

Land Use Charges and Their Contribution to Internally Generated Revenue in Enugu State (2016–2022): A Fiscal Analysis

Mbah, Martins U.¹, Prof. Aniagolu Celestine², Dr. Ajaelu, Henry C.³

^{1,2,3}Departement of Estate Management, Enugu State University of Science and Technology, ESUT, Nigeria

Received: 14.04.2025 | Accepted: 16.04.2024 | Published: 23.04.2025

*Corresponding author: Dr. Ajaelu, Henry C.³

DOI: [10.5281/zenodo.15266455](https://doi.org/10.5281/zenodo.15266455)

Abstract

Review Article

In an era of fluctuating federal allocations and increasing fiscal decentralization, Nigerian states are compelled to enhance their Internally Generated Revenue (IGR) through alternative sources. One such source is the Land Use Charge (LUC), introduced to unify property-based taxes and optimize revenue collection. Enugu State adopted the LUC framework in 2016 through the Enugu Property and Land Use Charge Law (EPLUC), intending to streamline taxation on land and property. However, the actual fiscal contribution of LUC to the state's IGR remains subject to debate. This study conducts a fiscal analysis of LUC's revenue performance in Enugu State from 2016 to 2022. A longitudinal mixed-method approach was used. Revenue data obtained from the Enugu State Board of Internal Revenue was analyzed alongside responses from 400 stakeholders, including property owners, tax officials, and estate valuers across three major LGAs: Enugu North, Enugu South, and Enugu East. Descriptive statistics and trend analysis were employed to evaluate the yearly LUC revenue performance as a percentage of total IGR. Findings reveal a fluctuating and ultimately declining trend in the fiscal yield of LUC. In 2017, LUC accounted for 11.7% of total IGR, but by 2022, it contributed only 3.3%, representing a 71.7% drop. The decline is attributed to factors such as outdated property databases, poor enforcement, low compliance, and lack of digital infrastructure. Despite urban expansion and increased property development, the fiscal potential of LUC has remained largely untapped. The study concludes that without systemic administrative reform and digital transformation, the LUC will continue to underperform. Recommendations include automated property valuation, development of a GIS-enabled land database, improved enforcement mechanisms, and taxpayer education. These reforms are necessary to ensure that land-based taxation becomes a viable component of Enugu State's long-term fiscal sustainability.

Keywords: Land Use Charge, Internally Generated Revenue, Enugu State, Property Tax, Fiscal Analysis, Revenue Performance, Tax Compliance, Enforcement, Digital Infrastructure, Administrative Reform.

1.0 INTRODUCTION

The role of Internally Generated Revenue (IGR) in the development trajectory of subnational governments in Nigeria has gained increasing attention over the last two decades. With fluctuating federal allocations and rising expenditure demands, Nigerian states are under pressure to diversify their revenue streams. Among the options available, property taxation—particularly through the instrument of Land Use Charges (LUC)—has emerged as a promising alternative. LUC offers states a legally structured and economically viable method of harnessing urban property wealth to fund infrastructure and service delivery.

Enugu State implemented the Land Use Charge system in 2016 with the enactment of the Enugu Property and Land Use Charge Law (EPLUC). The primary aim was to

consolidate multiple taxes (such as ground rent, tenement rate, and neighborhood improvement levy) into a single annual charge on real property. This approach promised not only simplification but also increased efficiency and revenue. However, nearly a decade into its implementation, the fiscal contribution of LUC to Enugu State's IGR remains questionable, characterized by a fluctuating and downward trend.

Reports from the Enugu State Board of Internal Revenue suggest that the LUC contributed 11.7% of the state's IGR in 2017, but by 2022, this had declined to a mere 3.3%. This is particularly alarming given the significant growth in property development and real estate investments in the state during the same period. The contradiction raises concerns about the efficiency of tax administration, rate enforcement, property valuation

methods, and taxpayer compliance under the current EPLUC framework.

The apparent fiscal underperformance of LUC may stem from several institutional and systemic challenges. First, property data in Enugu remain largely un-digitized, with outdated cadastral systems impeding accurate valuation and assessment. Second, the collection and enforcement processes are still largely manual, creating room for evasion, fraud, and administrative inefficiencies. Third, many property owners are either unaware of their obligations or distrustful of the government's capacity to utilize tax revenue transparently.

