on the benefits of the property tax, the respective property tax laws, why taxpayers ought to pay their tax, how the tax is used, how it benefits the respective communities and where the tax goes. This sort of education on the property tax should be embedded in the education system particularly in light of the changing structure of the economy with a shift toward entrepreneurship he argued and should be continuous not confined to times of amnesty. Another taxpayer, interviewee 30 suggested, it should be done in the context where connections can be made with payment and services, that is, *'it is peg(ged) to something that they can see what the property tax is used for and if they are not paying and the consequence of that (sic)'*.

Tax administrators on the other hand suggested that taxpayers should be educated about the cost of services and the impact that non-compliance has on their fellow taxpayers. One senior tax administrator, interviewee 14A argued that if taxpayers knew the cost of providing services particularly with the new increases in the property tax rates, then it would increase compliance. This administrator perceived that knowledge of the cost of services by taxpayers will possibly lead to more buy-in enabling them to make the connection between

their payment and the benefits they receive as previously argued by taxpayer 26. Another senior tax administrator, interviewee 17 suggested that if taxpayers were educated and their awareness increased then they would know how non-compliance affected '*their own brothers and sisters*' and that non-compliance was not an act of '*spiting the government*'. With this knowledge of the impact of non-compliance, senior tax administrator, interviewee 17, believed that taxpayers would be more cooperative resulting in the tax burden being more evenly shared and the possibility of more taxpayers paying lesser amounts.

Finally, another taxpayer, interviewee 26 also perceived that lack of understanding of the property laws may have contributed to the lack of buy-in of the law resulting in non-compliance.

According to (Kornhauser 2007, 619) norms and morality come through a process of socialization, and education can strengthen norms that are positively correlated with tax compliance such as honesty, morality, national pride, concern for others as suggested by a tax administrator above (Kornhauser 2007, 619). The views expressed by these interviewees of building a value system and teaching civil responsibility with the intention of building compliance culture are in keeping with what is in the literature.

## **7.5 Dimensions of Non-Compliance (II)- Perception of politicians and government institutions**

### **7.5.1 Councillors**

According to a cabinet minister/policymaker, interviewee 6, councillors should be the first point of call for taxpayers within their respective constituencies acting as '*mothers and fathers*' of the community, always available and accessible to taxpayers to receive complaints and make representations on their behalf. But this policymaker suggested that councillors' unavailability to interact with the taxpayers, resulted in an absence of a relationship with the taxpayers which he perceived is critical to property tax compliance. Councillors he stated should be on the ground to take taxpayers' complaints concerning



deficiencies in services in their communities and to represent them to have these services fixed. This is what the interviewee said to substantiate his point:

*'I walk into a place like Boatview<sup>115</sup> - they say everybody over there have (sic) at least a first degree, all of them are professionals. When they open their doors, everybody says 'yes sir' and I would say to them, when was the last time your councillor came here? And they would say councillor, what councillor? People don't know them. You have a street light and they say you must call the councillor if the streetlight is not working. If you call Jamaica Public Service, they will say to you, 'did you talk to your councillor' it is a channel. You cannot see the councillor to tell him' (Interviewee 6/Cabinet Minister/ Policymaker).*

The policymaker/interviewee 6 appeared to be in pain in discussing the (non) performance of councillors and their critical role in the community in ensuring the provision and maintenance of services which he believed influence compliance. Their unsatisfactory performance in the community may affect not only property tax compliance but also how taxpayers perceived their members of parliament which he argued was fundamental to the political process. *(At this point in the interview, the politician stopped and expressed concern about how his views would be treated in my study if he were to fully air or vent his feelings. He thereon read aloud the relevant section of the **Informed Consent Form** a number of times 'I understand that my responses will be dealt with ethically and responsibly in this study' (Interviewee 6/Policymaker/Cabinet minister). Having felt satisfied that his views would be dealt with responsibly and ethically, he proceeded).*

The system of providing services to the community has a channel of communication with councillors as the conduit through which this communication takes place. So according to the cabinet minister, interviewee 6, the councillors' interaction with citizens was critical to the provision of services which influenced compliance and also for how citizens perceived members of

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<sup>115</sup> Name of community changed to protect the interviewee

parliament as they help to sell the image of their members of parliament emphasizing that *'if the councillors work well, you are alright.'*

The cabinet minister, interviewee 6 suggested that councillors rather than maintaining and establishing contacts with citizens in the community used their elected positions for personal gain: citing their career and economic advancement only. The policymaker perceived councillors vied for and accepted the election of serving as councillors solely for the personal and economic benefits along with the status that the position offered. In this regard he stated:

*'It is almost like a profile, you get that on your profile, and you also get a concession of 20%, so you are going to get a Prado. You have a nice job, you have the council thing and you get a money(sic). And you can have benefits thereafter' (Interviewee 6/Cabinet Minister).*

Thus, interviewee 6, cabinet minister/policymaker debated that the idea of being elected to the post of councillors wasn't about representing taxpayers but rather maximizing the position for their personal advantage. The politician's claim of the lack of interaction between citizens and community was confirmed by citizens from an unplanned community and also from a gated community.

Citizens from an unplanned community in Portmore complained that since the last local government elections (2012) they hadn't seen their councillor after a long while. This group of citizens lived on leased land in some cases upwards of thirty years for which they hadn't paid property tax. Their hope was that their councillor(s) would have piloted their request for them to purchase the land which they occupy and obtain titles, so that they can begin to pay property tax and to access better services. They wanted their current councillor to take their request to the municipality and thereon advancing the issue to the attention of the central government. But their hopes may have been dashed as they stated that their current councillor didn't visit or interact with them in order to represent them.

But a senior tax administrator, interviewee 14B debated that the position of councillor was nebulous based on the lack of institutionalism of local

government unlike what obtained in the civil service in central government. The senior tax administrator interviewee 14B, therefore surmised that a councillor's performance or what he practiced was a function of his personality, dynamism, knowledge of those issues or cultural capital affecting the community and his willingness to deal with them rather than following a set of procedures that would be detailed in a job, say in the civil service. Furthermore, the interviewee 14B stated that the local authorities didn't have a strong public servant support so the service was really dependent on the politicians and the politics of the day.

A taxpayer, interviewee 25A from a gated community also confirmed that he rarely interacted with his councillor stating that he saw his councillor two weeks before local government elections<sup>116</sup>, then another time when he came back with a truck of water after the hurricane.

Councillors may also influence property tax compliance by being exemplary in their community by paying their property tax with a senior tax administrator, interviewee 17 stating that a councillor's compliance influences constituents' compliance (Kornhauser 2007) implying that this sends a signal to constituents. But the senior tax administrator, interviewee 17 suggested that sometimes *'these very councillors are the ones who are non-compliant'*. The senior administrator stated that on occasions associates of councillors and councillors themselves may say, *'I am the councillor or a friend of the councillor so I don't have to pay'* (interviewee 17/Senior Tax Administrator). Thus interviewee 17, senior tax administrator stated that if everyone were to *cooperate and join forces, then collections would improve'*.

### **7.5.2 National politicians and the media**

A cabinet minister, interviewee 6 perceived that the media contributed a lot of anti-government sentiment (Hasseldine and Hite 2003) which ultimately

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<sup>116</sup>These elections were held March 26, 2014.

<http://www.eoj.com.jm/cms/uploads/ElectionResults/ParishCouncil/2012%20Parish%20Councils%20BoxByBox%20Results%20Report.pdf> retrieved December 22, 2014

influenced property tax compliance. The cabinet minister stated that both political parties were guilty of using the media as a tool to spread anti-government sentiment when their respective parties weren't in power. But the cabinet minister/policymaker debated that the media should play a balancing act by investigating and providing the facts to the public i.e. providing education to build awareness (Kornhauser 2007). This cabinet minister debated that the anti-government talk placed a lot of pressure on the sitting government, making it rather challenging to do tax collections because high anti-government sentiment made it difficult to get buy-in from taxpayers and in motivating them into being tax compliant. To substantiate his view point, the policymaker referred to a particular incident which took media attention for a long time. This issue he said concerned the spending of J\$60M by the ruling government (**PNP**) to purchase motor vehicles for newly elected ministers of government. The cabinet minister, interviewee 6 viewed the incident as being untimely because it happened during a period of time when the government was asking people to '*hold strain*' based on the prevailing economic conditions and at the same time trying to increase the collection of tax revenues. This is what the cabinet minister said:

*'And that went on and on, every station that you turned on and it sells government in a bad light. Here, is it that we are trying to collect taxes and you take J\$60m to buy sports utility and they keep emphasising SUV... But it is not something; you could not have bought anything less. That is how it is casted...'* (Interviewee 6/Cabinet Minister/Policymaker).

