

**Property Taxation within the
Southern African Development Community (SADC):
Current Status and Future Prospects
of Land Value Taxation**

**Botswana, Lesotho, Namibia,
South Africa and Swaziland**

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Abstract

This study provides a brief overview of the property tax systems in five of the member states of the Southern African Development Community (SADC), namely Botswana, Lesotho, Namibia, South Africa and Swaziland. For a variety of reasons property tax is not utilised optimally in any one of the five countries. However, it is generally recognised in all five countries that property tax could and should become a more important own source of revenue for municipalities.

Although comprehensive property-tax legislation is in place in all five countries, giving practical effect to the provisions of the law presents problems. A variety of different tax bases are used and typically the property tax coverage in these countries (with South Africa and - to some extent - Namibia the exceptions) are low (Botswana and Swaziland) to very low (Lesotho). The lack of properly qualified and skilled valuers presents itself as a serious stumbling block in improving and maintaining the quality and credibility of valuation rolls. Collection and enforcement are also generally poor and the relationship between councils and taxpayers strained. Taxpayer education is almost non-existent.

If the situation is to improve significantly, capacity building (in the areas of professional, technical and management skills, training, computerisation, collection and enforcement procedures) is imperative. Further research is required to get a better understanding of the political, constitutional and legal environment within which property assessment and property taxes are administered, and to address the present weaknesses of the respective systems. Only then can properly justified recommendations regarding suitable amendments be made.

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Property Taxation within the Southern African Development Community (SADC): Current Status and Future Prospects of Land Value Taxation

Botswana, Lesotho, Namibia, South Africa and Swaziland

Part 1: Research Program

1 Introduction

The Southern African Development Community (SADC) was established on 17 August 1992, as the successor to the Southern African Development Coordinating Conference (SADCC) which was established in 1980 by nine member states. Amongst others, the SADC Treaty state the following relevant objectives:

- Achieving development and economic growth, alleviate poverty, enhance the standard and quality of life of the peoples of southern Africa and support the socially disadvantaged through regional integration
- Promoting and defending peace and security in the region
- Promoting self-sustaining development on the basis of collective self-reliance, and the inter-dependence of member states
- Achieving harmonisation between national and region-wide strategies and programmes
- Promoting and maximising productive employment and the utilisation of resources in the region
- Achieving sustainable utilisation of natural resources and effectively protecting the environment
- Strengthening and consolidating the long-standing historical, social and cultural affinities and links among the peoples of the region

To achieve its aim, SADC shall, amongst other things, strive to -

- Harmonise political and socio-economic policies and plans of member states
- Mobilise the peoples of the region and their institutions to take initiatives to develop economic, social and cultural ties across the region, and to participate fully in the implementation of the programmes and projects of SADC
- Develop policies aimed at the progressive elimination of obstacles to free movement of capital and labour, goods and services, and of the peoples of the region generally among member states
- Develop such other activities as member States may decide in the furtherance of the objectives of SADC

Fourteen countries, with an aggregate population exceeding 200 million people, are currently member states of SADC. Table 1.1 provides a basic overview of some key aspects regarding the fourteen member states of SADC.

Table 1.1: Southern African Development Community (SADC): Basic Information

Country	Size (km ²)	Capital	Population	GDP per capita (US\$)	Urbanisation
Angola	1,246,370	Luanda	10.37 million	1,000	26%
Botswana	600,370	Gaborone	1.59 million	6,600	46%
DRC	2,345,410	Kinshasa	53.62 million	600	60%
Lesotho	30,355	Maseru	2.18 million	2,400	17%
Malawi	118,480	Lilongwe	10.39 million	940	13%
Mauritius	1,865	Port Louis	1.19 million	10,400	43%
Mozambique	801,590	Maputo	19.11 million	1,000	23%
Namibia	825,418	Windhoek	1.80 million	4,300	27%
Seychelles	455	Victoria	0.08 million	7,700	N/a
South Africa	1,219,912	Pretoria	43.59 million	8,500	48%
Swaziland	17,363	Mbabane	1.11 million	4,000	23%
Tanzania	945,087	Dar es Salaam	35.31 million	710	30%
Zambia	752,614	Lusaka	9.77 million	880	38%
Zimbabwe	390,580	Harare	11.37 million	2,500	31%

Sources: *The World Factbook 2001* – CIA; SADC web page (www.sadc.int/english/Countries)

Member states are actively working towards closer co-operation in various areas. Amongst the committees already functioning are the Finance and Investment Sector and the Local Government Sector. At a July 2000 SADC conference on local government, it became clear that co-operation on local government issues should become an important component of the African Renaissance initiative. However, relevant data on local government, and more specifically local government taxation, is scant and difficult to obtain in respect of the majority of SADC member states.

2 Property-related Taxes in SADC Countries

Throughout the world property taxes are important sources of revenue, especially at local government level. This is also true in respect of the majority of the fourteen member states of the Southern African Development Community (SADC). Although more or less comprehensive reports are available on property taxation in some of these countries (e.g. Botswana, South Africa, Tanzania and Zimbabwe), no comprehensive or collective study has been undertaken to report and reflect on property taxation in this extensive sub-region of Africa. This study aims to address this lacuna.

Although this study is primarily concerned with ‘property tax’ as any form of annual property tax levied at local government level within the various SADC member states,

property-related taxes levied by various levels of government are briefly mentioned. 'Property-related taxes' include value-added tax, any form of transfer tax on the transfer of immovable property (e.g. transfer duty or stamp duty), estate duties and gift taxes and capital gains taxes. Although no or very little data could be obtained for the DRC and the Seychelles, it could be surmised that property-related taxes, in one form or another, are levied in these two countries. Table 1.2 lists the important property-related taxes levied by SADC member states.

Table 1.2: Property-related Taxes Levied by SADC Member States

Country	VAT	Transfer Tax	Capital Gains Tax	Estate Duty & Donations Tax	Urban Property Tax
Angola	No	Yes	Yes	Yes	Yes
Botswana	(2002)	Yes	No	Yes	Yes
DRC	?	?	?	?	?
Lesotho	(2003)	Yes	Yes	Yes	Yes
Malawi	Yes	Yes	Yes	Yes	Yes
Mauritius	Yes	Yes	Yes	Yes	?
Mozambique	Yes	Yes	Yes	Yes	No
Namibia	Yes	Yes	No	No	Yes
Seychelles	?	?	No	No	?
South Africa	Yes	Yes	Yes	Yes	Yes
Swaziland	No	Yes	No	No	Yes
Tanzania	Yes	Yes	Yes	No	Yes
Zambia	Yes	Yes	No	No	Yes
Zimbabwe	(2003)	Yes	Yes	Yes	Yes

Sources: Deloitte & Touche: *Guide to Key Fiscal Information: Southern Africa 1999/2000*; www.ey.com

Some of the SADC member states have had a long history of land value taxation (e.g. South Africa) and/or other forms of property taxation (e.g. Namibia, Zimbabwe, Zambia). Mozambique has, for various reasons (e.g. a prolonged civil war and the fact that all land was nationalised after independence from Portugal in 1975), apparently not been levying any form of annual property tax in recent years, whereas Angola (despite the 26 year civil war in that country) levies a form of annual property tax.

At least two of the SADC member states, namely South Africa and Tanzania, are currently undertaking material property tax reforms. Part and parcel of the reforms in South Africa is the extension of the property tax base to property not formerly taxed, such as rural properties and tribal land. In Tanzania the reforms are currently centred on evaluating the sustainability of the present system of property assessment for rating

purposes (Masunu, 2001). Malawi is about to pass laws regarding traditional land tenure that would make it practicable to introduce a property tax on these forms of land tenure (Ahene, 2001). Namibia will be implementing a rural land tax on commercial farms in 2002.

