Revenue close to home

Strengthening property tax collection in Peruvian municipalities

Property tax is an important source of revenue for local governments in Peru. It allows them to finance local projects that directly benefit their communities. But collection rates are low, meaning less money to spend on public services.

Between 2019 and 2025, the Swiss-funded Subnational Public Finance Management (PFM) programme, implemented by the Basel Institute on Governance, has supported five provincial municipalities to diagnose, reform and strengthen their revenue mobilisation.

By focusing on every stage of the tax management cycle, it helped them identify unregistered taxpayers, update real estate ownership records, launch tax campaigns on time and leverage technology to reach taxpayers more effectively.

As a result, property tax collection grew by an average of 47 percent. Abancay and San Martín made the strongest gains, with an increase of 138 percent and 46 percent respectively.



Taxpayer services office of the Provincial Municipality of Abancay. Source: Subnational PFM programme.



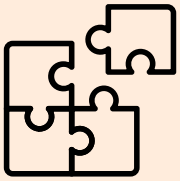
47 percent tax revenue growth

From 2019 to 2025, the five municipalities significantly improved their property tax collection. The highest jump was in Abancay, at 138 percent.



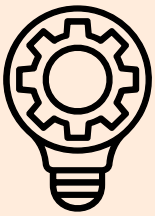
Early fiscal liquidity

By issuing tax bills on time, funds started arriving earlier – allowing for better, more reliable planning of public spending.



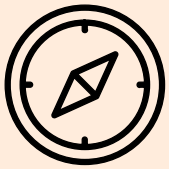
Closing gaps in the tax base

Municipalities were able to identify unregistered and under-declared properties, update outdated records, and strengthen coordination between tax, IT, legal and other departments.



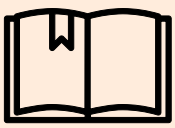
Low-cost, high-impact tech

By leveraging widely used digital channels, the programme helped set up mass payment reminders, enforcement messages and 24/7 support for taxpayers.



Changing taxpayer behaviour

Frequent, targeted communication raised awareness of tax payment processes and deadlines. More importantly, it helped create a culture of compliance.



A playbook for other governments

Practical tools and evidence from the interventions can now support other subnational governments seeking to boost their tax collection rates.

The challenge: low tax collection rates

In 2021, property tax collection across Peru only represented 0.5 percent of GDP, compared to 0.9 percent in Latin America and 1.9 percent in OECD countries (OECD et al., 2024).

Due to their unreliability as a source of income, municipal taxes have become less central to financing municipalities' own spending across Peru.

The OECD has identified weak property records as a major obstacle to effective property tax collection. As part of Peru's accession process, the OECD recommends expanding and modernising systems for recording real estate ownership, strengthening technical capacity to manage that data and using incentives to reward timely payment.

Closing these gaps will reduce dependence on central government transfers and build more robust, self-reliant local governments.

The response: strengthening the full tax management cycle

The Subnational PFM programme covered the five main processes of municipal tax administration:

1. Registering and assessing tax liability
2. Managing accounts
3. Treasury and payments
4. Resolving claims and disputes
5. Issuing notifications

All of them should provide ongoing taxpayer guidance and customer service.

The following table sets out the gaps that were identified and how the programme helped officials to respond:

Identified problem	Programme response
Incomplete and outdated property registers	▪ Annual inspection plans with clear targets and indicators ▪ Use of the Ministry of Economy and Finance's fiscal register and updated tariff values ▪ Targeted inspection campaigns
Delays in issuing and distributing annual property tax invoices and service charge assessments	▪ Identification of administrative and regulatory bottlenecks ▪ Preparation of roadmaps with responsibilities and deadlines ▪ Stronger coordination across tax, legal, budget, IT and communications functions

Weak taxpayer communication	▪ Low-cost mass reminders by SMS, email and WhatsApp ▪ Training for staff to oversee and manage the tools
Limited capacity to recover overdue tax bills	▪ Segmentation of debtors by amount, age and debt status ▪ Targeted enforcement communications
Limited channels for taxpayer information and customer service	▪ Implementation of automated platforms, like chatbots, to answer frequently asked questions and provide guidance on procedures ▪ Online queries on debts and payments

Identified problems and programme responses.

Harnessing technology to reach taxpayers

Across every stage of the reforms, the programme helped municipalities make use of technology, from updating and cleaning their databases for better decision-making to improving communication with taxpayers and non-payers.

The goal was to leverage modern, low-cost and automated channels. Given how widely WhatsApp and SMS are used across Peru, the programme supported tax offices to set up the relevant technologies, configure them for municipal use and train staff to run them.