The policymaker further pointed out that the government will never get everything right particularly in light of Jamaicans' perception of politicians and their operations due to taxpayers' lack of understanding of what the politicians do, their role, their functions and their entitlements.

To support his viewpoint, the interviewee stated:

*'I heard a woman on the radio said, all these people (politicians) do is get fat. Some of them come in as paupers (laughter of interviewee). It is hard, it is hard to listen. Why you (sic) think that somebody would say*

*that (laughter again). They come in as pauper, who now, oh God in these times, don't do that' (Interviewee 6/Cabinet Minister/ Policymaker).*

There seemed to be lack of trust in the politicians and credibility in both the politicians and the government, resulting in no legitimacy to collect tax. Their lack of legitimacy was framed by the media.

### **7.5.3 Government ministries and governing party**

Some interviewees in the study expressed awareness of Jamaica's economic plight, the strain which this caused the government and ultimately the nation. However, they feel that in all of this the government should be honest with the nation, in order for them be trustworthy, for the establishment, creation and development of goodwill in the society.

A taxpayer, interviewee 25A expressed the view that the government was under great strain, but said the politicians (ruling) were '*unable to talk straight*' suggesting that they were not forthright and honest in informing the Jamaican public of the extent of the economic strain the country was undergoing. This taxpayer, interviewee 25A expressed awareness of the daily increase in the national debt, and the country's lack of productivity suggesting that '*the government was really in a bind*'. With a sympathetic tone taxpayer interviewee 25A said '*I would not want to be in their shoes*'. This taxpayer suggested that the withholding of information by the government and its dishonesty with the nation was because it feared the public's reaction to such bad news. Clearly unhappy with the government's performance and with its interaction with the public, the interviewee expressed the view that should he receive the opportunity to reform property tax, he would dismiss all the technocrats in the ministry of local government as they were not educating and communicating with taxpayers concerning property tax. Taxpayer interviewee 25A stated that he wouldn't '*touch*' the tax authority '*not the tax authority as the tax authority receives instructions from central government*'. He argued that his decision is based on his perception that the technocrats have become hardened in their positions and were accustomed to doing things the same way and therefore they couldn't change, hence he would fire all of them. Then he declared:

*'Can you imagine in this time in Jamaica, you have approximately 80% of property owners not paying tax and 20% running the country and the Government is running all over the place trying to raise money and (the) IMF is at them and they would want to, to double tax as a 'soda bottle', on the 20%. You don't see that something is wrong, something is seriously wrong? (Interviewee 25A/Taxpayer).*

Taxpayer interviewee 25A also made reference to the government's failure in not making developers accountable in fulfilling their contractual obligations to taxpayers particularly in communities in Portmore. This view was also supported by a senior manager from a local authority, interviewee 20B and by a mayor, interviewee 9. The taxpayer, interviewee 25A quipped developers were *'smiling all the way to the bank'*.

Another taxpayer, interviewee 24 suggested that the government of the day was unresponsive or unable to respond to the real needs of the country in any practical way and that it abused its powers in parliament. For example, this taxpayer, interviewee 24 pointed out that even though the government had a very large majority in parliament and didn't need the support of the opposition in passing legislation for formulating policies, the government seemed to be abusing this position by doing *'whatever it feels like doing'* and thus he believed that its actions *were* not in the national interest.

A member of civil society, interviewee 22 speaking of the government said if the government performed well, and used the country's financial resources judiciously and correctly, this would lead to the creation of goodwill in the communities. This interviewee repeatedly expressed the view that the government mismanaged tax revenues. Goodwill in the community, this interviewee argued promotes a spirit of volunteerism where citizens give back to the community. This member of civil society, further argued that goodwill creates less strain on public funds, releasing funds that can be used in other areas. Furthermore, interviewee 22 stated that community volunteerism lowers the crime rate as people were more compliant. This interviewee believed that in situations where the government didn't use the tax revenues prudently, then people were demotivated resulting in property tax non-compliance.

Despite interviewees 24, 25A's perception that the government was dishonest, demanded no accountability from some actors in the property tax field, that actors in the ministry responsible for property tax were unresponsive, that it abused its powers in parliament, that they were putting undue strain on compliant taxpayers, they remained compliant. Both of these taxpayers were compliant because of the emotional fulfilment as previously mentioned. Both taxpayers feared embarrassment and both these taxpayers were from the gated communities where the expectation is that they are all tax compliant, therefore in a bid to remain a part of this group they complied.

#### **7.5.4 Portmore Municipal Council (PMC)**

Three taxpayers (interviewees 24, 27, 30) suggested that they saw evidence of improvement in the services offered by the municipality with one taxpayer stating that quite a number of things were done promptly like drain clearance and road maintenance. Interviewee 24 suggested that for a long time many of the arterial roads in Portmore were in a bad state but since the last parish council elections (2012), he saw some improvements. Another taxpayer, interviewee 30 suggested that services in Portmore improved since the council received municipality status in 2003.

However one taxpayer, interviewee 25A suggested that the municipality didn't seem to have any sort of control over services and service providers in the Portmore community. Additionally, this taxpayer suggested that there seemed to be no communication between the service providers and the **PMC**. Citing an example, the taxpayer said if he should have a water leak in his community, he should be able to call the municipality, with the municipality having the power or authority to insist and also ensuring that the Water Commission rectified the leak. But the interviewee stated, that as it stood, the entities including the Water Commission seemed to act on their own without reference to the municipality. The taxpayer stated paying one's property tax, he believe that this was one service that the municipality should offer taxpayers. The taxpayer, interviewee 25A further argued that the municipality should be that '*middle man*' or play the coordinating or supporting role to ensure that services were satisfactorily delivered to taxpayers and that taxpayers' complaints were resolved.

In responding to the issue concerning the municipality's lack of authority over service providers, a mayor, interviewee 9 stated that the municipality's institutional structure didn't facilitate this kind of governance. The mayor further stated that the current structure didn't give the kind of autonomy for it to manage its own affairs. This was exacerbated by an acute shortage of staff. The mayor also suggested that the municipality laws fell under the old archaic parish council system which stymied, the approach of a new municipality, stating:

*'You know, for instance, I think as a mayor I should have a dialogue with the police that I can call them up and say 'do this', 'do that'. They don't want to talk to me because there's no link between the police force and me...no link between the fire station and me...they come voluntarily because you call them...'* (Interviewee 9/Mayor).

The interviewee mayor further expressed the view that whilst the municipality made some impact, it could be more effective had it received the necessary financial support from the government at its inception along with a budget for the mayoral office. A member of parliament, interviewee 8 confirmed that the municipality could do many innovative things but was hampered by the lack of financial resources. The mayor also suggested that the municipality would have liked to work with service providers in '*public private partnership*' arrangements but technocrats at the central level were not accustomed to this way of thinking, thus their efforts were often thwarted, frustrating the efforts of the municipality. Additionally, the mayor, interviewee 9 believed that the municipality could have greater impact if there was a better working relationship with and better representation from the citizen's umbrella group the **PCAC**. He believed that the interest groups within the **PCAC**, generally didn't look at community issues but were rather focused on the narrow interests of their respective groups.

A manager, interviewee 21 from an hereditament in Portmore when asked to share her perception of the municipality preceded her response with a *sigh*. The hereditament manager then stated that there were issues with the delivery



of some services within the community for which the municipality failed to accept responsibility although such services were covered by the property tax.