Table 1.3: Property Tax Bases provided for in Legislation in Anglophone Countries within SADC

Country	Land value (site value)	Improved value	Site & improvements (as separate objects)	Improvements only	Area of land
Botswana ¹		X			
Lesotho ²		X			
Malawi		X			
Namibia ³	X	X	X	X	
South Africa	X	X	X		
Swaziland ⁴	X	X	X	X	
Tanzania				X	
Zambia		X			
Zimbabwe ⁵	X	X	X		X

Notes:

- 1 The rate is levied on the (total) improved value, although that value is the aggregate of the value of the land and the value of the improvements on the land.
- 2 In practice tax is levied on the value of site plus the value of improvements, although the Act somewhat ambiguously seems to provide for a tax on improvements only. A ground rent (collected by national government) may be payable for the use of land.
- 3 The Local Authorities Act (s 79) provides that with the approval of the Minister, a town council or village council may determine a rate 'upon a basis other than that of valuation'. In practice local authorities use site and improvements (as separate taxable objects) as tax base, with a higher rate on land than improvements.
- 4 Although legislation provides four options, it is not clear yet whether all of these options are actually used in Swaziland.
- 5 In Zimbabwe 'rural rates', levied in terms of the Rural District Councils Act of 1988, may be based on the area of land (Brakspear, 1991). In 1995 new legislation was introduced in terms of which residential properties are rated on the basis of size and location (Nyoni, 1996).

3 Summary of Research Objectives

The primary objectives of this study are to -

- Collect data and information regarding land value taxation (LVT) and other forms of property taxation in SADC member states
- Establish a network of property tax specialists to
 - Facilitate and ease the acquisition of data and flow of information
 - Enhance discussion on property tax policy and practice
- Report on LVT and other property tax systems as legislated and practised in

SADC member states

This study focuses on a number of key areas:

- The importance of LVT and/or other forms of property tax as a source of revenue at local government level in SADC member states
- Levying, assessment and collection of LVT and/or other property taxes in metropolitan, urban, rural and tribal areas
- Valuation practices and methodologies
- The efficacy and efficiency of LVT and/or property tax administration

During 2001 only the five southern-most countries within SADC were covered. This report presents the basic findings for these countries, namely Botswana, Lesotho, Namibia, South Africa and Swaziland.

4 A Brief Introduction to the Five Countries Studied in 2001

All five countries have a British colonial history. For a variety of reasons, these five countries have strong historic links and economic ties. They form the member states of the Southern African Customs Union - which dates back to 1910 - and, with the exception of Botswana, are also members of a Common Monetary Area (the Rand monetary union). All five countries are member states of the British Commonwealth.

The Roman-Dutch law is the common law of all five countries, although certain aspects of customary (i.e. indigenous) law are also recognised in all five countries, especially Botswana, Lesotho and Swaziland. This is especially relevant in the context of land law, and, as such, may in the context of property taxation impact on the important aspects of tax base and assessment. Laws are often similar - especially in the case of South Africa and Namibia. (Namibia was administered by South Africa from 1920 until independence in 1990.)

Although there are similarities in the manner that national and sub-national governments are structured, there are also important differences. Whereas the smaller countries (Botswana, Lesotho, Namibia and Swaziland only have two tiers of government (national and local), South Africa has three tiers (national, provincial and local). Some form of regional local government exists for rural areas in all five countries. However, there are significant differences regarding the manner in which local government is financed. For example, in the context of rural areas, only in South Africa would district municipalities have significant revenue raising powers.

In the absence of accurate data and without the restrictions that apply to a reflection of percentages applying to a specific financial year, Table 1.4 is meant to serve as a crude indication of the importance of the various sources of revenue available to local government in the five countries studied.

Table 1.4: Sources of Revenue for Local Government

Country	Property Tax	Bulk Services¹	Other Taxes, Fees & Charges, Fines	Government Grants
Botswana	Important	Not applicable	Moderate	Important
Lesotho	Important	Not applicable	Negligible	Moderate
Namibia	Important	Important	Negligible to moderate	Negligible
South Africa	Important	Important	Negligible to moderate	Negligible
Swaziland	Important	Not applicable	Negligible	Negligible

1 Profits realised on the provision of these services (e.g. the provision of electricity) are implied excise taxes.

A somewhat unique feature in the context of municipal service provision is so-called ‘bulk services’. In South Africa and Namibia many municipalities acquire certain services (e.g. electricity and water) in bulk from the relevant public utility entities and then provide these to consumers within their areas of jurisdiction, whereas in Botswana, Lesotho and Swaziland, as well as some of the smaller municipalities in South Africa and Namibia, these services are provided directly to consumers by the relevant public utility entities. As the profit realised on the provision of these ‘bulk’ services (also referred to as ‘trading services’) is used to subsidise the general rates account, it has a considerable impact on how municipalities approach and eventually levy and collect property tax (Franzsen, 2001).

As far as property tax (called ‘rates’ in all five countries) is concerned, there are striking similarities, which could be traced back historically to the time of British occupation. There are, however, also some noticeable differences. Some of these differences relate to the divergent views and laws regarding ownership of land and tenure rights, especially post-independence.

On the expenditure side of local government budgets, it is noteworthy that municipalities are responsible for the universally typical municipal services (e.g. streets, street lighting, sanitation, refuse removal, recreational facilities) and not, for example, for educational services (although primary education is partially a local government responsibility in Botswana).

Part 2: Brief Country Reports

1 Botswana

1.1 Introduction

Bechuanaland became a British protectorate in 1885 and attained self governance in 1965. Independence from Britain was achieved on 30 September 1966 and the name changed to Botswana. It is completely land-locked, bordered by South Africa (to the south), Namibia (to the west and north) and Zimbabwe (to the east). It is a multi-party democracy. Approximately 54% of the population (of about 1.6 million) live in rural areas. Botswana has the highest economic growth rate and is the least corrupt state in Africa (Gaolathe, 2001), but unfortunately also has the highest incidence of HIV/AIDS in Africa and in the world. (The percentage mentioned in the 2001 budget speech is 19% of the total population (Gaolathe, 2001), whereas the CIA *World Factbook for 2001* estimate is 35.8%.)

With an average growth rate of only 2.2% in 1999 and 3.4% in 2000 for African countries, Botswana excelled at 7.7% growth in GDP and an expected 9% growth in 1999/2000 (Gaolathe, 2001). The primary reason for Botswana's sustained high growth is its diamond mining industry. In 2000 unemployment was at 15.8%.

Seventeen percent (17%) of state-owned land has been set aside as national parks and conservation areas.

Botswana is a member of the Southern African Customs Union (SACU), but not the Common Monetary Area. (As a matter of interest the Botswana Pula is currently almost 50% stronger than the South African Rand.)

1.2 Local Government

Local government in Botswana is structured and administered in terms of the Townships Act, 1955 and the Local Government (District Councils) Act, 1965. The former applies to cities (Gaborone) and the five proclaimed towns (Francistown, Jwaneng, Lobatse, Selebi Phikwe and Sowa Town), whereas the latter applies to areas other than those declared to be a city or a town (i.e. smaller villages and rural areas).

Botswana has not recently experienced any material local government reforms. However, the government has identified the need to review the local government structures. A revision of the Rural Development Policy is underway and to be completed by the end of 2001. A Household Income and Expenditure Survey is planned for 2002, to follow on the Population and Housing Census carried out in August 2001 (Gaolathe, 2001). A large part of the government's development budget is annually allocated to the provision of additional social services and infrastructure in rural areas. Amongst the village

infrastructure projects is the construction of roads, primary school classrooms, primary health facilities, customary courts, water and sewerage treatment plants. In 2001/2002 P1.4 billion (24% of the total development budget) will be allocated to the Ministry of Local Government (Gaolathe, 2001).

The government furthermore acknowledges the importance of information technology and has embarked on the computerisation of certain local government functions (e.g. land management, financial management and human resources/payroll functions). This will enhance service delivery and result in the diversification of the skills base at local government level (Gaolathe, 2001).

Government is also considering proposals to enhance cost recovery measures in local authorities. An important component of this drive is the development of a model bye-law which will allow local authorities to properly set and collect fees for the services they provide. It should have a positive impact on the revenue base of local authorities (Gaolathe, 2001).

1.3 Taxation

1.3.1 Central Taxes

At national level, the income tax and sales tax are presently the most important sources of tax revenue. Sales tax is to be replaced by a comprehensive value-added tax (VAT) in 2002/2003.

1.3.2 Local Taxes

The only important tax at the local government level is property tax, called 'rates'.