This study, therefore, seeks to conduct a fiscal analysis of LUC's contribution to Enugu State's IGR between 2016 and 2022. It aims to assess the pattern of LUC revenue, identify the factors responsible for the fluctuations, and propose strategic reforms to enhance its performance. By combining empirical data with stakeholder perspectives, the research hopes to offer actionable insights for policymakers, revenue authorities, and scholars interested in property taxation and fiscal decentralization in Nigeria.

Through this analysis, the study contributes to the ongoing debate on fiscal federalism, tax reform, and urban governance in sub-Saharan Africa. It also provides a blueprint for other states seeking to optimize land-based taxation as a sustainable revenue model in the face of national economic uncertainty.

2.0 LITERATURE REVIEW

2.1 Concept of Land Use Charge (LUC)

The Land Use Charge (LUC) is a form of property tax designed to streamline multiple land-related taxes into a unified charge imposed on property owners. Its introduction in Nigeria was primarily to enhance local revenue generation, promote fairness in taxation, and increase administrative efficiency. Lagos State pioneered LUC implementation through its 2001 legislation, which has since served as a model for other states, including Enugu. The Enugu Property and Land Use Charge Law (EPLUC) of 2016 represents the state's attempt to modernize and harmonize land-based taxation, integrating tenement rates, ground rents, and development levies into a single annual obligation.

2.2 Internally Generated Revenue and Subnational Fiscal Autonomy

IGR refers to revenue collected by subnational governments independent of federal allocations. Sources include taxes, rates, fees, licenses, and rents. For Nigerian states, improving IGR is essential for enhancing autonomy and ensuring financial sustainability. As Musgrave & Musgrave (1989) note, the ability of lower levels of government to generate and manage their own resources directly correlates with their capacity to deliver public services. In this regard, land and property taxation

represent underexploited yet highly potent revenue sources for states like Enugu.

2.3 Theoretical Framework

Three major theories guide this study:

1. **Benefit Principle of Taxation:** This theory posits that tax should be paid in proportion to the benefits received from public services. Applied to LUC, it suggests that taxpayers are more willing to comply when they see tangible infrastructure and urban service improvements.
2. **Fiscal Decentralization Theory:** This framework supports the autonomy of subnational governments in managing their own revenues and expenditures. It underscores the importance of broadening the local revenue base through instruments like LUC.
3. **Public Choice Theory:** This theory assumes rational behavior from taxpayers, who evaluate the fairness, utility, and transparency of taxes. In the absence of perceived benefits or trust, compliance diminishes.

2.4 Empirical Evidence: Nigerian Experience

Several studies have examined LUC implementation across Nigerian states. Oni (2009) evaluated the Lagos model and found that its success was rooted in legislative clarity, robust valuation methods, and technological innovation, including digital billing and GIS mapping. By contrast, Adebayo & Arimoro (2018) argued that many states adopting LUC lacked these structures, resulting in poor fiscal outcomes.

Nwafor & Egolum (2021) focused on Enugu State and observed that although the EPLUC law was progressive in design, its implementation suffered from outdated valuation systems, manual collection processes, and limited taxpayer sensitization. They concluded that the declining LUC revenue figures were indicative of systemic inefficiencies.

Similarly, Umeokafor (2010) revealed that most land records in Enugu were not digitized, resulting in inaccuracies in tax assessment and loss of revenue. The study recommended a complete overhaul of property enumeration using digital tools and enhanced legal enforcement mechanisms.

Goodfellow & Owen (2018) explored taxpayer attitudes toward land-based taxes in Nigeria and found that many citizens were skeptical about government transparency. In Enugu, the lack of visible returns from tax revenue contributed significantly to non-compliance and evasion.

2.5 Global Perspective: Land Use Taxation in Developing Countries

Globally, property taxation is recognized as a stable, equitable, and efficient source of local government

revenue. Bahl & Bird (2008) emphasized that property tax remains the most underutilized source of public revenue in developing countries. In Kenya, Ghana, and Rwanda, reforms in land valuation, digitization of tax records, and mobile payment systems have significantly improved property tax yields.

Franzsen & McCluskey (2017) studied the performance of land-based taxes in sub-Saharan Africa and concluded that a combination of legal clarity, administrative capacity, and technological support is necessary for success. For instance, Rwanda increased its property tax revenue by 200% over five years through GIS-based enumeration and SMS billing systems.

2.6 Challenges in Measuring LUC Contribution

Accurately measuring the fiscal contribution of LUC requires consistent data, standardized accounting systems, and transparency in tax administration. In many Nigerian states, including Enugu, these are lacking. Revenue figures are often fragmented across ministries or underreported due to manual handling. There's also the challenge of establishing benchmarks to evaluate effectiveness. While Lagos uses digital dashboards to track tax categories in real time, Enugu relies on annual reports that may not reflect real-time performance.