For example, the interviewee stated:

*'...really we can't call on them when we have a garbage problem. Even if you tell them, they are sending you to (NSWMA). They are telling you to call (NSWMA) because they are saying that garbage is not for the municipality (Interviewee 2/Manager, Housing Cooperative/Hereditament).*

This manager further explained that the municipality didn't accept complaints about street lights, it was the community who had to follow-up with the Jamaica Public Service to have this corrected. The interviewee also suggested that the municipality staff was unresponsive to issues or took very a long time to address matters concerning the maintenance of the character and nature of the community. For example, the hereditament manager stated that issues such as vending, operation of commercial businesses such as bars and shops in residential areas were only addressed by the municipality if the community was persistent in its call for them to be dealt with along with written requests for the mayor's intervention.

Added to this, a member of civil society, interviewee 23 suggested that the municipality was inept in enforcing the municipal regulations such as parking, building covenants and the maintenance of the swales<sup>117</sup> stating that the *'councillors in the municipality are on a paid holiday'*. This interviewee in making reference to the poor physical state of some swales suggested that residents were in contravention of the law. To highlight the point about the municipality's ineptitude, he related a particular incident. The interviewee from civil society stated that he brought to the attention of a councillor the unkempt swale in a particular section of a community in Portmore stating that the councillor's response was that *'some time ago he attempted to clean a particular swale but*

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<sup>117</sup> Swales are used to slow down and capture runoff water. <http://www.susdrain.org/delivering-suds/using-suds/suds-components/swales-and-conveyance-channels/swales.html> retrieved December 22, 2014

*the people almost nyam him (ate him alive)*'. But the interviewee argued that he was not impressed by the councillor's response. He debated that the laws were to be upheld and as such the enforcement arm of the council should have taken action against those taxpayers. The civil society interviewee also pointed out that there were other breaches of the law within Portmore which were not corrected by the municipality enforcement team and when they were corrected they took an inordinately long time. Reference was made to another incident where the municipality failed to apply the law to correct a breach. According to the interviewee:

*'In Sines<sup>118</sup>, over there you have some buses being parked in the community and the residents and the owner for the buses are at logger heads right now. And the battle line is drawn; machetes are drawn and when you go to the municipality, you heard that the enforcement person is telling the residents that they need to live good. Yes they need to live good but that's not it. They are supposed to do what they are supposed to do. If the covenant is that they should not be parked there, then you should enforce law (Interviewee 23/Civil Society).*

Referring to other breaches in a number of communities in Portmore, interviewee 24 from civil society stated that should fellow residents attempt to have the situations resolved themselves, then they do so at the expense of endangering their lives, thus, the municipality should seek to have the breaches corrected.

In another situation, the interviewee also stated that the municipality was unprincipled in its operation and supported illegal activities. This is what he said:

*'Out of context, the next one is that there is a report of a gentleman who rears dogs in a particular community and what he does he take the mess from the dogs and go and dump it in the **NWC** sewer plant which is wrong. This man has access to the plant, he has a key to open the gate'(Interviewee 23/Civil Society).*

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<sup>118</sup> Name of community changed.

The interviewee surmised that the municipality was soft on breaches because councillors feared that if they were insistent in having people obey the law, they might not be re-elected. This interviewee stated that the municipality should address the breaches as the citizens have nowhere else to turn except to the municipality. The interviewee also stated that the municipality was there to protect the rights of the taxpayers but believed that it hadn't done so, leaving the aggrieved taxpayer to the mercy of those who flout and breach the law. The interviewee stated that whilst he couldn't definitively state the extent to which the municipality's performance influenced property tax compliance he nevertheless believed that taxpayers will view the neglect of the municipality negatively and in situations where money or economic capital was short they would opt to evade.

#### **7.5.5 Tax Administration Jamaica**

An interviewee from civil society, interviewee 22 speaking of the tax authority poured scorn on it and stated *'the management of it lacks both the stature of a person and the kind of both the entity that seemingly command the respect to pay my taxes'*. There were some taxpayers who perceived that the tax authority was not serious about tax enforcement and had no confidence in its ability to enforce compliance. For example, as previously mentioned, a taxpayer, interviewee 25A commented that there was no strict enforcement of property tax and thus taxpayers treated the property tax as if it weren't an annual obligation. Even tax administrators were aware of some the public's poor perception of them and how they performed. A senior tax administrator, interviewee 17 stated that she overheard taxpayers ridiculing the tax authority proclaiming: *'...nobody is coming to look for (them) ...they have never paid property tax and they have never seen anybody come to them...every day they going to send summons'*. But the response of this administrator to this derision was that the tax authority will get around to them eventually. Another administrator, interviewee 17C stated that taxpayers treated the tax authority with contempt because they knew *'we are weak'*, i.e. taxpayers know of the resource limitations. However, interviewee 25A a taxpayer expressed sorrow and sympathy for the tax authority saying it functioned the way it did because it

had to follow the directives and instructions of central government as previously mentioned.

Yet, another taxpayer, interviewee 28 and pensioner spoke glowingly of the tax authority, saying it didn't really pressure the taxpayer, charging only a penalty when payments were late (Elkins 2009; OECD 2010). The taxpayer pensioner interviewee also pointed out that the tax authority was very accommodating accepting any amount of money towards the taxpayer's property tax liability giving the taxpayer time to settle the outstanding liability. This was confirmed by a senior tax administrator, interviewee 16 who stated that they tried to facilitate and support all taxpayers in a bid to get them to comply. Speaking of settling arrears this is what the interviewee said:

*'You (have) many options and we can accommodate you, whatever you have, you can come in and pay each month. So, if you want to divide into twelve parts. We are willing to accommodate you. We work out a payment plan with you in case your arrears are so much you cannot pay it one time. We sit down with you and work out an agreement and then overtime within reasonable time you pay off your balance.'* (Interviewee 16/Senior Tax Administrator).

Some administrators stated that they tried to be pleasant, understanding, giving proper service, to be accurate, to advise taxpayers of their rights, coach taxpayers on new tax rates and inform them of the benefits to which they are entitled. For example, informing them of applicable exemptions and sometimes even applying for exemptions on their behalf. A senior tax administrator, interviewee 17 pointed out that conducting outstations within the community was one way of accommodating the taxpayers by making it more convenient and cheaper for them to comply. But in all this this senior tax administrator stated, *'we have to be aggressive because if we are not aggressive, we will not going (sic) to get the money'* (Interviewee 17).

Despite the tax administrators' talk of being professional, a taxpayer, interviewee 30 saw the tax authority in a different light. This taxpayer suggested that Jamaica's tax system was backward expressing the view that the government didn't treat tax seriously therefore taxpayers didn't pay much

regard to the government when it came to tax issues. Evidence of the lack of seriousness on the part of the government about tax was the non-receipt of property tax assessment notices within her community- Martin Park<sup>119</sup> in Portmore for close to twenty years, the interviewee stated. The taxpayer, interviewee 30 also stated matter of fact (without prompting from the researcher) '*property tax is not something that one does voluntarily*' suggesting that a taxpayer wouldn't bother to seek to pay seeing that the liability was unknown confirming a tax administrator's perception that only a few taxpayers will pay their property tax without an assessment. The taxpayer, interviewee 30, further referenced another incident in which she interacted with the tax office when dealing with her income tax, in which she stated that she filed an appeal, but the tax authority was unresponsive to her appeal, writing off the incident as a '*waste of time*'. However, the taxpayer hinted that maybe if she had known someone in the office, then her case probably would have been treated differently or the outcome would have been different '*(be)cause you know in Jamaica, we have to still depend on who you know*' (Interviewee 30/Taxpayer) as discussed by (Eddie 1989).

A member of parliament, interviewee 8 in referring to the tax authority suggested that the tax administrators seemed to have difficulty taking decisions or shied away from taking decisions. The researcher questioned the interviewee as to why this may be the case, to which the interviewee responded by saying that they have no confidence in their decision making capabilities so they rather not take any actions '*if you do nothing, nobody can say you do anything wrong*' (Interviewee 8/Legislator) as confirmed in (Mills and Roberts 1974).

## 7.6 Summary

This chapter presented the findings and discussions on *Research Question Number Three*: What are the dimensions of property tax compliance and non-compliance in Jamaica? How do taxpayers use their capital to influence their compliance practices?