1.3.3 Land-related Taxes

The national government presently levies transfer duty. A comprehensive value-added tax will be introduced in the 2002/2003 fiscal year, which will - if modelled on South Africa's VAT legislation - also impact on the transfer of immovable property.

At local government level assessment rates (i.e. property tax) is levied.

1.3.4 Land Value Tax

Land Value Tax (LVT) is not levied in Botswana. However, as assessments of the values of land and improvements are done separately, it would in theory and practice be possible to introduce LVT at relatively minimal costs.

1.4 Land Policy Issues

There are considerable pressures for changing land use from residential to commercial, and commercial to industrial, especially in the larger urban conglomerations (i.e. Gaborone and Francistown). The reason for this is the present shortage of properly serviced commercial and industrial land in these areas (Gaolathe, 2001). Government has identified as a priority the speeding up of servicing and allocating land for residential, commercial and industrial uses.

No information regarding recent or planned land reforms has been forthcoming.

1.5 Municipal Valuations and Property Tax: Legislation

Property tax, called 'rates', is levied in terms of Part VI of the Town Council Regulations 1966, promulgated under section 9 of the Townships Act of 1955. It is only levied in a number of urban areas declared as 'rating authorities'. Generally the Minister responsible for local government fixes the rate in the Pula for a specific financial year (1 April to 31 March) after consultation with other ministries before the relevant bye-laws are promulgated by the town councils (Monagen, 1999).

A local property tax is presently only levied in the city of Gaborone and in the five proclaimed towns. It is not levied in the smaller villages or in rural areas. However, the idea of extending rates to these areas has been mooted.

Table 2.1: Synopsis of Assessment and Property Tax Legislation

Botswana	Township Act, 1955 and Town Council Regulations, 1966
Tax base	Capital improved value (= value of land + value of improvements)
Coverage	All land is in principle rateable, unless exempted
Taxpayer	Owner (or in some cases the occupier) of rateable land
Method(s) of assessment	Assess land and improvements separately, with the sum of the two values being the rateable value
Assessment	A 'valuation officer' - no qualifications are prescribed - to be appointed by the council
Valuation roll	3 values for each property required ('the value of the land both with and without improvements' - s 66(d))
Valuation cycle	Maximum 5 years
Objections and appeal	Local Valuation Court (objections); High Court (appeals)
Tax rates	Differential rates for different categories - with higher rates on undeveloped properties; rates are set annually
Exemptions	On basis of ownership: e.g. state-owned, council-owned land Basis of use: e.g. public libraries, museums, schools, churches, etc.
Relief measures	Rates abatement (a discount if paid before a fixed date)
Collection	Annually
Enforcement	Interest on arrears (12% per annum) after three months Transferor remains liable until town clerk is notified in writing of a transfer of ownership Occupier can be held liable Councils may take possession of unoccupied rateable land after a period of five years and grant lease (maximum three years) over such land

1.6 Valuation and Property Tax: Practice

1.6.1 Gaborone

1.6.1.1 *Assessment*

Assessments are undertaken by the Department of Lands (i.e. by national government). Land and improvements are valued separately.

1.6.1.2 Assessment Rates (i.e. Property Tax)

Although assessed separately, it is the aggregate value of land and improvements that is taxed, i.e. the tax base used is the capital improved value of all rateable property. Gaborone City Council uses differential rates for different categories of properties. With the expressed intention to stimulate development, the rate on undeveloped property is also significantly higher than the rate for developed property in the same category. Table 2.2 sets out the rates for the 2000/2001 financial year for the various property categories. It also gives an indication of the effective tax rates applicable to developed properties within the various categories.

Table 2.2: Hypothetical Property: Land Value @ P50,000 and Improvements @ P200,000

Jurisdiction	Tax base	Use/Zoning	Tax Rate (%)	Effective Rate (%)
Gaborone	Improved value (i.e. the site value plus the value of improvements)	Residential (developed)	0.43	0.43
		Residential (undeveloped)	1.71	
		Non-residential (developed)	0.52	0.52
		Non-residential (undeveloped)	2.08	
		Agricultural (developed)	0.20	0.20
		Agricultural (undeveloped)	0.80	

Agricultural properties have recently been classified as a separate category and these properties are now rated at much reduced rates.

1.6.1.3 Collection and Enforcement

Billing is annual. The amount of arrears and late billing are problem areas.

1.6.1.4 Ratepayer Education

There is no ratepayer education to speak of. The taxpayer-council relationship is generally strained.

1.6.2 Other Jurisdictions

Table 2.3 sets out the tax rates (approved by the responsible Ministry) for the other five jurisdictions in Botswana presently authorised to levy rates.

Table 2.3: Assessment Rates for the 2000/2001 Financial Year

Jurisdiction	Residential (developed)	Residential (undeveloped)	Non-residential (developed)	Non-residential (undeveloped)
Francistown	0.88	3.52	1.10	4.40
Jwaneng	0.82	3.26	0.99	3.97
Lobatse	0.62	2.46	0.77	3.08
Selibe Pikwe	0.65	2.60	0.75	3.00
Sowa	0.33	1.32	0.40	1.60

It is noteworthy that tax rates on undeveloped properties in all six jurisdictions (i.e. including Gaborone – see Table 2.2) are generally four times higher than on developed properties, so as to encourage the development of land. This implies that the value of improvements on a specific parcel needs to exceed that of the undeveloped land by 300% before the taxpayer will experience an increase in property tax liability.

1.7 Current Property Tax Issues

The following issues have been raised by officials in Botswana and in applicable literature (Monagen, 1999; Monagen, 2000):

- Lack of capacity of government valuers to prepare proper valuation rolls
- Retention of skilled valuers within the public sector
- Lack of comparable market/sales evidence
- Exemption of low-cost housing
- Mandatory ministerial approval of tax rates
- Late billing resulting in serious cash-flow problems for councils
- Lump-sum annual payments (in contrast to monthly utility billing)
- Low collection rate (approximately 65% in Gaborone)
- Strained council-taxpayer relationships
- Political interference when councils want to enforce the law
- Communication with and education of taxpayers to address the lack of understanding

2 Lesotho

2.1 Introduction

Lesotho is a small, mountainous country with a surface area of only 30,355 km². It is land-locked and completely encircled by South Africa. It is a former British colony, known as Basutoland, which gained its independence from Britain in 1966.

Lesotho's economy is heavily dependent on migrant labour in neighbouring South Africa and its share of the revenue from the Southern African Customs Union with South Africa, Botswana, Namibia and Swaziland (Budget Speech, 2001).

2.2 Local Government

Since 1969 local government is highly centralised in Lesotho. Presently there are seven municipal councils, eight urban councils and ten rural districts with rural councils. The Local Government Act of 1996 had been passed in Parliament in July 1997, but has not yet been enacted. This Act is supposed to repeal the Urban Government Act of 1983. The stumbling block seems to be the fact that elections for local councils have not yet taken place (Ramodebedi, 2000). Once enacted, it will provide for the establishment of local authorities throughout Lesotho in a democratic manner for the first time.

Extensive policy reforms (e.g. regarding decentralisation, finances and human resource management) have been recommended in various reports to compliment the new local government structures, once the Local Government Act eventually becomes operative (Jonathan-Metlae, 2001).

The local government financial year runs from 1 April to 31 March.

2.3 Taxation

2.3.1 *Central Taxes*

Income tax and sales tax (at a standard rate of 10%) are important. Lesotho is to replace its sales tax with VAT in the course of 2002. The largest part of Lesotho's revenue comes from remittances from the Southern African Customs Union.

Capital gains and donations are treated as ordinary income and subject to income tax. Estate duty is levied at progressive rates (up to 33.5%). Transfer duty on the acquisition of immovable property is levied.

2.3.2 Local Taxes

The only tax at local government level is rates. It is presently only levied in one jurisdiction, namely Maseru.

2.3.3 Land-related Taxes

Transfer duty is levied by the national government with rates of between 3% and 4%.

Property tax is only levied within the Maseru City Council's area of jurisdiction. It is, however, in principle also available to other urban councils in Lesotho.