Through these channels, municipalities now send automated reminders, payment incentives and enforcement messages, and answer common queries 24/7 via an official municipal account.



A payment reminder with an incentive, a last-chance enforcement notice and a chatbot for debt and property queries. Source: Subnational PFM programme.

Consistent and clear communication, paired with information about why paying taxes matters and timely enforcement messaging, also helps build a culture of compliance. This in turn makes future tax collection easier and less adversarial.

Building capacity for the long term

The programme partnered with Peru's National School of Public Administration and the National Civil Service Authority to deliver a specialised training programme in municipal taxation for officials from local tax administrations. It covers tax regulations, inspection, collection and process modernisation.

The course is now part of the National School of Public Administration's regular training portfolio, which helps sustain and extend its reach.

Results: higher revenues for municipal governments

The five supported municipalities, home to around three million inhabitants, saw their tax collection become more effective and taxpayer-oriented:

- **A stronger revenue base**. Identifying unregistered and under-declared properties permanently expanded the local tax base, thus creating a more reliable source of own revenue.
- **First-quarter liquidity**. Issuing invoices on time shifted collection towards the start of the year. This gave municipalities immediate cash flow to plan for public services.
- **Higher payment rates at lower cost**. Low-cost digital reminders (SMS/WhatsApp) and targeted, data-driven enforcement improved payment rates while easing pressure on limited administrative resources.
- **Wider, more permanent customer service**. Chatbots expanded access to information on obligations, procedures and payments.
- **Long-lasting capacity**. The new training programme with Peru's National School of Public Administration has strengthened, and will continue to strengthen, municipal officials' technical capacity, while helping anchor these gains within the civil service.

Property tax collection across the five municipalities grew by an average 47 percent between 2019 and 2025. The scale of that growth shows what targeted, sustained technical assistance can do to strengthen local fiscal autonomy.

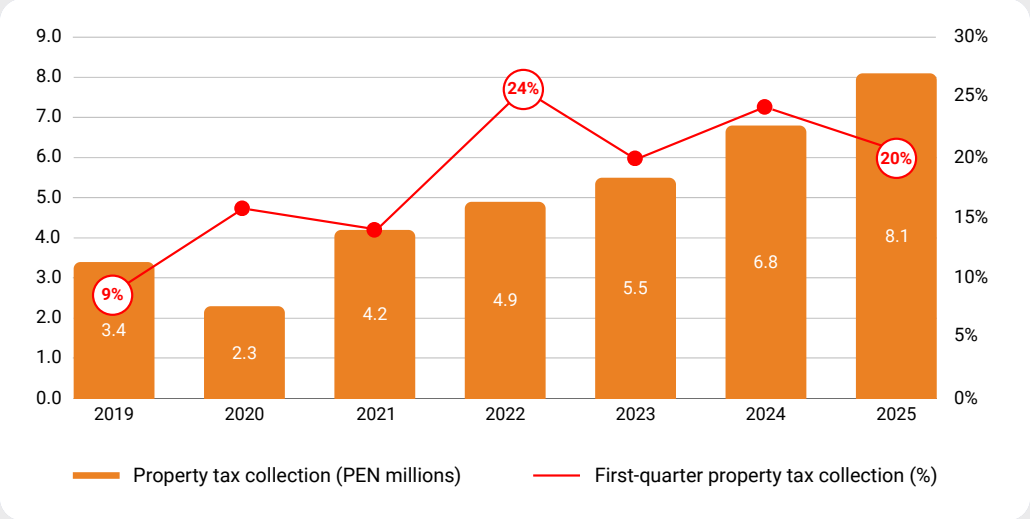
Case studies: Abancay and San Martín

In the municipalities of Abancay and San Martín, the programme has provided sustained technical assistance since 2021. The focus was on modernising key processes of fiscal management, starting with making sure tax bills reached taxpayers at the beginning of the fiscal year.