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<sup>119</sup> Name changed

The findings suggest that compliance was driven by different sets of motivations. Firstly economic motivation, the fear of losing property and the associated actions that might accompany non-compliance, losing use of their property, payment of penalties and fines and property being tied up in debt. Secondly, some were motivated to comply based on their moral and or Christian and or civic duty (7.3.1). Thirdly, compliance for some was an emotional event in that they feared embarrassment and the social stigmatization (Grasmick and Scott 1982, Taylor 2002) of being called an evader (section 7.3.2). Fourthly, for some taxpayers, compliance was an event of personal fulfilment or signified a milestone event. For them compliance signified a proud achievement – land and property ownership a goal for every Jamaican. Finally, compliance was a means to fulfil an expectation by being a member of a certain community, for example the gated communities.

For evaders the findings revealed that non-compliance was based on a number of issues. Firstly, it stemmed from a culture of indifference and taxpayers' disconnect with the community, alienation from their community and lack of awareness of the property tax itself and tax in general. Secondly, non-compliance may be influenced by poor performance of politicians and government institutions and dissatisfaction with how tax revenues are used. Thirdly, evasion for some was opportunistic. For example the long queues at the collecting stations, technical glitches in online system, non-receipt of assessment notices, poor (un)related property tax services, loopholes within the law or the institutional and organizational weaknesses of the tax authority. Fourthly, institutional issues such as the non-capture of new property owners on the property tax roll or occupiers, like renters and squatters. The following chapter gives the conclusions to the findings.

## Chapter 8

### 8.0 Conclusions

#### 8.1 Introduction

As outlined in Chapter One, this study is concerned with gaining an in depth understanding of property tax administration in practice; investigating the underlying relations that shape these practices, highlighting how such actions shape property tax practice in Jamaica. The research shows how players use their cultural, political, social and economic capital as resources to maintain, dominate or enhance their position within the field ultimately shaping the practices. The amount of capital and how they use their capital is influenced by their habitus or disposition. The study extends the tax scholarship by providing evidence that tax practice is a social construction. It demonstrates that the tax authority and the policymakers influence enforcement practices and that the property tax field was often used as a site of struggle. It also shows the extent to which players use their political capital to influence the non-localization of the property tax. Additionally, evidence from the findings suggest that tax compliance goes beyond the deterrence model. Finally, the literature is extended by the use of Bourdieusian theory as the lens through which the findings are interpreted. Empirically, this study focuses on the players of an urbanized municipality in Jamaica. The main research question: ***How do the three dimensions of property tax; administration, politics and taxpayer compliance play out in practice?*** was broken out in three sub-questions as follows:

*Research Question One:* What are the main property tax enforcement practices and how do the tax authority and policymakers use their capital to shape these practices?

*Research Question Two:* To what extent is non-localization of the property tax in Portmore influenced by the political dispositions of players within the property tax field?

*Research Question Three:* What are the dimensions of property tax compliance and non-compliance in Jamaica and how do taxpayers use their capital to influence compliance practices?

## **8.2 Findings and implications**

The main findings and implications which are drawn from the major themes are presented here.

The tax authority seemed to be unable to maintain that critical balance between evasion and compliance. This in itself is a problem in that it may have conveyed the message to the community that compliance is optional; property tax isn't necessarily an obligation (5.2.1) and also that the tax isn't important. Secondly, the tax authority practiced selective enforcement (section 5.3.2) which may have brought home the issue of unfairness in field. Here, it's implied that the authority expected only a selected set of taxpayers to carry the tax burden while evading taxpayers enjoyed the tax benefits at the expense of compliant taxpayers. The tax authority functioned in an environment of resource constraints (5.2.3), absence of a comprehensive compliance and risk strategy, cultural issues and ambiguous legislation. Tax administrators' choice of enforcement strategies was conditioned by their disposition and their bid to use their capital to dominate or maintain their position in the field. Sometimes the field was the site of struggle as they used the strategies as a means to resist and struggle with the policymakers as demonstrated in sections 5.3.1 to 5.3.4 and 5.3.6. However, in some situations the tax authority used a strategy to give its tacit support to some policy like the reminder system, but simultaneously used it as a means to extract additional enforcement and compliance resources from the government. The tax authority also used the reminder system (section



5.3.5) to strategically increase its visibility, dominance and legitimacy within the property tax field.

Whilst the lack of enforcement resources may have inhibited the authority's enforcement capability as seen in section 5.2.3 and confirmed by Lange 2002 and Bird 2004: the tax authority acted opportunistically, working as practical strategists through their habitus (Swartz 1997, 99-100). They used the opportunity to concentrate their enforcement activities on smaller taxpayers preying on their fear of losing their property through non-compliance but chose not to enforce on renters because they believed the laws for renters were ambiguous or that cultural issues prevented them from enforcing on them. But they supported the reminder system which gave precedence to collections over compliance (McKerchar and Evans 2009) giving the impression that they are supporting government policy but it was an opportunity to extract additional resources from the government (Policy 1993). Furthermore, the system was used to establish and reinforce their dominance, visibility and build their legitimacy within the field. The property tax enforcement field was therefore shaped by their actions.

Policymakers should understand that enforcement is fundamental in encouraging voluntary compliance and to let citizens know that non-compliance is unacceptable (Silvani 1992). They should understand that a system devoid of voluntary compliance is unsustainable due to its costliness (Levi 1988; Cullis and Lewis 1997). Secondly, they should be aware that weak and or selective enforcement imply that tax administrators aren't carrying out their mandate to maximize revenue collection and to minimize tax evasion. In this regard, they should understand that widespread evasion may breed more evasion through social interaction (Traxler 2010). Furthermore, they need to understand that there's an interconnection between evasion and fiscal policy (Cowell 1999, Cummings et al 2004) as evasion influences government's ability to provide services. Additionally, weak enforcement effectively redefines the enforcement field, changing the enforcement rules and at the same time brings to the fore the issue of retributive fairness, that is, some people are punished for evasion while others aren't (Elkins 2009; OECD 2010). If weak and selective enforcement continue, the unimportance of the property tax and its role to

provide revenues which are critical to the provision of services in the communities may ultimately become a part of the doxa.

In terms of the law, policymakers ought to be aware that the law provides the boundaries for the operation of tax administrators. In situations where administrators deem the law to be ambiguous, this creates problems for them by virtue of the many choices (Hume et al 1999, Doyle, Hughes and Glaister 2009) creating the path to make opportunistic choices based on their habitus conditioned by their environment (Nerre 2008; Oats and Sadler 2011).

Policymakers should be aware that fiscal decentralization has the potential to increase participation of local taxpayers (Faguet 2012, 2014), increase transparency and accountability (Bird and Vaillancourt 1999; Smoke 2001; McCluskey and Franzsen 2005). Importantly, it can be used as a means to increase tax morale (Guth, Levati and Sausgrubber 2005) build a compliance tradition (Mikesell 2003, Rühling 2006) and increase property tax revenues in the process which this study is about. Policymakers should also be aware that fiscal decentralization provides the opportunity for taxpayers to be more involved in the political process creating the opportunities for them to influence the property tax rates, the property tax laws and rules of the property tax game by virtue of their involvement at the local level (Feld and Frey 2002). They should be aware that this type of involvement amplifies taxpayers' view of civic responsibility making them more compliant building tax morale (Feld and Frey 2002). Despite these perceived benefits, most players in the field seemed less than eager to embrace a localized system for a combination of reasons.

The absence of a clear policy direction (Bird and Slack 2002; Bahl and Martinez-Vazquez 2006; Bahl and Cyan 2011) and a white paper which verbalises the policy, processes, expectations of players; institutional practices, and organisation structure (Bahl and Martinez-Vazquez 2006) seemed to indirectly influence participants' perspectives. As indicated in the background chapter (section 2.7) and confirmed in some of the findings (sections 6.4; 6.4.1; 6.4.2; 6.4.3), the matter of mistrust or distrust is a deep seated issue in the Jamaican psyche. It can be argued that the absence of a clear policy direction and a written document containing formal reference points somehow

heightened these dispositions. The local authorities a large part of the social space along with actors in central government acted as conduits of information about what fiscal decentralization would possibly be like if accepted. Thus, participants based on these past experiences and flows of information raised issues such as of lack of accountability (6.4.3); perceived corruption (6.4.4), power struggles political divisiveness and the absence of political will ( section 6.5.1), lack of capitals (economic and cultural) (6.5.2; 6.7.1 & 6.7.3); lack of transparency, absence of an enabling legal framework (6.6.2 and 6.6.3) and citizens' refusal to make politicians accountable (6.5.4) as barriers to localization.

