Property Taxation in Anglophone Africa

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A well-functioning property tax system could offer many benefits to the nations of sub-Saharan Africa. At a time of decentralization, when local governments are being asked to assume new responsibilities for services and infrastructure in such countries as Sierra Leone, South Africa, and Uganda, a dependable and locally administered source of revenue would greatly benefit local democracy and economic development. It could improve the standard of living in local communities on a continent still grappling with abject poverty and poor governance.

It is not surprising, therefore, that local revenue enhancement forms an important part of the contemplated or ongoing reform agendas in many developing countries. The responsible mobilization of appropriate independent revenue sources could raise the level of public services, improve local infrastructure, and offer a means of funding ongoing operation and maintenance needs. In many cases such projects are neglected after the original investment, which may have been financed by another level of government or by international donors.

It is often argued that the property tax is an ideal candidate to spearhead the mobilization of own-source revenues at the local government level. However, it is also widely acknowledged that many developing countries are not able to realize the full potential of the property tax (Bahl 1998). This is true in most if not all Anglophone countries in Africa. The reasons are varied and include:

- inappropriate tax and/or land policies;
- high real estate transfer taxes;
- weak property markets;
- inappropriate or outdated property tax legislation;

- the lack of political will to support and strengthen the decentralization agenda and local revenue mobilization;
- the lack of professionally skilled valuers to undertake municipal valuations; and
- the lack of capacity to administer the property tax correctly.

Data-Gathering Challenges

Basic information and comparative data on current African property tax systems is extremely difficult to assemble. Reform proposals require detailed knowledge of current practice, its success or failure, and the operation of alternate systems in neighboring countries. Yet when my colleague Billy McCluskey and I set out under a David C. Lincoln Fellowship to document property tax legislation and practices in the former British Commonwealth of Nations countries of Africa, and when I examined property taxation in Botswana, Lesotho, Namibia, and Swaziland (Franzsen 2003), we discovered that personal visits were often the only means of obtaining this information (Franzsen and McCluskey 2005a; 2005b). Not only was Web-based data extremely limited, but often there was no data on local taxation even in the central government offices in the national capital. In some instances valuable information was obtained through interviews with councilors and municipal officials in secondary cities and rural towns.

This experience challenged us to consider how the Lincoln Institute might work with an Africa-based educational institute to gather and disseminate critical data on property taxation on that continent. This need is particularly acute given the linguistic divisions within Africa. Data from Portuguese-, French-, or English-speaking regions are often not translated, and therefore are inaccessible to many researchers in other regions (see figure 1).

In November 2006 the Lincoln Institute and the Southern African Tax Institute (SATI), located at the University of Pretoria, South Africa, entered into a joint venture to undertake in-depth research into property-related taxation in Africa. Our aim is to collect data and issue research reports on the present status and future prospects of property-related taxes levied in all 54 countries in Africa, with the primary focus on (local) property taxes and real property transfer taxes.

The primary objectives of this joint venture project are to:

- report and reflect in a concise, uniform, and comparable manner on property taxes levied and collected in Africa, with special emphasis on those countries not covered in other recent studies and with only brief references to those countries where a property tax (in the strict sense defined) is not presently levied;
- develop a comprehensive template to collect data regarding all forms of property taxation in Africa that could be updated and maintained with relative ease;
- report on property tax systems as *legislated* in African countries;
- reflect on property tax systems as *practiced* in African countries;
- establish the importance and extent of annual property taxes and property transfer taxes as sources of municipal revenue in Africa;

FIGURE 1
Language Zones and Geographic Regions of Africa

TABLE 1
Property-Related Taxes Levied in African Commonwealth of Nations Countries

Country	Value Added Tax (VAT)	Property Transfer Tax	Urban Property Tax	Rural Property Tax
Botswana	Yes	Yes	Yes	No
Cameroon	Yes	Yes	Yes	No
The Gambia	?	Yes	Yes	No
Ghana	Yes	Yes	Yes	No
Kenya	Yes	Yes	Yes	In principle
Lesotho	Yes	Yes	Yes	No
Malawi	Yes	Yes	Yes	No
Mauritius	Yes	Yes	Yes	?
Mozambique	Yes	Yes	Yes	No
Namibia	Yes	Yes	Yes	Yes
Nigeria	Yes	Yes	Yes	?
Seychelles	No	Yes	No	No
Sierra Leone	Yes	Yes	Yes	No
South Africa	Yes	Yes	Yes	Yes
Swaziland	No	Yes	Yes	No
Tanzania	Yes	Yes	Yes	No
Uganda	Yes	Yes	Yes	No
Zambia	Yes	Yes	Yes	No