2.3.4 Land Value Tax

Although assessments are in practice made of land and improvements (separately), what is presently being rated is the improved value. In other words, the same tax rate is applied to both land value and the value of the improvements - as is the case in Botswana.

2.4 Land Policy Issues

No freehold title to land exists. All land in Lesotho is held by the King - in trust - on behalf of the people. Land use and the management of land are currently regulated by the Land Act of 1979.

The Land Policy Review Commission (chaired by Justice MM Ramodebedi) tabled its report in September 2000. It recommended a major overhaul of land policy and land tenure in Lesotho (Ramodebedi, 2000). It could not be established to what extent government has accepted the far-reaching recommendations of this commission.

2.5 Municipal Valuations and Property Tax: Legislation

Property tax, called 'rates', is levied in terms of the Valuation and Rating Act 1980 read with the Urban Government Act 1983.

Although legislation provides in principle that the existing municipal councils have the powers to levy rates, fees, charges, rents and fines, property tax (i.e. rates) is presently only levied by the Maseru City Council (in terms of the Valuation and Rating (Special Provision) Act 8 of 1996 read with the two Acts mentioned above). Before any council can levy rates, it must be declared a designated area by notice in the Government Gazette by the minister responsible for local government.

As all land is the property of the King, urban (and rural) land is occupied in terms of leasehold rights. A land rent is levied and collected by the national government. Apparently the amounts of land rent are presently nominal and the collection

administration poor. In principle a resident of Maseru will therefore pay land rent (for the right to occupy a plot of land) as well as rates in respect of the improvements on the land.

To date the valuation rolls for Maseru were prepared by valuers employed in the Department of Land, Surveys and Physical Planning. However, Maseru has recently appointed an 'in-house' valuer (i.e. as an employee of the city council) to do supplementary valuations as well as to take responsibility for the next revaluation (i.e. prepare a new valuation roll). It was argued that the service provided by the government was unreliable and not a government priority.

Table 2.4: Synopsis of Assessment and Property Tax Legislation

Lesotho	The Valuation and Rating Act 1980
Tax base	'Any house, building or other erection as well as fixtures thereto and improvements to, in, over or under land...'
Coverage	Properties within a 'designated area', including land and improvements held by the state
Taxpayer	'Owner', defined as a person having the primary legal interest entitling him to possession of land (by way of allocation, lease or licence)
Method(s) of assessment	The value of building and other improvements must reflect the estimated replacement cost, less allowances on account of structural depreciation, obsolescence, or change in nature of the locality
Assessment	Valuers are appointed by the minister responsible for this Act
Valuation roll	Must contain a legal description, the value, the size and the land use of the property as well as the name of the 'owner' and occupier (if to be occupied for longer than 4 years) The original valuation roll is filed with the Commissioner of Lands
Valuation cycles	3 years, but could be extended for a further 3 years (i.e. max 6 years)
Objections and appeal	Right of appeal to the Land Tribunal Before determination of appeal, the parties may agree to alter the value as recorded in the valuation roll; the 'agreed' value shall amend the original value (s 16(3))
Tax rates	Differential rates for different categories may be charged Rates are set annually and require ministerial approval
Exemptions	State-occupied property, property used for 'public benefit', property below a value threshold fixed by the minister
Relief measures	Remittance (in whole or in part) or postponement of payment where destruction or damage have been caused as a result of an act of God or overwhelming force; or by reason of 'poverty'
Collection	Payable in two half-yearly instalments by owner (or occupier if the owner cannot be found), however shorter intervals may be introduced
Enforcement	Interest on arrears (10% per annum) Clearance certificate required before any formal transfer By civil action in a magistrate's court, by sequestration of all or part of the owner's property or forced sale

2.6 Valuation and Property Tax: Practice

2.6.1 *Maseru*

2.6.1.1 *Assessment*

The current valuation roll was prepared by national government. However, as pointed out above, Maseru City Council will soon be responsible for its own valuations for rating purposes. Land and improvements are assessed separately. In terms of section 10 of the Valuation and Rating Act only the 'value of property' (i.e. improved value) need to be reflected in the valuation roll.

Although not rated, exempt properties (all non-rateable properties) are valued.

2.6.1.2 *Assessment Rates (i.e. Property Tax)*

Maseru rates on the improved value of rateable property. Differential rates are used on the basis of zoning. The rates for 2000/2001 were the following:

- (a) Residential properties (land and, where applicable, improvements): 0.25%
- (b) Commercial properties (land and, where applicable, improvements): 2.00%
- (c) Industrial properties (land and, where applicable, improvements): 2.75%

Although government properties are exempt, government pays a substantial grant in lieu of rates. Table 2.5 sets out the tax rates applicable to the various categories of rateable property. It is most noticeable that the rate on residential property is very low – in comparison to the rates applicable to commercial and especially industrial properties.

Table 2.5: Hypothetical Property: Land Value @ R50,000 and Improvements @ R200,000

Jurisdiction	Tax base	Use/Zoning	Tax Rate(s) (%)	Effective Rate
Maseru	Improved value (= site value + improvements)	Residential	0.25	0.25
		Commercial	2.00	2.00
		Industrial	2.75	2.75

2.6.1.3 *Collection and Enforcement*

The collection rate for the property tax is alarmingly low.

Maseru uses a rebate system as an incentive for early payment.

2.6.1.4 Ratepayer Education

There seems to be very little communication between council and ratepayers. It is therefore not surprising that relationships between the council and ratepayers are generally strained. There are no current efforts or attempts to educate ratepayers on the rating system.

2.6.1.5 Administrative Problems Identified

Municipal valuation is not a priority for the Department of Land Surveying and Physical Planning. This moved the Maseru city council to appoint its own in-house valuer.

During meeting involving the city valuer and the financial clerk responsible for collection, it became apparent that the one section is blaming the other for poor performance and the dismal state of affairs.

2.7 Current Property Tax Issues

Lesotho is experiencing serious problems in the area of local government finances generally and property tax specifically. The following are most prominent:

- Extending the coverage ratio to peri-urban areas (within Maseru)
- Extension of rates to other municipal and urban councils
- Lack of capacity to properly assess land, nationally, locally (e.g. by an in-house valuer employed by the city council) or even privately
- The lack of funds and resultant poor services, resulting in non-payment – a cycle which needs to be addressed urgently
- Collection of current and arrear rates

3 Namibia

3.1 Introduction

A German colony was established in 1884, but seized by South African troops during World War I in 1915. It was administered by South Africa since 1920, under a League of Nations mandate, as British South West Africa. In 1946 the United Nations refused its full incorporation in South Africa. It was only in 1988 that South Africa finally agreed to end its administration in accordance with a UN-brokered peace plan for the entire region. Independence from South Africa was eventually achieved on 21 March 1990.

3.2 Local Government

In 1992, two years after independence, substantial local government reforms were initiated when the Local Authorities Act, 23 of 1992, providing for the establishment and administration of urban local authorities, was enacted. This Act was substantially amended by the Local Authorities Amendment Act 24 of 2000. Local authorities are classified as municipalities, towns or villages. Presently there are only three local authorities classified as municipalities, namely Windhoek, Walvis Bay and Swakopmund.

Rural properties in Namibia fall within the jurisdiction of the 13 regional councils, established under the Regional Councils Act 22 of 1992. The primary function of regional councils is to co-ordinate development within the respective regions. Depending on circumstances, a regional council is empowered to perform local authority functions (as if a 'local authority' in terms of the Local Authorities Act) within a so-called 'settlement area' and is then empowered to levy rates and other duties in such an area. In terms of the Traditional Authorities Act of 1995, traditional authorities are also acknowledged as structures for the governance of primarily rural communities.

In terms of the Local Authorities Act 23 of 1992 a uniform system of local government applies throughout Namibia. (Previously it functioned in terms of an old 1963 Ordinance.) The Local Authorities Act was amended quite significantly by the Local Authorities Amendment Act 24 of 2000.

The three municipalities in Namibia are entitled to set their own property tax rates without any political or administrative interference by national government. In the case of all other local authorities, their tax rates are set locally, but must be approved centrally by the Minister responsible for Local Government before they can be applied legally.

