Improving Property Tax Revenue Generating Capacity Through Service Excellence

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ABSTRACT
The quest for service excellence has become a global issue. In this contemporary era, within the service arena, both public and private organisations are actively and competitively involved in service delivery. This paper aims to establish a relationship between service excellence delivery concept and property tax revenue generated by the local governments (LGs). It implies that delivery of excellent service is a function and or determinant of property tax revenue generation. This can be achieved through an assessing the user experience in relation to the services received. A survey approach was adopted and 300 questionnaires were administered to the taxpayers at Pasir Gudang Municipal Council (PGMC) to determine the level of services delivered in the LG and its implication on property tax revenue generated. The mean score analysis findings reveal that there is a significant relationship between the quality of service delivered and property tax revenue generation. The finding implications affect the revenue generating capacity of the PGMC and also provide a basis for improvement of performance in service delivery. It also generates debate on the role of service excellence within the context of relevant organisation that offers new ways of delivering services for improving revenue generating capacity.

Keywords: property tax, service delivery, service excellence, user experience,

1. INTRODUCTION
A notable trend in many countries world-wide is to embrace local government reform that is aimed at improving service delivery, economic efficiency and government accountability. In addition, MCs are public agencies that provide urban services to its communities (Kuppusamy, 2008). Similarly, LGs can be viewed as a sub-system having an independent legal existence of the government, having the authority to generate income from rates and mandated to redistributes services and infrastructural development, subordinate to the state government and excising the
power of jurisdiction in a particular area (Akilu et al., 2012). In order to improve the financial base of the local government, most governments aim at making LG’s property taxation function optimally. It is because governments generally realise that property tax is a major source of urban revenue (Dzurlkanian et al., 2012). However, LGs are a subsystem of state and federal government, which emulate the dynamics and social structure of the society. However, the LGs in Malaysia are divided into cities (major administrative and commercial centres), municipalities (other urban areas), and districts (chiefly rural areas). Executive powers rest with the Mayor (cities) or President, supported and/or overseen by a system of committees (Phang, 2008).

The LGs are coerced to provide facilities such as healthcare, public safety, administration, public utilities and transportation due to urbanisation and population growth (Dzurlkanian et al., 2012). More so, it is part of their constitutional responsibility to efficiently deliver such services. Similarly, the role of the LG is to provide planning, services, land use control, development projects, supervision, enforcement and financial management of tax revenue in their administrative areas (Ngah, 2009). However, the quality of service is defined by service user based on whether actual experiences, meet expected experiences (Dibb et al., 2006). In addition, service is characterised by distinguishing features. According to Gilmore and D’Souza (2006) the distinctive characteristic between service and product include variability, intangibility, perishability, inseparability and the ability to own a service. On the other side, public authorities are increasingly pressurised to provide service that is efficient and qualitative (Randall and Senior, 1994; Robinson, 2003). This may be due to insufficient in service provisions. Similarly, a study carried out at PGMC one of Malaysian LG’s confirmed that there is a relationship between service delivery and lower property tax revenue generation and increase tax resistance (Akilu et al, 2013).

This paper establishes the relationship between service excellence and property tax revenue generating capacity of the LGs that leads to understanding the significance of efficient service delivery. The culture of service excellence delivery concept can be used to promote the image and reputation of the LGs and also improve their revenue generating capacity through excellent service delivery.

2. PROPERTY TAXATION IN MALAYSIA

The power to impose the real property tax has been given to all LGs. Section 130 (1) of the Local Government Act 171 (LGA 171), 1976 defined the basis of rate assessment as any rate or rates imposed under this part may be assessed upon the annual value of holdings or upon the improved value of holdings as the state authority may determine. The tax applies to all forms of real property such as land, buildings and other improvements. The exemption is given to real properties owned by government, charitable institutions and religious buildings (LGA 171, 1976). The tax is based on the improved / market value (in the State of Johor) or annual value (the rest of the states) of the property. The tax rate varies from one LG to the others based on the targeted amount of collection set forth by each LG (Dzurlkanian et al, 2012).
The basic real property tax rate was set at 0.1% – 0.5% of the improved / market value (1% - 10% of annual value) for residential properties, 0.15% to 0.5% of market value (5% - 10% of annual value) for commercial and industrial properties. Agricultural property is imposed at lower rates compared to residential, commercial and industrial properties.