Source: Franzsen and McCluskey (2005a)
Note: Includes Mozambique (a Lusophone or Portuguese-speaking country, but member state of the Commonwealth), but excludes Zimbabwe (an Anglophone country, but no longer a member state of the Commonwealth).

- comment on the future role of property taxation in Africa; and
- discern general trends in the application of property taxation throughout Africa.

To facilitate the proposed research, we divided the African continent into four primary language zones—English, French, Portuguese, and Arabic. Where necessary, these zones have been further subdivided into manageable geographic regions to facilitate the proposed research. Research fellows associated with SATI will study five or six countries each. They will be a national or resident of one of the countries in their region (or zone) and fluent in the primary language.

The first three research fellows were selected in January 2007 to enhance the existing international coverage pertaining to property taxation:

- Samuel S. Jibao of Sierra Leone, for the six Anglophone countries in West Africa;
- Vasco Nhabinde of Mozambique, for the five Lusophone (Portuguese) countries; and
- Jean Jacques Nzewanga of the Democratic Republic of the Congo, for the six Francophone countries in the southern region.

SATI's primary goal is capacity building in the public sector in the areas of tax policy and tax administration on the African continent. Since its inception in June 2002, more than 500 individuals from 20 countries in sub-Saharan Africa have benefited from attending one or more SATI programs among the following taxation and public finance modules.

- Comparative Tax Administration
- Comparative Tax Policy
- Legal Drafting
- Introduction to Tax Analysis and Revenue Forecasting
- International Taxation
- Public Finance and the Economics of Taxation
- Fiscal Decentralization and Local Revenue Options
- Property Taxation
- Advanced Tax Analysis and Revenue Forecasting
- Tax Treaties
- Customs and Excise Taxation
- Business Taxation
- Value-added Taxation

The three property tax modules, offered in 2003, 2004, and 2006 respectively, were attended by a total of 64 participants from the following countries: Angola, Democratic Republic of Congo, Lesotho, Malawi, Rwanda, Sierra Leone, South Africa, Swaziland, Sudan, Tanzania, and Uganda.

Current Findings

The property tax as an annual tax on real property is levied in all Anglophone countries in Africa except in the Seychelles (Franzsen and McCluskey 2005a). Table 1 provides an overview of several property-related taxes in the 18 Commonwealth of Nations member countries in Africa.

Only in the case of Cameroon is the property tax a national tax (although local authorities are entitled to levy and collect a 25 percent surcharge tax). Rural properties are generally not taxed,

TABLE 2
Property Tax Bases Utilized in Practice by African Commonwealth of Nations Countries

Country	Tax Base	Country	Tax Base
Botswana	Capital value (land and buildings)	**Namibia**	Capital value (land and buildings separately); Area in small urban jurisdictions); Land value (for commercial farms)
Cameroon	Area (land and buildings)	**Nigeria**	Capital value; Annual value; Area
The Gambia	Annual value	**Seychelles**	No property tax
Ghana	Annual value (buildings only)	**Sierra Leone**	Annual value (buildings only); Area
Kenya	Land value only; Area (in rural areas)	**South Africa**	Capital value (land and buildings)
Lesotho	Capital value (land and buildings)	**Swaziland**	Capital value (land and buildings separately)
Malawi	Capital value (land and buildings); Flat tax	**Tanzania**	Capital value (buildings only); Flat tax
Mauritius	Capital value (land and buildings)	**Uganda**	Annual value (land and buildings)
Mozambique	Capital value (buildings only); Area	**Zambia**	Capital value (land and buildings); Flat tax

Source: Franzsen and McCluskey (2005a)