Policymakers should be aware that localization is a policy decision (Bird and Slack 2002; Bahl and Martinez-Vazquez 2006; Bahl and Cyan 2011) and thus there should be a clearly defined and written policy path for both policymakers and other players in the field. Furthermore, having a written document would not only be symbolic but it would help to create some sort of legitimacy and credibility to the localization process (Levi 1988; Bahl and Martinez-Vazquez 2006), serving as a reference point on all issues regarding localization and helping to alleviate some of the anxieties and fears that actors raised about localizing the property tax.

Whilst a written document in itself may not totally alleviate say corruption, policymakers should be aware that a written document with guidelines and policies in place to monitor behaviours may increase accountability and transparency thus reducing corruption (Lessman and Markwardt 2009). Corruption was perceived as embedded in the culture. Despite this perception, policymakers should understand that this can change through prolonged education and resocialization (Swartz 1997). Added to this, education can be used as a means to resocialize taxpayers with the intent of increasing their awareness of corruption and how to make their political representatives more accountable (Fauget 2012, 2014) within a localized environment. Policymakers also should be aware that due to the nature of the 'tight coupling' of the subfields within the property tax field, whatever happens in a subfield will influence outcomes in other subfields (Swartz 1997). Thus, if fiscal decentralization is to be a reality then the actors both within the local authorities,

and the wider field require resocialization (themselves) (Swartz 1997) with the intent to transmit positive messages about themselves, their actions and localization.

Portmore's property compliance rate approximates to Jamaica's national property tax compliance rate of 50%. This rate is less than ideal for an area based on its potential earning capacity and a spatial area not saddled by the old informal land tenure practices<sup>120</sup>. The findings suggest that whilst some taxpayers complied because of economic motivations (Allingham and Sandmo 1972) other complied for reasons beyond the deterrence model. For example, some taxpayers viewed compliance as their moral or Christian and or civic duty (7.3.1). Secondly, compliance for some taxpayers was as an emotional event in that they feared embarrassment and social stigmatization (Grasmick and Scott 1982, Taylor 2002) of being called evaders (section 7.3.2). Thirdly, compliance was a personal gratification or milestone event, a proud achievement for some taxpayers, i.e. land and property ownership which seems to be a priority in the Jamaican environment. Finally, compliance was also conditioned by social norms (Traxler 2010) a means to fulfil a group expectation.

For evaders (sections 7.4;7.4.5; 7.5.1-7.5.6) the findings revealed that non-compliance was based on a number of issues. Firstly, it stemmed from a culture of indifference and taxpayers' disconnect, alienation from their community and a lack of awareness of the property tax. Secondly, evasion for some was opportunistic. Long queues at some collecting stations, technical glitches in the online payment system, non-receipt of assessment notices, poor (un)related property tax services, loopholes within the law or the institutional and organizational weaknesses of the tax authority all served as opportunities for taxpayers to evade. Thirdly, an institutional frame which doesn't capture new property owners nor occupiers, like renters and squatters also contributed to evasion (sections 7.4.2 and 7.4.3). Regardless of the reasons given, evaders succeeded in their evasion based on their available capital and past

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<sup>120</sup> Most of Portmore is planned development, thus these parcels should be on the cadastre and assessable for property tax

experiences (Swartz 1990, 106) of the property tax field. They pursued evasion knowing there would be little or no consequences (Swartz 1997) to their actions.

It is imperative for policymakers to understand what drives both evasion and compliance. They should have knowledge of those 'internalized schemes which guide taxpayers' behaviour' (Madsen and Dezalay 200, Oats and Gracia 2012, 115) taxpayers' actions and interactions making them (non)compliant. They should be aware of those institutional structures and opportunities that encourage non-compliance. For evaders, policymakers should be aware that these internalized schemes can change through prolonged education and resocialization (Swartz 1997). Knowledge of these internalized schemes, taxpayers actions and interactions, institutional structures and opportunistic events should guide policymakers in the design of enforcement and compliance strategies (sections 3.2.1 to 3.2.6). Policymakers should also be aware that when taxpayers have strong connections to groups and become identifiable to such groups, they become more collectively oriented and are more likely to forego immediate self-interest for the sake of the public good which builds tax morale (Kornhauser 2007). They should also be aware that when politicians emphasize compliance and demonstrate that they are compliant, this increases compliance. On the other hand, policymakers should be aware that politicians' non-compliance increases non-compliance. It's imperative therefore for them to rethink what signals they send to taxpayers about their compliance.

### **8.3 Contribution**

This research comes at a time when there's a call for more tax research due to its under representation (Lamb et al 2005; Oats 2012). Responding to this call dispels the notion that tax as a field of enquiry is adequately dealt with when it's not (Lamb et al 2005). My research contributes to the tax scholarship by demonstrating that tax is not a technical subject (Boden et al 2010) but rather that it's both a social and institutional practice (Oats 2012) in other words it's a social construction. This study also contributes to the tax scholarship by demonstrating that taxation is not based on economic theory only but it's an interdisciplinary subject encompassing management, practice and politics (Lamb et al 2005). This thesis adds to knowledge by providing a better

understanding of why the field of tax practice is different from what obtains in legislation and policy. It provides an improved understanding of how culture and other resources in the field when used as capital, influence or shape tax practices. Furthermore, it increases our understanding of the contextual nature of property tax confirming that the 'one size fits all doesn't work' (Bird and Slack 2006; Bahl 2009). It also adds to the scholarship by providing an in depth understanding of taxpayers' compliance motivations; that these motivations go beyond the deterrence level.

In addition to the above and the findings, this study makes a number of other important contributions to knowledge both empirical and conceptual.

Empirically, this study involved the interviewing of a wide-cross section of players in the property tax field. These players include those who formulate the property tax laws and policies such as legislators, cabinet ministers, policymakers which included a former prime minister and minister of finance; those responsible for implementing the policies or maintaining the boundaries—ministers of government and parliamentarians, senior government technocrats, senior local government officers, mayors, councillors and senior tax administrators; and the compliers, residential and commercial. There were other players who didn't neatly fit into the foregoing classifications but for which their work influenced property tax practice in all these areas and played a critical role on the tax field. These include developers and members of civil society. Gaining access to some interviewees like the politicians, senior tax administrators and senior technocrats government technocrats was significant and the insights gained were extraordinary.

As outlined in Chapter 4, the interpretive methodological approach used for this study provides rich insights and an in depth understanding of property tax practice, and also gives additional perspectives of property tax practice in Jamaica which emphasizes the limitations of quantitative methodology (section 4.4.1).

Conceptually, the study advances a theoretical framework for property tax practice as described in Chapter 4. This chapter provides a thorough description of the property tax field, the arena in which property tax practice

takes place and also links the actions of the power brokers of the various levels in the field. The framework pulls together the levels and the actors by using the three main strands of the literature: tax administration, fiscal decentralization and Bourdieu's theory of practice. Furthermore the framework gave me the ability to interpret and explain the findings as evidenced in Chapters 5 to 7 inclusive.

For example the framework provides an understanding that property tax administration is more than a technical issue. The framework allowed me to interpret why the legal framework and administrative framework differ from what happens in practice; property tax practice is shaped by the actions and interactions of players in the field making it a social construction; that players use their power to influence property tax practice (Swartz 1997); that players actions are conditioned by their background (Swartz 1997).

Although my research is domestically focused it carries international policy implications. There is a growing phenomenon that populations are moving or migrating to urban centres. With this migration, increased demands are made on governments to provide services such as garbage, street lights, parks etc. The findings support the literature that property tax can be a significant source of revenue to fund these services to the satisfaction of taxpayers (Bird and Slack 2006; Domingos 2011) and that it can also be used to shape the physical nature of communities (Bird and Slack 2007). In light of the foregoing, it's critical for policymakers to have an increased understanding and awareness of how this tax works, they should be aware of those enablers and inhibitors of enforcement, local management and compliance of the tax which is useful for policy development, a contribution of this study.