It is also important to note that a land tax, based on site value, may soon be introduced in terms of the Agricultural (Commercial) Land Reform Act 53 of 1995, as amended by the Agricultural (Commercial) Land Reform Amendment Act 16 of 2000. The revenue from this tax will go to the Land Acquisition and Development Fund (administered by the Ministry of Lands, Reform and Rehabilitation).

The financial year of (urban) local authorities runs from 1 July to 30 June. (In the instance of regional councils it runs from 1 April to 30 March.)

3.3 Taxation

3.3.1 Central Taxes

The most important taxes are income tax (personal and corporate), value-added tax (VAT) and transfer duty. There is no capital gains tax, estate duty or donations tax.

3.3.2 Local Taxes

Municipal councils buy electricity and water in bulk from Nampower and Namwater respectively for provision to end-users/consumers. In the past the profits realised on the provision of electricity was used to subsidise the rates account. Changes in the distribution of electricity, has resulted in changes. This impacts directly on property tax as revenue source. Profits on trading services (e.g. the sale of electricity or water) and assessment rates (i.e. property tax) are the most important own sources of tax revenue for local authorities.

3.3.3 Land-related Taxes

The national government levies a transfer duty on the acquisition of immovable property in terms of the Transfer Duty Act 14 of 1993. (This Act is to a large extent based on its predecessor, South Africa's Transfer Duty Act 40 of 1949.) In terms of section 2(1) of the Transfer Duty Act the tax rates are as follows:

- (a) 1% of the value of property as -
 - (i) in the case of unimproved land does not exceed N\$24,000;
 - (ii) in the case of improved land does not exceed N\$60,000;
- (b) 5% of the value of property as -
 - (i) in the case of unimproved land exceeds N\$24,000 but not N\$250,000;
 - (ii) in the case of improved land exceeds N\$60,000 but not N\$250,000;
- (c) 7% of the value of property as exceeds N\$250,000, whether such land is improved or unimproved.

Where agricultural land is acquired by a person to whom an advance has been made by the Agricultural Bank of Namibia (in terms of s 46(1)(a) of the Agricultural Bank Act 13 of 1944), the rates are as follows (s 2(1)(c) of the Transfer Duty Act):

- (a) 1% of the value as does not exceed N\$30,000;
- (b) 3% of the value that exceeds N\$30,000.

3.3.4 Land Value Tax

Although section 73(1)(b) of the Local Authorities Act of 1992 allows for the levying of rates - called a 'site value rate' - on the value of land only, this option is not used by any of the local authorities currently levying rates.

As section 67(1)(d) requires that a valuation roll must contain, with regards to every rateable property, 'its total value, showing separately the value of the land and the value of any improvements effected on such land', it would in principle not be too problematic (from a practical point of view) to introduce a tax on the value of land only.

3.4 Land Policy Issues

To date very little information could be obtained in respect of housing and land policy in Namibia.

A recent development was the establishment of a Land Acquisition and Development Fund (which is to be administered by the Land Reform Advisory Commission) in terms of the Agricultural (Commercial) Land Reform Amendment Act 16 of 2000. Furthermore a Valuation and Estate Management Unit was established recently (in March 2001) within the Ministry of Lands, Resettlement and Rehabilitation. This unit will be responsible for the assessment of at least commercial farmland in Namibia (Shivute, 2001).

3.5 Municipal Valuations and Property Tax: Legislation

The property tax system in Namibia is historically based on the system operative in the former Cape Province of South Africa. Presently property tax is only levied by urban municipalities.

Properties are assessed and property tax, called 'rates', is levied in terms of the Local Authorities Act 23 of 1992, by urban municipalities throughout Namibia. Part XIV (s 66- s 72) of the Act deals with the 'valuation of rateable property within local authority areas' and Part XV (s 73- s 78) with 'rates on rateable property'. (The Local Authorities Act was, also as far as rating is concerned, amended rather extensively by the Local Authorities Amendment Act 24 of 2000.)

In 1995 only 27 of the 45 local authorities had valuation rolls (Howard, 1995). Town and village councils are entitled to charge rates upon a basis other than that of valuation, on prior approval by the minister. Only one council has availed itself of this option. The other local authorities were awaiting a proclamation that would provide a framework for allocation of freehold tenure, which would enable them to introduce rates (Howard, 1995). As land is allocated within villages, a rating system based on values of properties can be introduced. For example, a valuation roll for the village of Rundu (on the Kavango River, bordering Angola) has recently (2001) been completed which will enable the village council to introduce rates.

As stated above, the three municipalities set their own tax rates. They only require ministerial approval should the effective tax rate on the total value exceed 2.5%. The tax rates, set by the smaller councils themselves, must be approved by the ministry responsible for local government.

In terms of section 77 of the Local Authorities Act, 5% of a local authority's income from rates must be collected for the benefit of and paid over to the regional council of the region within which that local authority is situated.

Only local authorities (i.e. municipalities, town and villages) levy rates at present. However, section 76 of the Agricultural (Commercial) Land Reform Act 6 of 1995 provides for the possible introduction of a land tax 'to be paid by the owners of agricultural land'. The 'rates, method of calculation and the time and manner of payment and collection of such tax' may be prescribed by the Minister of Lands, Resettlement and Rehabilitation. The establishment of the unit referred to above is clearly a step in the direction of introducing a property tax (i.e. 'land tax') in rural areas. The revenue from the land tax will be directed to the Land Acquisition and Development Fund.

No evidence could be found that the taxation of communal land is being considered. In terms of the Traditional Authorities Act 17 of 1995 a community trust fund may be established by a traditional authority, in consultation with the members of the traditional community, and towards which the members of the community may contribute, for a range of cultural and community-related purposes (s 14).

Table 2.6: Synopsis of Assessment and Property Tax Legislation

	Local Authorities Act 23 of 1992
Tax base	Municipalities can generally decide on any one of 4 bases: * general rate (on the value of the whole of such rateable property); or * site value rate (on the value of the land only); * improvement rate (on the value of improvements only); or * site and improvement rate (on the values of the land and the value of improvements, but separately)
Coverage	All rateable properties situated within the areas of all local authorities
Taxpayer	Owner (or occupier in respect of council property) of rateable land
Method(s) of assessment	Land: market value Improvements: estimated costs of construction or erection, with due regard to structural depreciation, obsolescence or changes in circumstances in the vicinity of such improvements
Assessment	'A fit and proper person' as valuer In-house (e.g. Windhoek) or outsourced (e.g. Okahandja, Karibib)
Valuation roll	Must show the total value of rateable property, and separately the value of the land and the value of improvements
Valuation cycles	Maximum 5 years
Objections and appeal	Valuation court (to consider all valuations and hear any objections) High Court (appeals)
Tax rates	Rates are fixed annually, ministerial approval required Uniform rates or different rates (on the basis of area or zoning)
Exemptions	'Standard' exemptions of properties used exclusively for purposes of the principle activities of any church, school, hospital, amateur sporting organization, charitable institution
Relief measures	20% rebate for any building other than a 'dwelling' owned by the Namibian government or a regional council; 75% rebate for agricultural land No other relief measures are mentioned in this Act
Collection	Payable in monthly instalments
Enforcement	Interest on arrears (at the rate as prescribed in the Prescribed Rate of Interest Act 55 of 1975) A 'conveyancer's certificate' is required before any formal transfer will be registered in the deeds office Seizure and public sale (after 3 years)

3.6 Valuation and Property Tax: Practice

3.6.1 *Windhoek*

The capital city of Windhoek, with a population of approximately 250,000, is situated centrally on the Khomas Hochland plateau. It is a spacious city spread out over a relatively large area.

3.6.1.1 Assessment

Windhoek City Council is responsible for its own property valuations, i.e. it has an in-house valuation department with four valuers or assistant valuers and two trainees (Karumazondo, 2001). General revaluations were undertaken and became operational with 5-year intervals in 1981, 1986, 1991 and 1996. A new valuation roll, with a valuation date (effective date) of 1 July 2000, was supposed to become operational from 1 July 2001. However, it was declared void by the valuation court because not all properties were physically inspected and apparently because the municipal valuer is not registered as a valuer in Namibia.