**Table 2.1 The Property Tax Rate Imposed by LGs in Malaysia (LGA 171, 1976)**

<table>
<thead>
<tr>
<th>Type of property</th>
<th>Annual Value</th>
<th>Improved Value (Market Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>5% - 13%</td>
<td>0.15% - 0.35%</td>
</tr>
<tr>
<td>Commercial</td>
<td>6% - 13%</td>
<td>0.2% - 0.5%</td>
</tr>
<tr>
<td>Industrial</td>
<td>6% – 13%</td>
<td>0.25% - 0.75%</td>
</tr>
<tr>
<td>Agricultural / Vacant Land</td>
<td>2% - 7%</td>
<td>0.05% - 0.25%</td>
</tr>
</tbody>
</table>

In Malaysia, although the role of LGs is wide, being non-elected agency, the LGs are considered as not democratically accountable (Mohamed et al, 2008). Another definition of Rating is that, it is a form of tax levied on property in lieu of the services provided by the local authority. Property tax generates a significant proportion of LG revenues in many parts of the world (Nor Azriyati et al, 2007). Similarly, property taxes dominate local tax revenues, according to (Fox, 2010). The income generated from property tax is used in the provision of basic infrastructure such as water supply, street lightening, and disposal of refuse, communication halls, market stalls and roads among others is to be performed by the local governments being the third tier of government.

Therefore, LGs are expected to harness resources towards rapid development to supplement government statutory allocation (Kuye, 2002). The rapid development involves efficient services otherwise the development would be hampered by unproductive services. The objective of every LG is to provide excellent customer services and improve core business process which is a reflection of how far the issues can be handled in this decade (Ngah et al, 2011).

### 2.1 Local Governments Services

Service is a process consisting of series of intangible activities that take place in the interaction between the customer and the service employees and our physical resources, goods or systems of the service provider which are provided as a solution to customer problems (Gronroos, 2000; Tilus, 2002). Antonacopoulou and Kandanpully (2000) defined service as a deed or act, performance or encounter in time rather than physical objects. This service is expected to be provided by the LG and keep up with the increasingly sophisticated demands of an articulate populace who knows their rights (Bowman & Kearney, 1996). However, services are intangible in nature. Therefore, they are produced by the service providers and used by the consumer simultaneously (Munhurrun, Bhiwaije and Naidoo, 2010).

Issues and challenges faced by LGs are mostly related the areas and effectiveness of such functions (Ngah, 2009). The level of education and knowledge of the people as taxpayers is increasing. Their expectation of better services is more demanding, without taking into consideration the LG’s capability. The issues of effectiveness and credibility of municipal services include: e-government, good governance, clearer taxpayers, expectation, the need to put benchmarking as the
organizations highest objective (comprising the use of KPI-Key Performance Indicator), restructuring of the organization and administration area and other issues relevant to every LG. LGs have to overcome many barriers, such as lack of legal powers, expertise and adequate financial resources.

Their financial resources are limited and local taxation is under serious strain. Financial constraints also cause limitations to the ability of LG to perform better (Kuppusamy, 2008). Therefore, citizens become increasingly dissatisfied due to mismatch between the citizens’ needs and the service actually delivered (Vadeveloo, 2013).

2.2 Service Concepts

As shown in Figure 2.1, there are five levels of service concept's evolution and how each of them is differentiated and described based on their tasks and functions.

To further understand these five evolutions of service concepts, this paper outline/define each of them in Table 2.2.

Table 2.2 Levels of service concepts and task allocation (Adapted from Bashir, 2007, Pine & Gilmore, 1999)

<table>
<thead>
<tr>
<th>Level of service</th>
<th>Task allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service task</td>
<td>Technical an routine job/tasks get complete on direct order</td>
</tr>
<tr>
<td>Service delivery</td>
<td>Service get delivery according to a set of specifications and procedures</td>
</tr>
<tr>
<td>Service performance</td>
<td>Measurement of service performance (service user satisfaction); development of SLA and KPI</td>
</tr>
<tr>
<td>Service quality</td>
<td>Measurement of service quality by analysing the service user expectation and perception gap; Development of SERQUAL as a measurement tool</td>
</tr>
<tr>
<td>Service excellence</td>
<td>Service users experience the service in a very pleasurable way; less technical aspects, offering not the materials, the products, the process BUT the individual. Development of SERVEXCEL as a measurement tool</td>
</tr>
</tbody>
</table>