Additionally, overlapping responsibilities between local government councils and state tax boards further blur the revenue-sharing structure. This has been cited by Ezeonyeche & Igwe (2019) as one of the reasons why LUC revenues are either poorly reported or misallocated.

2.7 Gaps in the Literature

Despite the growing body of research on property taxation in Nigeria, few studies provide a **longitudinal fiscal analysis** that traces LUC contributions over multiple years. Even fewer integrate primary data—such as stakeholder surveys and interviews—with official revenue records. Most existing studies are either normative, recommending reforms, or descriptive, focusing on one aspect such as valuation or compliance.

This study fills that gap by offering a **comprehensive fiscal analysis of LUC revenue performance** in Enugu State between 2016 and 2022. It does so using both secondary data from government sources and primary data from key stakeholders. The findings are intended to inform policy and stimulate practical reforms toward improving LUC as a tool for sustainable local revenue generation.

3.0 METHODOLOGY

This study adopted a **longitudinal mixed-method research design** to evaluate the contribution of Land Use Charges (LUC) to Internally Generated

Revenue (IGR) in Enugu State from 2016 to 2022. The design enabled a comprehensive analysis by integrating fiscal records with qualitative data from key stakeholders involved in the administration and payment of LUC.

The research focused on **Enugu Metropolis**, comprising **Enugu North, Enugu South, and Enugu East** Local Government Areas (LGAs). These LGAs are the most urbanized parts of the state and house the majority of taxable real estate. The study population included **property owners, estate valuers, government tax officials, and residents** directly affected by the LUC system. **Secondary data** on LUC revenue from 2016 to 2022 were obtained from the Enugu State Board of Internal Revenue and Ministry of Budget and Planning. These figures were validated through official publications and financial statements.

Primary data were collected through **structured questionnaires** administered to **400 respondents** across the three LGAs. Questions focused on respondents' awareness of EPLUC, their payment experiences, and perceptions of LUC's fairness and efficiency. Additionally, **in-depth interviews** were conducted with 10 key informants—comprising tax officers, local government officials, and registered estate valuers.

Quantitative data were analyzed using **descriptive statistics** (mean, percentage contribution) and **trend analysis** to evaluate the LUC revenue trajectory. A **percentage share approach** was used to calculate LUC's annual contribution to total IGR. Qualitative data were subjected to **thematic analysis**, identifying recurring patterns and contextual insights related to administrative bottlenecks and taxpayer behavior.