Although not rated, non-rateable properties are valued. Table 2.8 presents the total values of all properties in Windhoek.

Table 2.7: Values as Assessed for the City of Windhoek

Date	Site Value	Improvement Value	Penalty Value ¹	Total Value
95-06-30	1,368,584,069	3,594,884,030	88,044,519	5,051,512,618
96-06-30	1,718,811,128	4,209,384,217	139,335,881	6,067,551,226
97-06-30	3,237,281,504	6,699,607,137	177,067,785	10,113,956,526
98-06-30	3,391,376,219	7,217,439,679	279,405,104	10,888,222,002
99-06-30	3,393,215,385	7,355,134,369	251,091,292	11,000,041,046
00-06-30	3,412,988,542	7,545,484,615	258,266,651	11,216,739,808

Source: Windhoek City Council

- 1 'Penalty value' refers to the value of deemed improvements on properties remaining unimproved for a period of at least two years. A penalty rate is charged on such properties in terms of section 76A of the Local Authorities Act.

According to the chief municipal valuer, problems are experienced in a number of areas such as the assessment of sectional title schemes and municipal housing schemes (Karumazondo, 2001).

3.6.1.2 Assessment Rates (i.e. Property Tax)

Windhoek taxes site and improvements as separate taxable objects, with the tax on site value much higher than the rate on the value of improvements. The reason stated is the encouragement of improvements. Table 2.8 presents a history of Windhoek's tax rates from 1 July 1995 to 30 June 2001.

Table 2.8: Tax Rates in the City of Windhoek

Period	Property Rates (cents per N\$ per year)		Total rates charged divided by total valuation of city (including non-rateable properties)
	On Site Value	On the Value of Improvements	
95-06-30	2.398	0.5400	0.7515
96-06-30	2.998	0.6756	0.8168
97-06-30	1.536	0.3960	0.5557
98-06-30	1.824	0.4680	0.5898
99-06-30	2.004	0.5160	0.6449
00-06-30	2.172	0.5640	0.7636

Source: Windhoek City Council

Windhoek does not differentiate on the basis of use or zoning. The rates on site value and the value of improvements are the same for all categories of properties. However, state-owned properties receive a 10% rebate.

In 2000/2001 rates will account for approximately 19.35% of total revenue in Windhoek, approximately N\$98 million out of N\$507 million budgeted. (Electricity is the most important source of revenue.)

3.6.1.3 Collection and Enforcement

The collection rate for the property tax as such cannot be supplied. All municipal accounts reflect the total bill for rates, electricity, water, refuse removal and sewerage charges. On the total, however, the collection rate is above 85%.

Windhoek used to have an incentive for early payment. Taxpayers had a built in 10% discount for early payment. This has now been discontinued (as a result of political pressure). Now accounts reflect the full amount and council must rely on interest on arrears.

A powerful tool in the enforcement of payment at the time of any transfer of property rights, is the conveyancer's certificate. A recent amendment to the Local Authorities Act now provides that a conveyancer's certificate can be withheld until all municipal services (and not merely property rates) have been paid. However, the Registrar of Deeds sometimes allows transfer without a conveyancer's certificate, in light of an amendment to the Registration of Deeds Act 47 of 1937 that took away municipal control in favour of the conveyancer's judgement regarding the ratepayer's ability to pay (Schwartz, 2001).

Problems are sometimes encountered with the collection of arrears in respect of sectional title schemes (Schwartz, 2001).

3.6.1.4 Ratepayer Education

A monthly newsletter and a detailed monthly account (stating, for example, the rates are levied on site and improvements respectively, not merely an aggregate amount) are sent to all property owners.

3.6.2 Okahandja

The small town of Okahandja is situated 71 km north of Windhoek. It actually consists of the town, Veddersdal, Naibaib township and 'R5 camp'. The total population is estimated at 25,000. It is principally an agricultural service town with limited industry. There is a large abattoir.

Its principle sources of revenue are electricity, water and property rates. Substantial profits are presently realised on the provision of both electricity and water. The future reliance on these profits is uncertain, which will put more pressure on rates.

Properties are rated on site value and also on the value of improvements, however at a lower rate. The council does not strictly enforce the 'improvement within 2 year' rule that entitles the council to levy a penalty rate. Furthermore, it struggles to get the municipal valuer to do the interim valuations (e.g. of new construction, subdivisions, etc.). This results in the council losing some revenue. The next revaluation is due in 2002. The last general revaluation was done in 1997. The valuation roll is prepared (and consequent interim valuations undertaken) by a private firm of valuers based in Windhoek.

The following five categories of property are rated: residential, business, industrial, government, (agricultural) small holdings. The rateable values are set out in Table 2.9:

Table 2.9: Values and Monthly Rates for Okahandja

Property Category	Total Rates (monthly)	Site Value	Value of Improvements
Residential	N\$ 162 205.09	N\$ 36 509 504	N\$ 260 922 098
Business	N\$ 3 456.03	N\$ 1 031 100	N\$ 3 152 000
Industrial	N\$ 8 688.66	N\$ 351 000	N\$ 26 612 000
Government	N\$ 1 699.57	N\$ 393 000	N\$ 2 989 000
Small holdings ¹	N\$ 1 123.98	N\$ 1 709 000	N\$ 7 525 000
Total:	N\$ 177 173.33	N\$ 39 993 604	N\$ 301 560 098

1 Small holdings pay only 25% - i.e. get a 75% rebate.

Joint accounts (reflecting rates and municipal trading services) are sent out monthly. The treasurer was uncertain as to the level of collection, but estimated it at approximately 85%.

3.6.3 Other Jurisdictions

Apart from Windhoek that has an in-house valuation department, all other jurisdictions appoint municipal valuers on the basis of open tender, in other words assessment is outsourced to the private sector.

Table 2.10: Hypothetical Property: Land Value @ N\$50,000 and Improvements @ N\$200,000

Jurisdiction	Tax base	Use/Zoning	Tax Rate(s) ¹ (%)	Effective Rate
Henties Bay	Site Value Improvements	Differential rates Uniform	3.37 (res) 0.52	1.09%
Karibib	Site Value Improvements	Uniform Uniform	2.5 0.7	1.06%
Swakopmund	Site Value Improvements	Uniform Uniform	2.0028 0.5784	0.86%
Walvis Bay	Site Value Improvements	Uniform Uniform	4.696 0.24	1.13%
Windhoek	Site Value Improvements	Uniform Uniform	2.172 0.564	0.95%

1 Rebates generally apply with regard to government property (20%) and agricultural small holdings (between 60% and 75%).

3.7 Current Property Tax Issues

- The introduction of a land tax on commercial farm land
- The reliance on surpluses on trading services as a subsidy of the rates account
- The valuation of sectional title schemes (i.e. strata titles) and the collection of rates in arrears from individual owners of sectional title units
- Rates may be levied on the value of ‘deemed’ improvements where an undeveloped plot bought from a municipality was not improved within an agreed period
- The circumvention of conveyancer’s certificates which would prevent transfer of ownership of properties in respect of which rates are in arrears
- Collection rates in respect of some municipalities and the collection of rates in arrears generally

4 South Africa

4.1 Introduction

South Africa is a young democracy still trying to come to terms with its colonial and apartheid past. In 1910 the four British colonies (the Cape of Good Hope, Natal, Orange Free State and Transvaal) formed the Union of South Africa and in 1961 South Africa gained its independence from Britain, immediately giving up its membership of the British Commonwealth.

After decades of institutionalised apartheid, and as a result of mounting external and internal pressures, the former National Party government legalised banned political movements (e.g. the ANC) early in 1990. This was followed by a four-year period of intense negotiations and the acceptance by all participating political parties to establish a new, non-racial constitutional dispensation. The first fully democratic elections were successfully held in April 1994, initiating a new constitutional, social and economic order.

4.2 Local Government

South Africa is almost at the end of an eight-year period of dramatic and far-reaching local government reform. On 5 December 2000 new municipal structures, as demarcated by the Municipal Demarcation Board (in terms of the Local Government: Municipal Demarcation Act 27 of 1998) and covering the total surface area of the country, were established as provided for in the Local Government: Municipal Structures Act 117 of 1998 read with the 1996 Constitution. The result was a substantial reduction in the number of municipalities from 843 to 284.