Thus, this paper proposes new ways of delivering service that focuses on changing from service quality to service excellence (Akilu et al, 2013).
2.3 Service Excellence: Implication & Relation to Property Tax Revenue Generating Capacity

Service excellence is the perceived culture of proficiency, competence, collaboration, compassion, esteem, prominence and also personality (Beevers, 2010). In addition, Service excellence is a direct consequence of attention to people, customer satisfaction and loyalty are the consequences of excellence in a series of encounters between service providers and service users (Bitran and Gurumurthi, 2005). SERVEXCEL is an outcome of the desire of organizations to excel. The concern for quality of service (service excellence) has been recognized both in the context of changing expectation of customers (Kueh and Voon, 2007) as well as facing the challenges brought about by globalization. Scholars have conducted various studies in the past twenty years, which revealed that public service provisions are ineffective and overly expensive (Crew 1992).

To enable the public service strive for excellent service several niche areas or programs need to be focused such as mindset and attitude to achieve excellence; ethics and morality; experiences and skill in human capital development; excellent work culture; and leadership quality. The role of human capital or human resource has increased in importance in safeguarding the nation’s future competitive advantage in this new environment. It is important that the public service focuses on its ultimate assets, namely people to deliver its services. As for the Malaysian Government, the Ninth Malaysia Plan (2006-2010) in Chapter 26 entitled “Efficient Public Service Delivery System” has emphasised besides setting clear strategic directions to be in line with the national agenda, the LGs will have to strengthen organisational capacity by equipped with the appropriate structures, systems and processes that will enable them to function effectively at local levels.

The end products will definitely be an excellent service and performance that can be measured and quantify based on various tools and techniques (Yunus, 2012). In this regard Machineries are set in motion to actualize these visions. The Government Transformation Programme (GTP) and the New Economic Model (NEM) launched earlier this year, built a framework of what has to be done to lift the economy towards a higher growth. On the issue of service delivery, previously Total quality management (TQM), Quality Controls Circles, ISO 9000, Creation of Quality Assurance, Clients Charter and New Public Management and subsequently benchmarking are measures which are implemented to promote service quality delivery in LG’s (Sarji, 1996, Siddique, 2006, Abubakar et, al., 2011). These policies are very good only that they are implemented without considering the true needs of the service users, which is the culture of service excellence. The rapid expansion in urban areas needs to be managed through planning and development (Dzurlilkhanian et al, 2012). This requires efficient service delivery to service users, these are very significant and at the same time tasking because it needs a well-structured service outline which is dynamic and can adapt to user requirements (Wohlfart et al., 2010). The State and LGs in Malaysia operate within a framework of being politically, financially and economically subordinate to the federal government (Phang, 2008).

The existence of high competition in various organisations and best-practice organisations has demonstrated clear benefits of focusing on the customer
Therefore, there is a positive relationship between government performance and compliance (Webley et al., 1991). To this effect scholars found that service users will refuse to pay their taxes if they feel that the constituted authority is wasting their taxes (Spicer and Lundstedt, 1976; Webley et al., 1991; Fisher’s et al., 1992; Akilu et al., 2013). Similarly, the one who receives and pays for the services rendered is the service user, he pays only when the service meets his expectations and standard (Andrews, 2007). This is part of the negative effect of inefficient service delivery. Goods produced by the government are referred to as public goods; these goods can be used up by more than one person, it is produced for the benefit of the society (Miller, 2006).

3. METHODOLOGY

The methodology employed is this research is a survey approach. 300 questionnaires were administered to the taxpayers (service users) at the Pasir Gudang Municipal Council to determine the level of services delivered in the municipal council and its implication on property tax. The analysis used in this research is mean-score analysis. The findings revealed that there is a significant relationship between the quality of service delivered and property tax. The questionnaires administered was equally divided into three and distributed (100) questionnaires at each of the three selected areas. The neighborhoods were selected at random in different locations. These are Taman Mawar, Taman Pasir Putih and the remaining parts of the questionnaires were distributed at a shopping complex located very close to PGMC (Kompleks Pusat Bandar). 264 questionnaires were returned. This is to establish a significant relationship between service excellence and property tax in the case study area.