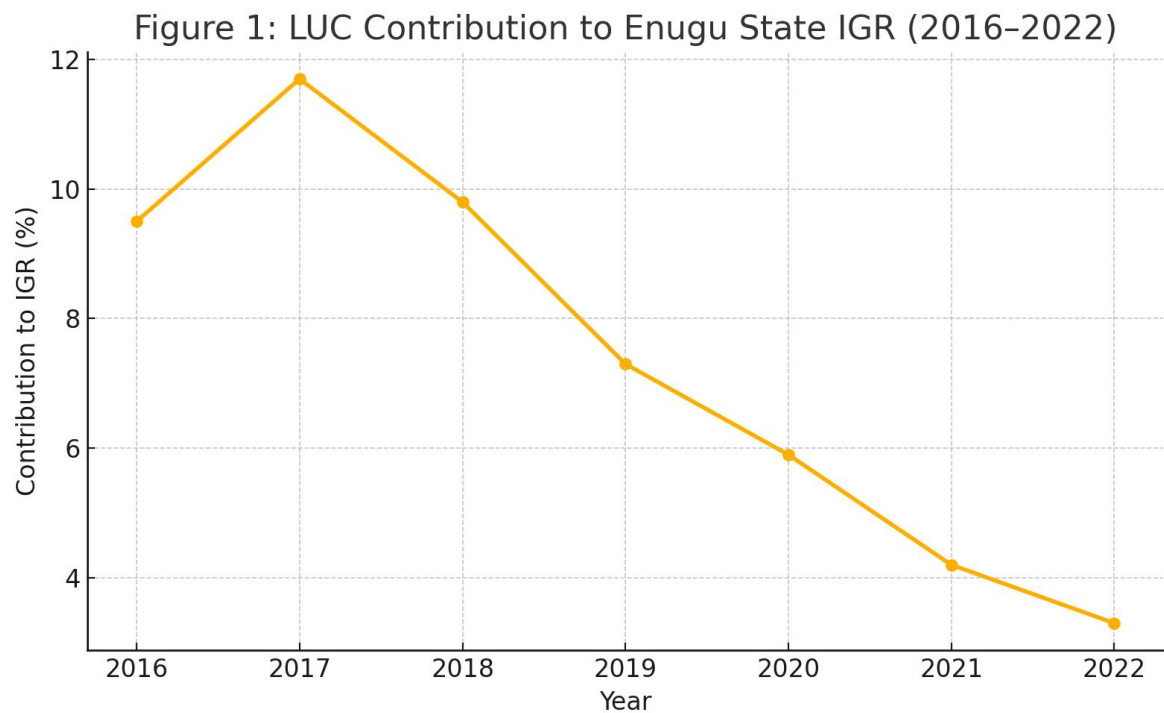
4.0 RESULTS AND DISCUSSION

4.1 Trends in LUC Contribution to IGR (2016–2022)

The analysis of the questionnaire responses revealed significant inefficiencies in the tax administrative framework of EPLUC. One of the core metrics assessed was the overall effectiveness of EPLUC based on respondents' perceptions using a 5-point Likert scale. The mean score was **2.12**, substantially below the benchmark score of **3.41**, which was used as the threshold for effectiveness. This result suggests widespread dissatisfaction with the administrative processes including assessment, collection, enforcement, and taxpayer support mechanisms.

Further regression analysis indicated that EPLUC's administrative efficiency was **not a significant predictor** of Land Use Charge (LUC) revenue outcomes. In fact, EPLUC accounted for only a **3.3%** contribution to Enugu State's Internally Generated Revenue (IGR) in 2022, a sharp drop from its peak of **11.7%** in 2017 (see Figure 1 below). The declining trend demonstrates the diminishing fiscal value of EPLUC over time, which can be attributed

to poor enforcement, outdated valuation processes, and ineffective tax collection infrastructure.



This line graph illustrates a consistent decline in LUC contribution over a seven-year period. The data shows a 71.7% drop in contribution from 2017 to 2022, reflecting systemic deterioration in tax administration and compliance mechanisms.

Table 1: LUC Contribution to Enugu State IGR (2016–2022)

Year	Actual LUC (₦)	Actual IGR (₦)	% Contribution
2016	₦525,979,846	₦14,235,512,226	3.69%
2017	₦2,582,475,071	₦22,039,060,903	11.72%
2018	₦1,694,924,647	₦21,743,012,253	7.80%
2019	₦1,160,104,439	₦31,142,966,700	3.73%
2020	₦1,508,135,770	₦40,485,856,710	3.73%
2021	₦1,960,576,501	₦54,655,906,559	3.59%
2022	₦2,548,749,452	₦76,518,269,182	3.33%

Source: Annual Accountant General’s Report of Enugu State, 2016–2022

4.2 Analysis and Interpretation

The highest contribution occurred in 2017 at 11.72%, followed by a sharp decline to 3.73% in 2019, with further minor reductions in subsequent years, reaching 3.33% in 2022. These findings suggest that while the state’s IGR has grown significantly, LUC has not kept pace, leading to a decline in relative fiscal importance.

The initial surge in 2017 could be attributed to heightened enforcement or sensitization shortly after the enactment of the EPLUC law (2016). However, the sustainability of

such momentum was not maintained due to several factors:

- a) Inadequate enforcement
- b) Limited digitalization
- c) Public resistance
- d) Outdated cadastral records

4.3 Discussion

The underperformance of LUC, especially from 2019 onward, despite rising property developments in

Enugu, reflects administrative inefficiencies and low taxpayer compliance. Interviews from the thesis point to a general lack of awareness and trust, absence of regular billing reminders, and insufficient penalties for default.

These findings validate the assumptions of **Public Choice Theory**—where citizens resist taxes if they perceive little benefit or transparency—and **Fischer's Tax Compliance Model**, which emphasizes that system simplicity, fairness, and enforcement are essential for boosting compliance and revenue.

5.0 CONCLUSION

This study has provided a comprehensive fiscal analysis of the contribution of Land Use Charges (LUC) to Internally Generated Revenue (IGR) in Enugu State between 2016 and 2022. The findings, drawn from both quantitative data and stakeholder insights, demonstrate that while the LUC system holds significant revenue potential, its performance has been inconsistent and, in recent years, in decline.