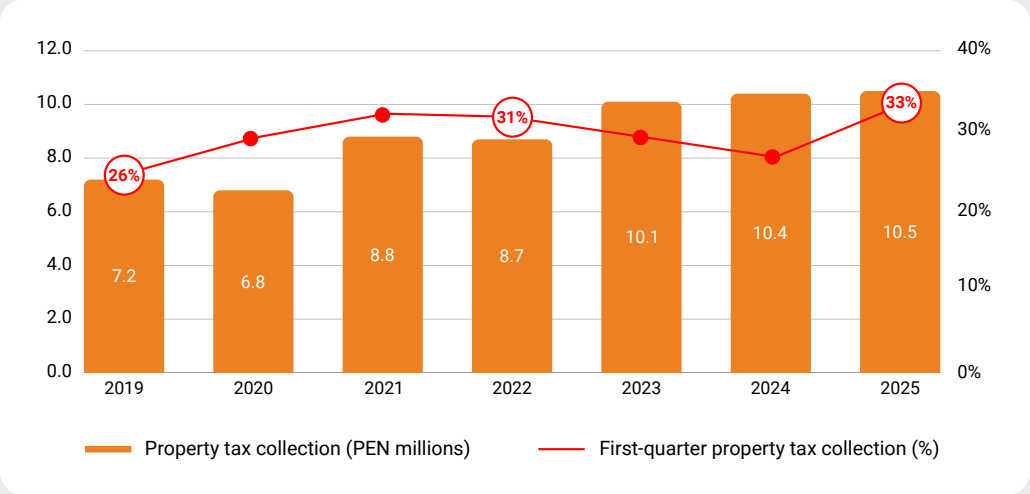
This had immediate tangible results. Between 2019 and 2022, first-quarter collection in Abancay rose from 9 percent to 24 percent of the annual total; in San Martín, it rose from 26 percent to 31 percent. Securing funds early in the year gave both municipalities the ability to better plan their entire fiscal year.

In parallel, the programme rolled out mass direct communication with taxpayers. Accessible and more frequent communication promoted a culture of compliance, particularly among non-payers and property owners who had not yet regularised their registration. This helped broaden the taxpayer base and recovered money without resorting to practices that disincentivise payment.

Between 2019 and 2025, Abancay's property tax collection grew by 138 percent (see graph below), while San Martín's grew by 46 percent (see graph on next page). In turn, the share of municipal taxes financing expenditure rose from 10 percent to 13 percent in Abancay, and from 23 percent to 30 percent in San Martín.



Evolution of property tax revenues in the Abancay Provincial Municipality. Source: Ministry of Economy and Finance and Integrated Financial Management System.



Evolution of property tax revenues in the San Martín Provincial Municipality. Source: Ministry of Economy and Finance and Integrated Financial Management System.

Those increased revenues are already being reinvested in services that impact citizens directly. In Abancay, spending on urban transport, park and garden maintenance, cultural promotion and social support have doubled – in some cases tripled – over six years. In San Martín, the gains were used to strengthen neighbourhood security, public space maintenance, urban planning and social protection.

Lessons learned to improve municipal tax collection

Several key lessons emerge from the programme's experience supporting municipalities around their tax collection processes:

1. **Address the full lifecycle**. Supporting the entire tax management cycle, rather than introducing isolated tools, produces better results.

2. **Treat tax management as an institution-wide responsibility**. Beyond the obvious role of the revenue department, engaging other relevant departments makes the process more robust and effective. These include administration, legal, IT, logistics and communications.

3. **Plan ahead**. Defining activities, responsibilities, deadlines and indicators early on helps anticipate delays, brings order to processes and ensures tax campaigns are carried out on time.

4. **Focus on data quality**. Investing in coordination between offices, using external sources to identify new taxpayers and keeping records up to date all sharpen strategic decisions – like who to pursue for non-payment and how to broaden the taxpayer base.

5. **Layer technology on strong foundations**. Automated reminders, chatbots and other digital tools depend on up-to-date data, trained staff and clearly defined responsibilities to keep functioning and stay useful over time.

6. **Treat tax administration as an investment**. Allocating resources to inspection, collection, training and process modernisation is demanding at first, but it can translate into sustained increases in municipal revenue and greater fiscal autonomy.

7. **Institutionalise capacities for long-term success**. Protocols, standardised formats and templates, training programmes and follow-up mechanisms are all necessary to sustain progress over time and replicate it elsewhere.



Meeting with the authorities of the Provincial Municipality of Abancay. Source: Subnational PFM programme.

Why this matters for development partners

Achieving greater fiscal autonomy for subnational governments is an important part of improving public financial management. It enables them to plan spending, invest in infrastructure and deliver public services in line with local priorities.

Strengthening property tax mobilisation offers municipalities a significant opportunity to increase their own-source revenue. With collection levels still below OECD averages, there is considerable room to improve performance through comprehensive, sustained reforms.

Results from just five of Peru's hundreds of municipalities are promising. They show that a holistic approach can generate measurable gains in a relatively short period. It can also create tools and capacities that municipalities can continue to use beyond the initial technical assistance.

For development partners, this is a practical entry point to strengthen the fiscal autonomy of subnational governments and their ability to finance local public services – in Peru and beyond.

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About this publication

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