Secondly, the property tax can be used as a means to catch those taxpayers who might fall outside of the 'regular' tax net and if locally managed can be used to build a compliance tradition and increase tax morale (Guth, Levati and Sausgrubber 2005; Mikesell 2003, Rühling 2006). This is particularly instructive for Jamaica and other developing countries which may have large informal economies which contribute minimally to say, personal income tax. Property tax can be used as a tax that pulls this set of taxpayers into the tax net. Property

tax is also useful in the development of a more effective tax administration (Fjeldstad and Moore 2008). This could be facilitated through up-to-date cadastres, regular revaluations, enabling laws, provision of adequate resources, localization of the tax along with the use of strategies that go beyond the deterrence model. The study therefore provides the opportunity for policymakers to rethink on these issues particularly the role that fiscal decentralization can play in building tax compliance a perennial problem particularly in developing countries.

Thirdly, the study provides the platform for policymakers to rethink the issue of how property as wealth is taxed, that it might be significantly under taxed, and that this in itself is a source of injustice or unfairness in the society. Fourthly, policymakers should recognize that property tax can assist in state building, building synergies in urban centres and that it can be used as an instrument to meet socioeconomic goals (Fjeldstad and Moore 2008) as well meeting a revenue goal of predictable revenues flows for which the property tax is ideal.

Fifthly, policymakers should understand the impact of group involvement of people and how identifiable connections to a group may make taxpayers more oriented to public interest rather than their own specific interest. Countries which face financial crises are faced with financial challenges that limit their ability to provide public services based on taxpayers' expectations. This study provides the opportunity for policymakers to rethink how they can build tax compliance through taxpayer involvement through mediating structures.

Finally, as populations migrate to urban areas with increased demand for services, this study brings awareness that fiscal decentralization provides the opportunity to reinforce local governance (Shah 1994, McCluskey and Franzsen 2005) in the provision and delivery of demanded services. Furthermore, governments can use fiscal decentralization to develop the property tax into an independent source of revenue for local authorities (Sepulveda and Martinez-Vazquez 2011). Having this independent source of revenue would somehow help to relieve the pressure on central governments for the provision of funds a challenge often faced by developing nations and in particular Jamaica. Having this independent, predictable and sufficient source



of funds would probably reduce costly international funding which could possibly allow governments to retain their sovereignty which may be threatened through the use of conditionalities imposed from these international financial institutions (Bullock 1986; Stewart 2003; Fjeldstad and Moore 2008).

#### **8.4 Future research**

The study focused on three main areas: tax enforcement practices, political manoeuvrings in the localization of the property tax and dimensions of tax (non)-compliance and have opened up a number of opportunities for future studies. The study took place at a critical juncture in the property tax field when there was a major shift in the property tax policy. The study along with the policy change have opened up new avenues for further research, one area of research could be the extent to which the new property tax policy is successful. Property tax in Jamaica doesn't seem to be working, therefore a closer look should be given to the tax to determine its role and function particularly in light of Jamaica's changing demographics and its changing socioeconomic environment.

Tax morale in Jamaica is low, and it's not only associated with property tax. It seemed to be engrained in the psyche of the citizens, clearly this situation demands attention. Continuation of low tax morale will not only compromise the government's ability to provide public services but will also force the country to continuously seek aid and loans which may keep Jamaica in a perpetual debt and dependency trap, one which threatens its sovereignty based on its exposure to the use of conditionalities that are attendant with aid and loan funds. It is therefore critical for policymakers to break this cycle and build a compliance tradition. Property tax can be the avenue to do this. This study therefore opens up an opportunity to investigate and explore how property tax can be used to build tax morale and a compliance tradition.

The tax authority plays a fundamental role in enforcement and compliance. The findings suggest that property tax enforcement is weak, when enforced, it's selective and in most situations enforcement strategies used seemed to be conditioned by tax administrators' capital and habitus. The time seems

opportune to conduct further study into the attitudes and behaviour of tax administrators in Jamaica.

Tax compliance is complex and still remains a 'black box issue' carrying a number of dimensions. Some dimensions are not yet fully explored and understood. For example, the issue of the emotions or '*matters of the heart*' because of taxpayers' emotional attachment to land or property as found in the findings seems to be inadequately explored in the literature, this could be the subject of further study. Fred and Frey (2002) mention emotional ties in the context of developing incentives for taxpayers when designing compliance strategies but the authors do not really explain taxpayers' motivations. Additionally, the literature normally deals with cognitive matters, what goes on in the head, rather than what goes on in the heart. This could be an area for future research.

Fifthly, the impact of group involvement of people and how identifiable connections to a group may make them more oriented to public interest rather than their own specific interest. Research could be carried out on the role of mediating structures within the communities, investigating taxpayers' tax morale within these groups as against those who are not involved in such mediating structures.

Sixthly, property tax is not yet localized and the process is a continual one and has been for many decades as suggested in the literature and confirmed in the findings. It would be worthwhile to conduct research on the change management process in government. This study would not be tax scholarship per se but it would contribute to scholarship in organizational studies but at the same time it would provide insights into how legislative and policy changes take place within a tax policy environment.

Finally, good laws are important for tax enforcement. Some of the struggles within the enforcement field related to tax administrators' dissatisfaction with the laws. They believed that the laws carried loopholes, didn't give them enough scope to function and also that the property tax laws didn't reflect the present living arrangements which ultimately affected their ability to enforce. A study and review of all property tax laws in relation to other relevant legislation could

be the subject of further study. Having such a study would identify those laws that are irrelevant to the existing enforcement environment and those that need to change to fit in with the changes in the society.

## Appendix 1: Final codes developed with the assistance of NVivo

### Main codes

*Enforcement (non) practices*

*Fiscal decentralization*

*Dimensions of (non) compliance*

### Secondary codes

Weak enforcement

Selective enforcement

Resource constraints

Non-profiling of taxpayers

Reminder system

Judicial system

Local government reform  
& constitutional entrenchment

Policy & political issues

Trust & accountability

Political will

Transparency and corruption

Abuse of power

Attitude of players (dependency,  
nonchalance, command and control

Resource constraints

Demographic profile of taxpayers

Attitude of taxpayers towards taxation

Attitude of taxpayers towards PT

Tax morale & moral obligation

Embarrassment, pride, mental relief

Administrative issues

Economic motivations

Deterrence and debt

Fiscal exchange

Private stakeholders' influence

Loopholes in law

Education & property tax awareness

Public stakeholders' influence  
(government institutions and  
politicians)

## Appendix 2: PRELIMINARY INTERVIEW GUIDE

First of all I introduced myself, thanked them for agreeing to the interview. I then explained the purpose of the study and the nature of the interview. In explaining the nature of the interview, the following were done:

1. I requested permission to audio record interview and showed them the recording devices
2. I advised interviewees of the ethical component of the study:
  - a. that their identities will be kept anonymous
  - b. that data obtained from the interview will be used for academic purposes only
  - c. that participation was voluntary and that they may withdraw at any time during the interview
  - d. that all information will be kept confidentially and that that their views would not be not represented or presented in my findings so as to be attributable directly to them so as to identify them.

After explaining/discussing the above, I presented the *informed consent form* in duplicate explaining that the above are included in the form along with my contact and my supervisor's contact should they need to make contact in the future. I then invited the interviewees to read the form giving them sometime to do the same and then sign if they were in agreement. The interviewees were invited to keep a copy for their record.

The following are some examples of questions posed to participants, thus the list is not exhaustive.

### General questions to all participants

1. *Can you tell me about your work, your job, what you do?*
  
2. *Tell me what you know about the property tax, property tax system- how it is managed, organized, who is involved?*

3. *What are your views of the property tax laws?*
4. *How do you feel about the local management of the property tax?*
5. *Is there anything else that you want to tell me about the property tax?*

The first question in the interview was designed to get the parties settled, comfortable and to set the tone and pace of the interviews. In some situations, interviewees after answering this question, provided data that answered questions I had intended to ask them later in the interview, thus my job thereon was to seek clarification and ask them to expand on some issues. Also the final question was designed to allow the participant to give me any data which they thought was important but which I may have missed.