Table 3.1 Questionnaire administered to respondents (Field Survey, 2012)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Type of Data Collection Instrument</th>
<th>Respondents</th>
<th>Number of Questionnaires Administered</th>
<th>Number of Questionnaires Returned</th>
<th>Percentage Responses (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Questionnaire</td>
<td>Taxpayers (service users) within case study area</td>
<td>300</td>
<td>264</td>
<td>88</td>
</tr>
</tbody>
</table>
4 RESULTS AND DISCUSSION

4.1: Ethnicity of the Respondents

The ethnicity distribution within the case study area presented in Figure 4.1 shows the various ethnic group existing in the community which also indicates the highest group in terms of the respondent population which the study covers. The race groups which form the highest respondent’s population having 64% are the main or predominant group that is the Malay. The Chinese have 19%, while the Indians are represented by 10%, other race has the lowest group of 7%.

![Figure 4.1: Ethnic Distributions at PGMC (Field Survey, 2012)](image)

4.2: Educational Background of the Taxpayers

Educational background of the taxpayer plays a significant on the issue of property tax compliance. From the Figure 4.2 can be seen that the majority of the taxpayers (service users) is only educated to the level of secondary school (SPM) representing 39% of the respondents. It can be concluded that this is part of the reason why there is a continuous deviation in property tax payment. Based on the survey conducted, the education level of the majority of the residents is not good enough when an issue like property tax is involved. Certainly, there is a dire need for massive taxpayer education through, seminars, symposiums, promotions and a lot of other educational media like the media and new papers. This information dissemination would highlight the benefits derived from paying property tax. Those that are having diploma are 33% and the same thing applied to them.

![Figure 4.2: Educational Background of the Taxpayers (Field Survey, 2012)](image)

Figure 4.2 also shows that those with degrees are just 15% of the respondents. The percentage of respondents with masters is only 6%, while there are no Ph.D. holders among the respondents; the study observed that the trend is as the qualification
increases the respondent population with respect to the qualification decrease drastically.

4.3: Residential Rateable Holdings at PGMC

Property tax collection significantly influences the revenue generation of the local government. This section explores different means in which the income generation is affected with a view to obtain the outcome of these effects. Figure 4.3 shows the tenure of the properties. The study discovered that 60% of the respondents are the real owners of the property, while 40% are tenants.

![Figure 4.3: Ownership of the Properties (Field Survey, 2012)](image)

4.4: Respondents Satisfaction on Facilities & Services Provided

Figure 4.4 shows responses from the respondents on whether they are satisfied with the facilities and services provided by the local government. Their response to this 35% answered that they are satisfied; while 65% vetoed that they are not satisfied. The study concluded that the yearning and quest for efficient provision of facilities and services of the respondents are not met, hence there is a great need for the local government to scale up its social amenity delivery system such that it may meet up with standard and at the same time meet the basic need and requirements of the community.

![Figure 4.4: Respondents Satisfaction on Facilities & Services Provided PGMC (Field Survey, 2012).](image)

It suffices to conclude that there is high expectation from the community of PGMC on a better provision of facilities and services and due to it is absent, the resident felt didn't oblige to pay their property tax. Nevertheless, it is not an excuse for non-compliance behaviour, but if facilities and services can be adequately provided, then the rate of compliance might significantly improve. This invariably means more revenue to the local government. Studies have shown that taxpayers are conscious their immediate environment, meaning that if there is any on-going developmental project they usually know, likewise vice-versa.
4.5: Residents Opinion on Property Tax Revenue Generated

The resident’s expectation on property tax collection is very essential to the sustainability of property tax administration at PGMC. This section presents the anticipation and expectations of the taxpayers, which might be connected to the non-compliance behaviour exhibited by the residents.

Table 4.1: Residents Opinion on Property Tax Revenue Generated (Field Survey, 2012).

<table>
<thead>
<tr>
<th>S/n</th>
<th>Residents Opinion on Property Tax revenue Generated</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
<th>Mean Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Respondents reaction to property tax rate</td>
<td>22(8)</td>
<td>49(19)</td>
<td>78(30)</td>
<td>30(11)</td>
<td>85(32)</td>
<td>3.41</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Efficiency of Property Tax Collection Process</td>
<td>23(9)</td>
<td>49(18)</td>
<td>80(30)</td>
<td>97(37)</td>
<td>15(6)</td>
<td>3.13</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Efficiency of billing services</td>
<td>14(5)</td>
<td>48(18)</td>
<td>115(44)</td>
<td>68(26)</td>
<td>19(7)</td>
<td>3.11</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Distance of payment points from the residents</td>
<td>16(6)</td>
<td>42(16)</td>
<td>92(35)</td>
<td>72(28)</td>
<td>38(15)</td>
<td>3.30</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Services provided is satisfactory</td>
<td>31(12)</td>
<td>130(49)</td>
<td>42(16)</td>
<td>41(15)</td>
<td>20(8)</td>
<td>2.58</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>Not understand the need to pay property tax</td>
<td>33(12)</td>
<td>135(51)</td>
<td>42(16)</td>
<td>41(16)</td>
<td>13(5)</td>
<td>2.49</td>
<td>8</td>
</tr>
<tr>
<td>7</td>
<td>Late issuance of assessment bill</td>
<td>17(6)</td>
<td>85(32)</td>
<td>77(29)</td>
<td>60(23)</td>
<td>25(10)</td>
<td>2.97</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>Residents' expectations on performance</td>
<td>18(7)</td>
<td>30(11)</td>
<td>49(19)</td>
<td>96(36)</td>
<td>71(27)</td>
<td>3.65</td>
<td>1</td>
</tr>
</tbody>
</table>