A distinction must be drawn between metropolitan and non-metropolitan areas. Six single-tier metropolitan municipalities were established. In non-metropolitan areas a two-tier structure was retained. Across the nine provinces there are 50 district municipalities and within each district municipality there is one or more of the 228 local municipalities. The rationalisation was primarily achieved by the amalgamation of primary-tier urban and rural municipalities into new local municipalities. The new structures became operative on 5 December 2000, the date on which countrywide local government elections were held.

The newly established municipalities all face considerable challenges. Some experience financial stress, management practices are often inadequate, institutional systems are dysfunctional, service delivery is inefficient or lacking and operating costs are disproportionately high. To all of this must be added the difficulties presented by integrating budgets, staff, IT systems and the alignment of assets and liabilities (*Budget Review*, 2001).

Table 2.11 presents an overview of the changes regarding municipal structures.

Table 2.11: The ‘Old’, the ‘Transitional’ and the ‘New’ Municipalities

Apartheid Municipalities (Pre-1994)	Transitional Municipalities (1994/5 – December 2000)	‘New-look’ Municipalities (Post- 5 December 2000)
White local authorities Black local authorities Regional services councils	<u>Metropolitan:</u> Transitional metropolitan councils (6) Metropolitan local councils (24) <u>Non-metropolitan:</u> District councils (42) Transitional local councils (for urban areas) (505) Transitional representative or rural councils (for rural areas) (266)	<u>Metropolitan:</u> Metropolitan municipalities (6) <u>Non-metropolitan:</u> District municipalities (50) Local municipalities (228)

Metropolitan municipalities in South Africa is responsible for approximately 97% of their own revenue, secondary cities for approximately 93% and smaller local municipalities on average approximately 60%. With revenue from this source in excess of R10 billion in the 2000/2001 financial year, the role of property tax is significant (*Budget Review, 2001*).

4.3 Taxation

4.3.1 Central Taxes and Provincial Taxes

At the national sphere income tax on individuals, company tax and value-added tax are the primary sources of tax revenue. Other noticeable taxes include capital gains tax, transfer duty, stamp duties, estate duty, donations tax, the fuel levy as well as customs and excise duties.

Provinces in South Africa have limited revenue-raising powers in terms of the 1996 Constitution. It is, for example, interesting to note that provinces are explicitly prohibited from levying any ‘rates on property’, i.e. property tax (s 228 of the Constitution).

4.3.2 Local Taxes

Payroll and turnover taxes (the so-called ‘RSC levies’), at very low rates, are levied by metropolitan and district municipalities. Collectively these two levies raised approximately R3.9 billion in the 2000/2001 financial year (*Budget Review, 2001*).

Profits on trading services (i.e. surcharges on specific municipal services, especially the provision of electricity, water, sewerage and refuse removal) are also important sources of revenue for municipalities.

The most important source of *tax* revenue, however, is property tax (called ‘rates on property’). Although it only represents approximately 20% of total local government income (*Budget Review*, 2001), it represents more than 60% of own tax revenue. Grants from central (and provincial) government represent a fraction of local government income. More than 90% of local government revenue is self-generated.

Section 229 of the Constitution guarantees ‘rates on property’ as an own source of revenue for municipalities. Apart from property tax, a municipality may also levy ‘surcharges on fees for services provided by or on behalf of the municipality’.

4.3.4 Land-related Taxes

At the national sphere of government, either value-added tax (VAT) is levied (in terms of the Value-added Tax Act 89 of 1991) or transfer duty (in terms of the Transfer Duty Act 40 of 1949) is payable when immovable property is acquired. The standard rate for VAT is 14%. The tax rates for transfer duty depends on the nature of the person who acquires immovable property, and possibly also on the value of the property (see below). When VAT is payable, the transaction is transfer duty exempt (s 9(15) of the Transfer Duty Act).

Where a natural person acquires property (as defined in the Transfer Duty Act), the following tax rates apply:

- (a) 1% on the first R70,000 in value;
- (b) 5% on the value exceeding R70,000 up to R250,000; and
- (c) 8% on the value exceeding R250,000.

Persons other than natural persons (e.g. companies) pay transfer duty at a flat rate of 10%.

Estate duty or donations tax (both levied at a flat rate of 15%) may be payable with regard to a transfer of immovable property. As from 1 October 2001, capital gains tax may also be payable where a capital gain on a transaction pertaining to immovable property is concerned - unless an exemption applies.

As indicated above, provinces do not levy any form of property tax. At local government level, property tax is the most important source of *tax* revenue (in excess of 60%).

4.3.4 *Land Value Tax*

Land value tax (called ‘site rating’) is presently levied in almost a third of South Africa’s local municipalities (Bell and Bowman, 1998) and in at least two metropolitan municipalities (Johannesburg and Tshwane (formerly Pretoria)).

It has however been rumoured that the new national framework legislation to be tabled in Parliament in 2002 will only allow for capital improved values as tax base for rates on property.

4.4 Land Policy Issues

Various options could be explored to ensure that the beneficiaries of land reform (i.e. land redistribution or land restitution) programmes (i.e. new entrants into the property market) are not affected too adversely by the extension of the property tax into areas not taxed previously. Rather than exclude such land from the tax base, it would be possible to use differential tax rates, the phasing in of liability for tax, tax deferrals, and/or a temporary exemption. The Department of Land Affairs is in favour of a temporary exemption for a specified period of not less than three years (Department of Land Affairs, 1999; Franzsen, 2000).

Whereas a rural land tax was - only a few years ago - viewed as an effective and powerful instrument to bring about much-needed land reform (especially in the form of land redistribution), the mood has changed markedly. It is, after much debate, more realistically viewed as merely a useful source of municipal revenue for municipalities in non-metropolitan areas (Franzsen, 2000).

4.5 Municipal Valuations and Property Tax: Legislation

Presently property tax, called ‘rates on property’, is still levied in terms of four pre-April 1994 provincial ordinances in South Africa’s nine provinces. It is levied by metropolitan municipalities and within *urban* areas of local municipalities. There are few material differences between the various provincial ordinances (Franzsen, 2000).

In terms of all four ordinances a municipality can choose between at least two of the following three rating systems, namely:

- Site rating (i.e. taxing only the unimproved value of land);
- Flat rating (i.e. taxing the improved value of land); or
- Composite or differential rating (i.e. taxing the unimproved value, and also the value of any improvements, but separately and at different tax rates).

Across the country the use of these different systems are evenly spread - each accounting for approximately a third of the municipalities (Bell and Bowman, 1998). Property tax is

not currently levied on *rural* land situated outside the urban centres of the new local municipalities, but will be extended to these areas soon.

Material reform as regards property tax is to be introduced when the Local Government: Property Rates Bill is eventually enacted (probably only in 2002). The following reasons for bringing about property tax reform should suffice (Franzsen and McCluskey, 2000):

- The Constitution provides for national framework legislation to regulate rates on property (section 229).
- The current four provincial ordinances, dating from the pre-1994 dispensation, are out-dated in the context of the new constitutional dispensation (where four provinces and ten black homelands have been reconstituted into nine ‘new’ provinces from 27 April 1994).
- The provincial ordinances do not provide for computer-assisted mass appraisals (CAMA) and still require a physical inspection of every rateable property. As an interim measure, the Local Government: Municipal Structures Act has been amended in November 2000 to provide for the use of CAMA and to make physical inspections optional.
- From 5 December 2000 there are no longer separate urban and rural municipalities. Property taxes will therefore be extended to the rural areas of the newly-established local municipalities (in non-metropolitan areas) which now typically consist of a number of towns and all the rural land in between.
- Should a local municipality with the capacity to extend its property tax base to rural areas (not presently taxed) choose not to do so, it may prove to be to that municipality’s (financial) detriment (see section 227(2) of the Constitution) when it comes to grant assistance from the national government.
- Current legislation does not provide for effective and equitable differentiation of tax rates.