#### Specific questions to Bureaucrats

1. *Please give me a brief summary of the property tax administrative process*
2. *What are the various laws that govern property tax administration?*
3. *The NAC report suggested that Local Councils should play a more direct role in managing the property tax as this would significantly improve compliance. What is the current status of this?*
4. *Which organization has complete oversight of property tax administration?*
5. *A taxpayer advised me that she did not pay property tax for almost twenty years, what could have accounted for this situation?*
6. *It is reported that almost 35% of the housing units in Portmore were not on the property tax roll? Can you shed some light on this?*

#### Specific questions to legislators and policymakers

1. *What is the role/ purpose/objective of the property tax?*
2. *In your position as policymaker, you recommend what goes into the legislation, you make the legislation, you make the policy concerning property tax and you also involved to some extent in the implementation*

*of such policy - describe the tensions that may arise from time to time by virtue of you being in this position.*

3. *What are your views on the statement that the mind-set of the political directorate is centri-focal?*
4. *What are your views on the municipality/local authorities being fiscally decentralised? What would be the likely benefits that would come with local management of the property tax?*
5. *There is a statute bar on property tax, so you can only pay up to seven years, regardless of the number of years they have not paid. I understand that there are some taxpayers who take advantage of this. What can be done to change that situation?*
6. *'... Can you me tell me what role you play in developing civil responsibility in citizens...?'*
7. *Why don't the authorities practice forfeitures...?*
8. *What are the issues with the developers and how can they be resolved?*

#### Specific questions to taxpayers

1. *What are the reasons for you paying your property tax?*
2. *What are your views on the government?*
3. *How involved are you in your community?*
4. *Where and when do you pay your property tax?*

#### Specific questions to tax administrators and tax professionals

1. *What is the role of the **TAJ**?*
2. *How do you know whether taxpayers receive their assessments?*
3. *How does tax policy impact property tax enforcement?*
4. *What is the relationship between the local authority/**PMC** and the **TAJ**?*
5. *What are some of the issues that influence property tax compliance?*
6. *What strategies do you normally use to encourage taxpayers to pay their property tax?*
7. *It is reported that some taxpayers with large properties do not pay property tax, why is this so?*
8. *Who are the main compliers of property tax?*
9. *What role should voluntary organizations play in property tax enforcement?*



10. *Explain whether you think, localizing property tax would increase tax compliance.*

Specific questions to developer and civil society

1. *What is the relationship between (the developers) and the Portmore Municipality? What is the current relationship? Or can you describe the relationship?*
2. *How do you see government's action impacting taxpayers, especially property taxpayers?*
3. *Why is there a reluctance on the part of the government to enforce the law?*
4. *What are your views on the Portmore Municipality managing the property tax?*
5. *Suppose an member of your organization evades property tax, what would you do?*

Specific questions to mayors, councillors and past councillors

1. *What is the Municipality's relationship with the Minister of Local Government?*
2. *If Portmore, had the opportunity to raise tax – say the property tax is handed to you and you have to determine the policy, determine the rates, the valuation base, the collection and whatever, would you jump to take, to seize that opportunity at this point in time? Are you ready for it?*
3. *What are some of the issues that the taxpayers would raise as to why they don't pay their property tax?*
4. *What are your views on fiscal decentralization?*
5. *To what extent do you think the local authority/PMC is ready to administer their own financial affairs in terms of handling the property tax, determining the policy – set the rates, do the collections, spend the money...?*
6. *How involved is the local authority in the property tax budget process?*
7. *Describe the typical taxpayer in your division/constituency.*

## Appendix 3 : Informed consent form

Dear

### Informed Consent

Thank you for agreeing to participate in this interview on property tax. I would be happy if you would read the items below and if you are in agreement, I ask that you sign this consent form.

1. I hereby give my consent for the interview to be audio recorded.
2. I understand that my participation is purely voluntary and that I have the option to withdraw from the interview at any time.
3. I agree that data from this interview will be used for academic purposes only
4. I understand that my identity will not be disclosed and that my responses will not be attributed to me by the final reader of this work.
5. I understand that my responses will be dealt with ethically and responsibly in this study.
6. Should there be any questions or issues arising subsequent to this interview, I will contact the interviewer, Carlene Wynter or the Professor Lynne Oats L.M.Oats@exeter.ac.uk, supervisor of the interviewer for clarification.

Yours truly

Carlene  
Carlene B Wynter  
Doctoral Researcher in Taxation  
Department of Accounting  
University of Exeter Business School  
Streatham Court  
Rennes Drive  
Exeter, EX4 4PU  
UK  
Email: [cbw204@exeter.ac.uk](mailto:cbw204@exeter.ac.uk)

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

## Appendix 4: Interview request form

Mr/Miss/Ms XXX

Title of position

Name and address of organization

Date

Dear Mr

### INTERVIEW REQUEST

I am a doctoral researcher at the University of Exeter, United Kingdom and my research interest covers **Property tax in Portmore, Jamaica**. Whilst there has been some amount of research on the structure of the property tax in Jamaica, there is no research which addresses the property tax system in a self-governed urbanized community. The aim of this research is to gain a greater understanding of the property tax system at work in Portmore, how it is managed, its compliance strategies, how property tax is raised and used and to see whether the system can be improved so as to increase revenue flows.

Considering your intimate knowledge of and involvement in the Portmore area and or of property tax systems, it is my opinion that your views will significantly contribute to my thesis development. I would therefore be happy if you would agree to be interviewed. Confidentiality is protected during all stages of the process and your views will not be divulged in a way that may be linked to you. Furthermore, data will only be used for academic purposes.

Please feel free to contact me at [cbw204@exeter.ac.uk](mailto:cbw204@exeter.ac.uk) or 07825485473 for further information.

Yours faithfully,

Carlene B Wynter  
PhD researcher

## Appendix 5: Profile of interviewees

<b>Interviewee Labels</b>	<b>Interviewee status</b>	<b>Positions</b>	<b>Affiliation</b>
Interviewees 1, 2, 3 & 4	Senior Government Bureaucrats	Directors & Senior Consultant	Ministry of Local Government and Community Development; National Land Agency; NSWMA
Interviewees 5, 6 & 7	Policymaker/cabinet minister/politician	Ministers of Government & cabinet members	Ministry of Local Government & Community Development; Ministry of Foreign Affairs and Foreign Trade
Interviewee 8	Legislator/politician	Member of Parliament	Governing party
Interviewee 9	Mayor/politician	Mayor	Government party
Interviewee 10	Former Mayor/former politician	Entrepreneur	Previous government
Interviewee 11	Former councillor/former politician	Consultant	Governing party
Interviewee 12	Councillor/politician	Local Authority	Governing party
Interviewee 13	Former prime minister	Former politician	Previous government
Interviewees 14A, 14B, 15, 16 & 17	Senior Tax Administrators	Property Tax Coordinator; Property Tax Regional Managers; Commissioner General; Former Director, Internal Revenue	Tax Administration Jamaica
Interviewee 17A, 17B, 17C, 17D, & 17E	Compliance Officers	Field workers	Tax Administration Jamaica
Interviewee 18	Tax professional	Tax Accountant	Corporate Work/Banking

			Industry
Interviewees 19A, 19B, 20A & 20B	Senior Managers	Director, Finance & Corporate Services; Engineer; Chief Administrative Officer; Manager Commercial Services	Local authority
Interviewee 21	Manager	Housing Cooperative/ Hereditament	Private
Interviewees 22 & 23	Civil Society	Chairman; Member of civil organization	Portmore Citizen's Advisory Council (PCAC)
Interviewee 24	Taxpayer	Resident & Business owner	Caribbean Estates-Portmore Gated community
Interviewees 25A & 25B	Taxpayers	Residents/ Property owners	Hellshire Heights-Portmore- Gated Community
Interviewee 26	Taxpayer	Resident/ Property owner	Greater Portmore
Interviewee 27	Taxpayer	Resident/ Property owner	Greater Portmore-
Interviewee 28	Taxpayer	Resident/ Property owner	Portmore Passage Fort
Interviewee 29	Taxpayer	Resident/ Property owner	Portmore Westport
Interviewee 30	Taxpayer	Former resident of Portmore Property owner	Former resident Gregory Park/Hamilton Gardens
Interviewees 31A-31F	Squatters	Residents (non-property owners)	Portmore community
Interviewee 32	Developer	Corporate Director	Housing Developer