TABLE 3
Responsibility for Valuation Rolls and Use of CAMA and/or GIS

Country	CAMA and/or GIS[1]	Number of Registered Valuers	Responsibility for Valuation Rolls		
			In-house Valuers	Government Valuers	Private Valuers
Botswana	No	<70	No	Yes	No
Cameroon	Partially[2]	No data	No	Yes	No
The Gambia	No data	No data	No data	No data	No data
Ghana	No data	No data	Yes	Yes	Yes
Kenya	No[3]	<400	Yes	Yes	No
Lesotho	No	<6	No	Yes	No
Mauritius	No data	No data	No	Yes	In principle
Malawi	No	<25	No	Yes	Yes
Mozambique	No	No data	No data	No data	No data
Namibia	No	<15	Yes	No	Yes
Nigeria	No data	No data	No data	No data	No data
Sierra Leone	No data	No data	No data	No data	Yes
South Africa	Partially[4]	2,050	Yes	No	Yes
Swaziland	No	<6	No	No	Yes
Tanzania	No	<110	Yes	Yes	Yes
Uganda	No	<25	Yes	Yes	Yes
Zambia	No	<50	Yes	Yes	Yes

Source: Franzsen and McCluskey (2005a)
Notes: Seychelles is not included here because it has no property tax system.
1. CAMA is computer-assisted mass appraisal; GIS is Geographic Information Systems.
2. Cameroon was contemplating the introduction of a value-based tax (using CAMA) in at least Yaoundé (administrative capital) and Douala (commercial capital).
3. A pilot CAMA project was undertaken in the towns of Mavuko and Nyeri in 1998-1999.
4. Cape Town introduced a CAMA-generated valuation roll in 2002, whereas aspects of CAMA and GIS are used for valuation purposes by most of the metropolitan municipalities.

TABLE 4
Real Estate Transfer Taxes in Selected African Countries

Country	Tax Rate(s)
Botswana	Transfer duty: • Citizens: 5%, agricultural land exempt • Non-citizens: 5% generally, but 30% on agricultural land
Lesotho	Transfer duty: 3–4%
Namibia	Transfer duty: • N$1–N$60,000* for improved property: 1% • N$60,000*–N$250,000: 5% • N$250,000+: 8% (*N$24,000 if unimproved) N$ = Namibian dollar = Rand
Seychelles	Stamp duty: • Citizens: 5% on first SR50,000 plus 10% on the balance of value • Non-citizens: additional 40% SR = Seychelles Rupee
South Africa	Transfer duty: • Natural persons (from 1 March 2006): R1–R500,000: 0% R500,001–R1,000,000: 5% R1,000,001 and above: 8% • Persons other than natural persons: 8% R = Rand
Swaziland	Transfer duty: • First E40,000: 2% • E40,001–E60,000: 4% • E60,001+: 6% E = Emalangeni = Rand
Tanzania	Stamp duty: sliding scale up to a maximum of 1.5%
Uganda	Stamp duty: 1%
Zambia	Property transfer tax: 3%

Source: Franzsen and McCluskey (2005a)

although property taxation is currently being extended to rural properties in South Africa under the terms of the Local Government: Municipal Property Rates Act 6 of 2004. Namibia introduced a land tax on commercial farmers in 2004 as a measure to fund that country's land reform program.

Country-specific legislation often provides for various property tax base options in Anglophone African countries (e.g., Kenya, Malawi, Namibia, Nigeria, Swaziland, and Tanzania), largely due to their colonial heritage. However, in only a few countries (e.g., Namibia, Nigeria, and Tanzania) do municipalities utilize more than one of the tax bases to any significant degree (see table 2).

It is noteworthy that Tanzania allows local authorities to use different systems within a single taxing jurisdiction. This dual system helps to counter low coverage and the serious capacity constraints to extend and maintain valuation rolls. For example, over a two-year period and using only in-house capacity, the Temeke Municipal Council in Dar es Salaam, Tanzania, managed to add about 80,000 properties to its flat tax property register at a cost of less than US$1.00 per property. This compares extremely favorably to the mere 5,000 properties added to the valuation roll by private consultants, at a cost of approximately US$17.00 per property, over a similar period (Franzsen and McCluskey 2005b).

Although availability of relevant data is somewhat limited, a lack of qualified valuers to prepare or maintain valuation rolls is also a problem, except in South Africa (see table 3). In many of these countries valuation rolls, if they exist, are reportedly quite out of date.