Key: SA (Strongly Agree) = 5, A (Agree) = 4, N (Neutral) = 3, D (Disagree) = 2, SD (Strongly Disagree) = 1

Note: The mean score revealed the most significant variable which affects resident’s opinion on property tax revenue generated at PGMC. The ranking is supported by the respondents responses on which variable are the most significant.

Table 4.1 depicts different responses from the respondent on the issue of whether the property tax rate is high. From the Table 4.1 the mean score is value is 3.41 which is 2\textsuperscript{nd} in ranking according to the taxpayers. 8% strongly agree, 30% are neutral responses while 32% strongly disagree that the property tax rate imposed is excessive. However, the greater number of the respondents which is 32% opined that the current 0.25% percent of the improved value payable on the property is acceptable and affordable to them at this rate. Since majority of the taxpayers did not object on the rates, it can be concluded that the property tax rate fixed, does not affect the tax payment.

On the issue of whether the process of tax collection is inefficient. The mean score value is 3.13 which is 4\textsuperscript{th} in the ranking. 9% of the respondents strongly agreed that the process of tax collection is inefficient, which signifies that they believe there
is a problem with the system. On the other hand, 30% of the respondents have a neutral opinion. This may imply that, this group felt that nothing is wrong with the process of collecting property tax, otherwise they might have objected. It suffices to conclude that according to the larger number of the people surveyed believed that the process is good enough. The last group is about 6% who strongly disagree that the system is inefficient.

The efficiency of the billing services at PGMC with regards to computation of property rates based on the improved value of the properties. The mean score value is 3.11 and is 5th in the ranking. More so, 5% of the respondents strongly agree that the billing service is inefficient and need to be improved. But the larger percentage of the surveyed participants expressed a neutral opinion, which represents about 44%, which indicate that the system is fairly good. While 7% strongly disagree about the inefficiency of the system of billing. Due to it is sensitive nature, most of the respondents opined that the system does not have a problem. From the above result, it clearly shows that the billing system is not a problem in the study area.

Distance of payment point to the respondents shows the mean score value of 3.30 and is 3rd in the ranking. Similarly, 6% of the respondents strongly agree that the payment points are too far in terms of property tax payment. However, those whose convictions are neutral to the issue and are the majority of the respondents about 35%. While 15% of the respondents strongly disagree that, the distance to be covered to make payment is not a problem, which is why it is not an issue. Services provided is not satisfactory shows the status of acceptability of the services or otherwise. The mean value is 2.58 is the 7th in ranking. About 12% of the respondents strongly agree that the services provided by the local government are inefficient. 16% have a neutral opinion. While 8% of the respondents strongly disagree that the services provided is not satisfactory. The findings revealed that, the communities at PGMC are not satisfied with the services rendered by the local government. It suffices to conclude that this incidence is a contributing factor to tax noncompliance behavior. Studies have linked the effect of inefficiency in the public goods delivery and compliance with taxation. Webley et al. (1991) found a positive relationship between government performance and compliance. Therefore, beyond reasonable doubts the study discovered that, this is part of the reason for the increase in debts on property tax.