## **List of persons interviewed in Jamaica**

Compiled by author  
September 2014  
Source: interview data

**Appendix 6: Properties exempted from property tax**  
**Lands in Jamaica Exempted from Property Tax Payment**

<b>Exempted lands from property tax in Jamaica</b>
Land immediately attached to buildings held in trusts exclusively for public worship or religious worship and for classroom and also those used as church yards or burial grounds
Land solely used for charitable or educational purposes and supported solely by charitable or missionary funds
Land belonging to and used by the University of the West Indies
Lands belonging to primary schools, inspected by an inspector from the Ministry of Education or to Agricultural Industrial or Vocational Schools approved by the Minister, or endowed schools specified in the second schedule to the Act
Lands belonging to secondary schools, receiving payment out of the Consolidated funds
Lands belonging to secondary schools, commercial schools or preparatory schools with not less than twelve scholars in average attendance, and each must be certified by Minister of Education
All unoccupied property belonging to, and all property belonging to and in the actual occupation of the Crown, the government of Jamaica, or any parish council or the Kingston and St Andrew Corporation
All freehold property vested in the Commissioner of Lands and in the actual occupation of the Crown, the government of Jamaica, or the Kingston and St Andrew Corporation or the holder of a public office by virtue of his employment
All lands belonging to and used by the Council on Legal Education
All lands immediately owned and those not in excess of one acre and are attached to any church which are used rectories, caretaker cottages or church halls
All lands belonging and to and used solely for the purposes of an private hospital approved by the Minister
All lands belong to any social, charitable or cultural organization approved by the Minister and used solely for the purposes of such organization

**Lands exempted from property tax in Jamaica**

Source: S10(1) (a)-(l) of Property Tax Act 1903





## Appendix 7: Ethical approval

### **University of Exeter Business School** **Ethical Approval Form: Research Students**

This form is to be completed by the research student. When completing the form be mindful that the purpose of the document is to clearly explain the **ethical considerations** of the research being undertaken.

Once completed, please submit the form **electronically and a signed hard copy** to Helen Bell at [H.E.Bell@exeter.ac.uk](mailto:H.E.Bell@exeter.ac.uk). A copy of your approved Research Ethics Application Form together with accompanying documentation **must be bound into your PhD thesis**.

#### **Part A: Background**

Student name	<b>Carlene Wynter</b>		
Supervisors names	<b>Professor Lynne Oats Mr Gregory Morris</b>		
Title of thesis	<b>Property Tax Model: Assessment of the Property Tax Model in Portmore Municipality – Its Efficacy for Optimal Revenue Generation</b>		
Date of entry	<b>September 2011</b>	Status <b>MPhil</b>	FT/PT/Continuation
Start and estimated end date of the research	<b>October 1, 2011 to September 30, 2014</b>		
Aims and objectives of the research	<b>The objective of the research is to gain an increased understanding of the property tax system at work in Portmore: identify how it is designed; managed; how the tax is enforced and implemented. This empirical work should highlight the sociological, institutional and political interactions at work. The research also should show how social issues impact optimization of property tax revenues and how property tax impact social and institutional development in the area. The research will seek to identify those factors that inhibit optimal revenue flows. The study will provide an interpretation to the current model and design a conceptual framework for optimal income generation using concepts drawn from quasi-compliance; the benefit theory; a few aspects of the new institutional sociology and subsidiarity.</b>		
Please indicate any sources of funding for the research	<b>Source of funding will be from studentship grant from the University of Exeter</b>		

#### **Part B: Ethical Considerations**

Describe the methodology that will be applied in the project (no more than 250 words)	<b>Qualitative methodology will be used employing the case study method. Semi structured interviews will be conducted along with open-ended questionnaires. The property tax system in relation to the entire geographic area of Portmore will be the case study area. There will be two data collection periods: July 2012 and July 2013 to September 2013. While in the field, I intend to sit in on the finance committee meetings of both the PMC and the St. Catherine Parish</b>
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	<p><b>Council.</b>  <b>The subjects to be interviewed comprise resident taxpayers; senior officers in tax administration and the municipality and individuals who have played an integral role in Portmore by either their political, administrative, commercial or social involvement. It is also my desire to gain some sort of perspective from one of the International Financial Institutions (IFIs). To this end, I would like to interview a Senior Economist from one of these institutions. Questionnaires will be randomly administered to about twenty taxpayers from randomly selected communities. I will engage someone to assist me in the gathering of the data. This person will attend the interviews to assist in note taking so that I can give my full attention to the interview. I will also be using some form of recording mechanism subject to the approval of the interviewees. A suitable method of analysis will be used to analyse the data. Technological support will be used in the data transcription process.</b></p>
<p>Describe the method by which you will recruit participants and gain their informed consent. If written consent will not be obtained, this must be justified.</p> <p><i>[Note: Please attach a copy of any Information Statements and Consent Forms used, including translation if research is to be conducted with non-English speakers]</i></p>	<p>I will send a written request to the interviewees and confirm with a telephone conversation if necessary.</p>
<p>Will there be any possible harm that your project may cause to participants (e.g. psychological distress or repercussions of a legal, political or economic nature)? What precautions will be taken to minimise the risk of harm to participants?</p>	<p>No. The identities of the interviewees will be kept anonymous at all times.</p>
<p>How will you ensure the security of the data collected? What will happen to the data at the end of the project, (if retained, where and how long for)?</p> <p><i>[Note: If the project involves obtaining or processing personal data relating to living individuals, (e.g. by recording interviews with subjects even if the findings will subsequently be made anonymous), you will need to ensure that the provisions of the Data Protection Act are complied with. In particular you will need to seek advice to ensure that the subjects provide</i></p>	<p>I will not divulge/use data except for the purpose of the research. Only the researcher (me) will have access to the medium on which primary data is stored, they will be locked away when not in use. The transcriptions will be stored on the university database on the u-drive and will be password protected and they will only be used for academic purposes</p>

<i>sufficient consent and that the personal data will be properly stored, for an appropriate period of time.]</i>	
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**Part C: Ethical Assessment**

Please complete the following questions in relation to your research project.

	Yes	No	n/a
Will participants' rights, safety, dignity and well-being be actively respected?	Yes		
Will you describe the main details of the research process to participants in advance, so that they are informed about what to expect?	Yes		
Will you tell participants that their participation is voluntary?	Yes		
Will you tell participants that they may withdraw from the research at any time and for any reason?	Yes		
Will confidentiality be appropriately maintained at all stages of the project, including data collection, storage, analysis and reporting?	Yes		
Will any highly personal, private or confidential information be sought from participants?		No	
Will participants be involved whose ability to give informed consent may be limited (e.g. children)?		No	
Will the project raise any issues concerning researcher safety?		No	
Are there conflicts of interest caused by the source of funding?		No	

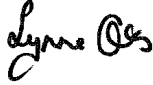
Please provide any additional information which may be used to assess your application in the space below.

**Part D: Supervisor's Declaration**

As the supervisor for this research I can confirm that I believe that all research ethics issues have been considered in accordance with the University Ethics Policy and relevant research ethics guidelines.

Name: Lynne Oats

(Primary Supervisor)



Signature:

Date: 18 June 2012.

**Part E: Ethical Approval**

Comments of Research Ethics Officer and PGR Management Board.


[Note: Have potential risks have been adequately considered and minimised in the research? Does the significance of the study warrant these risks being taken? Are there any other precautions you would recommend?]

I would recommend that data is stored in such a way that it is deidentified. No names should be attached to data recordings or transcripts and code numbers should be used to protect the identity of the participants. All personal information should be kept separately to transcripts etc.

This project has been reviewed according to School procedures and has now been approved.

Name: ADRIAN BAILEY

(Research Ethics Officer)

Signature: 

Date: 19/06/2012

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