Discernable Trends

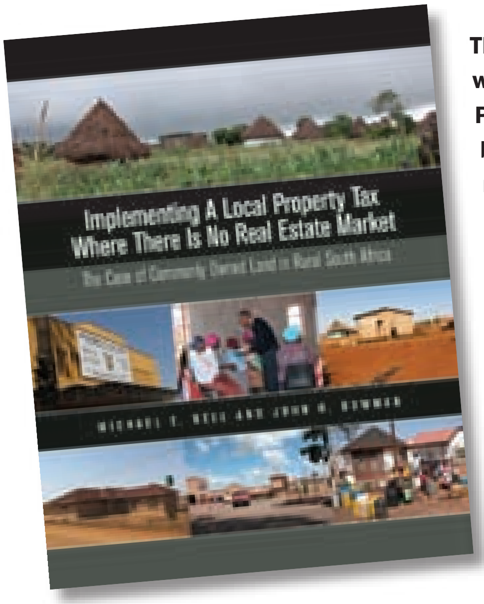
Although data are often scant, some broad property tax trends are discernable.

Tax Base

There seems to be some reluctance (especially among politicians and the valuers' profession) to consider alternative and possibly more appropriate property tax systems, or less cumbersome mass valuation methods. So, despite the acute shortage of valuers and the poor valuation coverage in most countries, there seems to be a definite move toward capital values, as indicated by changes in Cameroon, Mauritius, Rwanda, and South Africa, and as suggested in Kenya and Uganda (Franzsen and McCluskey 2005b).

Valuation

There is a noticeable move away from relying on central government valuation offices to prepare valuation rolls (e.g., Lesotho, Malawi, Mauritius, Swaziland, South Africa, Uganda, and Zambia). In some countries, the possible introduction of "mass valuation," as an alternative to discrete valuations of individual properties, is being considered (e.g., Kenya, where a pilot study was done in two towns in 1998–1999) or introduced in recent reforms (e.g., South Africa and Uganda). External quality control with regard to valuation rolls is practically nonexistent. Only the new South African legislation provides for ministerial oversight regarding the effectiveness, consistency, uniformity, and application of municipal valuations.



This short report sponsored by the Lincoln Institute summarizes what was learned from a workshop held in a tribal area of Limpopo Province, South Africa, to help local residents identify land attributes as a step toward developing taxable values as proxies for market value. The report is available for free downloading at *http://www.lincolninst.edu/pubs/PubDetail.aspx?pubid=1123*.

Tax Rates

Most countries apply different tax rates to different types of property. Rates are generally determined annually (e.g., Botswana, Namibia, South Africa, and Swaziland), but in some instances are fixed by central government or municipal by-laws for a determined or undetermined period so rates may remain static for years (e.g., Ghana and Tanzania). Where differential rates apply, the tax rates for residential properties tend to be significantly lower than the rates for commercial, industrial, and government properties, where these are taxable (e.g., Lesotho, Swaziland and Zambia).

Real Property Transfer Taxes

Real property transfer taxes are common in Anglophone African countries, often at very high tax rates (see table 4). As these taxes are generally levied at the national level, the conflicting interests of local and national treasuries are seldom noticed, let alone addressed. Furthermore, high transfer taxes "discourage the development and formalization of land markets" (Bird and Slack 2002, 64).

It is hoped that through the Lincoln/SATI research fellowships it will be possible to gather sufficient data on the extent and level of property transfer taxes throughout Africa to stimulate and improve the level of the debate on the appropriateness of these taxes at high rates at any level of government.

Conclusions

Use of the property tax in Africa is widespread in principle, but it is levied mainly in urban areas. Most countries are using a value-based tax, even though their capacity to implement accurate valuation practices is modest. Research undertaken to date in Anglophone African countries suggests that if the property tax is to provide a reliable and adequate source of revenue for municipalities, many African countries face major challenges. In some countries even the rationality and administrative feasibility of property tax policies and current legislation must be questioned.

A comprehensive continent-wide comparative study may provide further valuable insights to policy makers and tax administrators. It may also provide the building blocks required to develop appropriate skills development and skills transfer programs.

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