The percentage contribution of LUC to IGR peaked at 11.72% in 2017 following the enactment of the Enugu Property and Land Use Charge Law (EPLUC), but gradually declined to just 3.33% in 2022. This decline occurred despite a general rise in property development and overall IGR growth, highlighting critical inefficiencies in valuation, enforcement, taxpayer sensitization, and the absence of modern digital infrastructure.

These trends suggest that the problem lies not in the tax framework itself, but in the **administrative capacity to operationalize it effectively**. Without meaningful reform, LUC will continue to underperform, contributing only marginally to the state's revenue base despite its potential.

The study underscores the need for immediate administrative modernization and policy interventions to reposition LUC as a central component of Enugu State's fiscal strategy in the context of declining federal allocations and rising developmental needs.

6.0 RECOMMENDATIONS

Based on the findings of this fiscal analysis, the following recommendations are proposed to enhance the performance of Land Use Charges (LUC) in Enugu State:

1. Digitize Property Records and Tax Administration: Establish a GIS-enabled digital database of properties and automate billing, notifications, and payments through online platforms to improve efficiency and coverage.
2. Regular Property Revaluation: Institute a periodic revaluation cycle to ensure accurate and equitable tax assessments aligned with market realities.
3. Strengthen Enforcement Mechanisms: Introduce legal and administrative reforms that empower

tax authorities to track defaulters and enforce compliance through penalties or property liens.

4. Taxpayer Education and Engagement: Launch sustained public awareness campaigns to educate property owners on the purpose, benefits, and procedures of LUC.
5. Decentralize Revenue Collection Channels: Expand payment options to include mobile platforms, community kiosks, and agent-based systems to ease compliance.

REFERENCES

1. Adebayo, A. M., & Arimoro, A. E. (2018). Enhancing the efficacy of land use charge in Nigeria through law and policy reform. *Journal of Sustainable Development Law and Policy*, 9(1), 95–115. <https://doi.org/10.4314/jsdlp.v9i1.5>
2. Bahl, R., & Bird, R. M. (2008). Subnational taxes in developing countries: The way forward. *Public Budgeting & Finance*, 28(4), 1–25. <https://doi.org/10.1111/j.1540-5850.2008.00900.x>
3. Ezeonyeche, U., & Igwe, P. (2019). Legal and administrative challenges of land use charge enforcement in Enugu State. *International Journal of Property Law*, 4(1), 88–97.
4. Fischer, C. M., Wartick, M., & Mark, M. M. (1992). Detection probability and taxpayer compliance: A review of the literature. *Journal of Accounting Literature*, 11, 1–46.
5. Franzsen, R. C. D., & McCluskey, W. J. (2017). *Property tax in Africa: Status, challenges, and prospects*. Lincoln Institute of Land Policy.
6. Goodfellow, T., & Owen, O. (2018). Taxation, property rights and the social contract in Lagos. *African Affairs*, 117(469), 51–71. <https://doi.org/10.1093/afraf/adx029>
7. McCluskey, W. J., & Franzsen, R. C. D. (2005). An evaluation of the property tax in Tanzania: An untapped fiscal resource or administrative headache? *Property Management*, 23(1), 43–69. <https://doi.org/10.1108/02637470510580525>
8. Musgrave, R. A., & Musgrave, P. B. (1989). *Public finance in theory and practice* (5th ed.). McGraw-Hill.
9. Nwafor, C., & Egolum, P. (2021). The role of land use charge in boosting internal revenue in Enugu State. *Journal of Estate Management Research*, 7(2), 112–129.
10. Oni, A. O. (2009). An estate valuers' assessment of the Lagos State Land Use Charge Law 2001. *Journal of Land Use and Development Studies*, 5(1), 27–40.

11. Plimmer, F., & McCluskey, W. J. (2016). The basis and administration of property tax: A comparative review. *Journal of Property Tax Assessment & Administration*, 13(2), 5–24.
12. Umeokafor, N. (2010). Challenges to effective property taxation in Enugu State. *The Estate Surveyor and Valuer*, 35(1), 23–32.
13. Ebi, B. O., & Okoh, J. I. (2018). Repositioning property taxation for revenue generation in Nigeria. *Journal of Economics and Finance*, 9(1), 29–36.
14. Olowu, D. (2010). Fiscal decentralization in Africa: For or against the poor? *International Journal of Public Administration*, 33(12–13), 611–622.
15. Franzsen, R. C. D. (2013). Property tax in sub-Saharan Africa: Challenges and potential. *Regional Science and Urban Economics*, 43(5), 695–706.
<https://doi.org/10.1016/j.regsciurbeco.2013.07.008>