Conclusively, the residents felt that the services rendered did not meet their expectations. Therefore, they are not obliged to pay property tax. Understanding of the need to pay property tax, on this issue is the mean value is 2.49 which is 8th in ranking. About 12% of the respondents (taxpayers) strongly agree that they do not understand the need to pay property tax. The percentage of respondents who responses are neutral is 16%. Also, 5% strongly agree that there is a rationale behind the property tax system. This demonstrates a lower level of understanding of the taxpayers on the issue of property tax. The study had already proved that the majority of the taxpayers are secondary school certificate holders or diploma. This establishes the background of the problem; this is the basic reason why the taxpayers in the study area fail to see the significance of property tax. It can be concluded that the majority of the taxpayers are not well educated. This calls for taxpayer education as the only solution.
The bill delivery system is 2.97 which is the mean value is 6th in ranking. Among the respondents, 6% strongly agreed that the bill delivery system is faulty due to inefficiency. 29% of the respondents are neutral to the phenomenon. 10% strongly disagree that the bill delivery system is inefficient. The respondent’s response to the performance of the municipal council show the mean value is 3.65 is 1st in the ranking. The residents clearly show how they rate the local government’s performance, 7% strongly agreed that they are performing well. 19% are neutral. However, 27% of the respondents disagree the level of performance. It can be established that the performance of the local government is poor in terms of provision of social amenities. Conclusively, the local government has not been performing very well. This calls for more delivery of social amenities to improve the living condition of the people in the study area.

4.6: Residents Main Expectations on the Revenue Generated by PGMC

Figure 4.5 emphatically reveals the residents expectations of property tax generated by the local government. Their opinion of expectations on property tax revenue generated by the PGMC was used as the variables to measure their needs and aspirations. Similarly, all their opinions were grouped under the same headings based on similarities in meaning. Their expectations are grouped under five major areas. Their responses were grouped based on similarities in relation to the five major areas expressed by the respondents, some of the respondents opined that, they need efficient services, some indicated that they need more facilities, others stated that they need facilities and services, while the last group specify that landscaping and improve quality of life is most essential to them.

The residents’ opinions on their expectations are expressed thus, 17% indicated the need for provision of facilities, 25% said that they need efficient services, the majority of the population of the respondents about 38% reveals that facilities and services is what they need most. It suffices to assert that the first groups emphasized on the provision of facilities while the second group said they need services and the third group requires facilities and services. But all these three groups are aspiring to have a common thing, which are facilities and services. This is the taxpayers’ expectations of the residents of PGMC. They need adequate provisions of facilities and services. Another group of respondents about 9% said that they need improved quality of life, while 11% believe that they need improved landscaping and quality environment. It can be concluded that there is a great need for the provision of services and facilities at PGMC.
The findings of this study revealed that the taxpayers (service users) are less satisfied with the level of facilities and services provided by the PGMC. Therefore they are less committed to paying the property tax and that accounts for the low property tax revenue generated. Similarly, this implies that insufficient service delivery leads to lower property tax revenue generation. The findings of this study conform to previous studies (Webley et al., 1991) established a positive relationship between government performance and payment of property tax. This means where the LGs did not deliver efficient or excellent service people tend abstain from paying property taxes. Similarly, to this effect scholars found that service users will refuse to pay their taxes if they feel that the constituted authority is wasting their taxes (Spicer and Lundstedt, 1976; Webley et al., 1991; Fisher’s et al., 1992; Akilu et al., 2013). Furthermore, Andrews (2007) stated that the one who receives and pays for the services rendered is the service user, he pays only when the service meets his expectations and standard. Fjelstad (2001) has summarized the reasons for resistance from taxpayers as; i) Taxpayers see few tangible benefits, hence property tax perceived to be unfair. ii) Poor development activities and; iii) Absence of public service and enforcement increase tax resistance.

Therefore, if the generated revenue from property tax is not prudently utilized in providing efficient public goods, this tends to create tax resistance (Akilu et al, 2012). In a municipal area where taxpayers are observant it is imperative for the local government to step-up their services and infrastructural provision to the community in order to create a tax friendly environment. This unfairness of the tax system may reflect taxpayer’s perceptions that they are overpaying taxes in relation to the value of the services provided by government or in relation to what other taxpayers pay.

5. CONCLUSION

As reveal by this paper, service excellence is a function of property tax revenue generating capacity. It is a new thinking on how to improve LG’s revenue generating capacity through excellent service delivery. Service excellence is designed based on user requirement using the user experience to improve on service delivery. An
implication of this new thinking is a need to improve the LGs service delivery to meet new service challenges. However, if the LGs are willing to take up this challenge, they have to move away from their traditional model of delivering service and towards more public and users’ experiences and needs. In the domain of service excellence concept, the conventional thinking of delivering service is not enough if the taxpayers'/users’ needs are to be met.

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