The process of drafting the Property Rates Bill started at the end of 1997. Various drafts were circulated among government officials and consultants. Public tensions rose as wild rumours regarding the new property tax dispensation spread. It was only the 11th draft of the Property Rates Bill that was eventually published for public comment on 4 August 2000. Numerous submissions were received before the 4 October 2000 deadline and government is presently still considering these.

The Department of Provincial and Local Government is presently working on yet another draft which they hope to introduce in Parliament in October 2001. However, it will only be tabled in 2002. Presumably the Bill will be debated at public hearings of the appropriate Portfolio Committee in Parliament as part of the public debate on this highly contentious matter, before it is eventually passed into law (Franzsen, 2001). It has been rumoured that the latest version of the Bill provides for one tax base only, namely ‘improved value’, i.e. site rating and composite rating are to be discarded. This will have a major impact on those municipalities that have been using these tax bases until now.

Table 2.12: Synopsis of Assessment and Property Tax Legislation

South Africa	Various provincial ordinances The Local Government: Property Rates Bill (11th draft)
Tax base	Site rating (land value only); Flat rating (improved value); or Composite rating (land and also improvements, but at separate tax rates)
Coverage	Urban properties - to be extended to rural properties
Taxpayer	Owner of rateable land (or occupier in respect of municipal council property)
Method(s) of assessment	Land: Comparable sales Improvements: residual value (i.e. capital value - site value) in most provinces
Assessment	Registered valuers: in-house (larger cities) or private (smaller councils)
Valuation roll	Detailed: 3 values for each rateable property required
Valuation cycles	4-5 years
Tax rates	Uniform rates for all categories – to be changed Rates ‘struck’ annually
Objections and appeal	No informal inquiry stage; valuation board (objections); valuation appeal board (appeals)
Exemptions	Limited; however grants-in-aid achieve similar result
Relief measures	Residential properties (‘indirect’ differentiation) receive substantial rebates Additional relief for hardship cases (e.g. low income, pensioners, etc.)
Collection	Monthly instalments (residential) Biannual instalments (commercial, industrial)
Enforcement	Interest on arrears Clearance certificate required before any formal transfer Seizure and public sale (after 3 years)

4.6 Valuation and Property Tax: Practice

4.6.1 *Tshwane Metropolitan Council (i.e. Pretoria)*

Pretoria is the capital city of South Africa. It was founded in 1855 and gained city status in 1931. It is located in the north of Gauteng province. Pretoria’s population is estimated at 1.1 million (2001) and its surface area - before the recent changes to municipal boundaries - was 70,319 hectares.

4.6.1.1 Assessment

By law the valuation roll has to reflect the value of land (site value) and also the value of the improvements. Non-rateable properties and exempt properties are reflected in the valuation roll.

There have been general revaluations in 1993, 1996 and 2000. Table 2.13 reflects the values of land, improvements and total value (including exempted and non-rateable land).

Table 2.13: Property Values in Greater Pretoria

As at 30 June	Site Value (Rand)	Improvements (Rand)	Improved Value (Rand)
1993	8,321,585,071	17,538,963,100	25,860,548,171
1996	10,180,386,280	24,103,538,470	34,283,924,750
2000	11,860,734,209	31,601,572,570	43,462,306,779

4.6.1.2 Rates (i.e. Property Tax)

The Tshwane council taxes only the value of land, in other words Pretoria utilises a form of LVT For a two-year period only (the 1997/1998 and 1998/1999 financial years) improvements were also taxed at a nominal rate (0.24%).

Table 2.14: Assessment Rates in Pretoria (1997-2001)

Financial Year	Rate in the Rand		Assessment Rates	% Change
	Land	Improvements		
1997/1998	7.929	0.24	R637,397,152	60.4%
1998/1999	7.959	0.24	R663,987,638	4.2%
1999/2000	8.390		R672,013,877	1.2%
2000/2001	8.927		?	?

4.6.1.3 Collection and Enforcement

Although collection rates on aggregate remain high, there is marked disparity between different areas within the metropolitan area. It is an area of some concern. Early settlement of the monthly municipal accounts is rewarded with a small discount.

4.6.1.4 Ratepayer Education

A monthly newsletter and public meetings are used to inform ratepayers of rates-related matters.

4.6.2 Other Jurisdictions

Table 2.15: Hypothetical Property: Land Value @ R50,000 and Improvements @ R200,000

Jurisdiction	Tax base	Use/Zoning	Tax Rate(s) (%)	Effective Rate
Pretoria	Site Value	Commercial/Industrial	8.927	1.79%
		Residential	5.803	1.16%
Wakkerstroom	Site Value	Uniform	22.00	4.4% ¹
Albertinia	Improved value	Res/Commercial/Industrial	1.460	1.46%
		State	1.8488	1.85%
Still Bay	Site Value	Uniform	1.642	0.59%
	Improvements	Uniform	0.327	

1 Not realistic as land values are generally much lower than 20% of total value.

4.7 Current Property Tax Issues

There are a number of policy issues and practical problems regarding tax base, assessment and tax collection that municipalities will experience when the Property Rates Bill becomes law. These include (Franzsen, 2000; Franzsen, 2001):

- The diversity of tax bases (e.g. site value versus capital improved value)
- The exclusion of ‘public infrastructure’
- The taxation of agricultural land and communal land
- Valuation methodology and capacity
- The responsibility for valuation quality control
- Valuation of sectional title (strata title) schemes
- Setting of tax rates, differential tax rates and rate-capping
- Municipal rates (i.e. property tax) policies
- The capacity of especially non-metropolitan councils to collect (e.g. proper billing) and enforce payment of property taxes
- The lack of proper taxpayer education

5 Swaziland

5.1 Introduction

Swaziland is a former British colony. Its autonomy was originally recognised by the Transvaal Republic and by Britain, but it became a special High Commission territory in 1903. It gained its independence from Britain in 1968. The head of state and the government is the King of the Swazi nation. The King appoints the prime minister and cabinet.

It is a small, land-locked country, bordered by South Africa and Mozambique. It relies on subsistence agriculture, migrant labour in South Africa as well as remittances from the Southern African Customs Union (with South Africa, Botswana, Lesotho and Namibia).

5.2 Local Government

Local government is regulated in terms of The Urban Government Act 1969. This Act is outdated and local government will probably be reformed in the near future (Dlamini et al, 2000; Steffensen and Trollegaard, 2000).

5.3 Taxation

5.3.1 *Central Taxes*

Income tax is the most important tax. Sales tax and transfer duty is also levied. Swaziland has no capital gains tax, estate duty or donations tax.

5.3.2 *Local Taxes*

The only tax of significance at local government level is the property tax (i.e. rates).

5.3.3 *Land-related Taxes*

At national level transfer duty is levied at the following rates:

- (a) First E40,000 in value at 2%;
- (b) E40,001 to E60,000 at 4%;
- (c) The value in excess of E60,000 is taxed at 6%.

At local level rates is very important.

5.3.4 Land Value Tax

In Mbabane land and improvements are assessed and taxed separately, with land taxed at a higher rate than improvements. The Rating Act provides for the option to tax only the value of land.

5.4 Land Policy Issues

Wide-ranging reforms as regard government policies have been implemented in recent years and further reforms have been proposed (ESRA II, 1999). It includes land and tenure reform proposals. For example, a 99-year leasehold tenure on Swazi Nation Land was initiated, and it was planned (in 1999) to extend this concept to rural land, where customary tenure is an impediment to development.

5.5 Municipal Valuations and Property Tax: Legislation

Property tax, called 'rates', is levied in terms of the Rating Act 1995. In terms of the Schedule to the Rating Act property tax may presently only be levied by the cities of Mbabane and Manzini, and the towns of Nhlngano, Piggs Peak, Siteki and Matsapa.

A local authority must give public notice of any categorisation of properties that will be subject to differential rating it intends introducing, together with the reasons therefor. The councils of both Mbabane and Manzini use differential rating.

Apparently Swaziland is contemplating property tax reform. However, the nature and extent of the reform, and the reasons therefore, are as yet unclear.

Table 2.16: Synopsis of Assessment and Property Tax Legislation

Swaziland	Rating Act, 1995
Tax base	Rates may be assessed and levied on: * the valuation of land; * the valuation of the improvements; * a combination of the valuation of land and improvements; or * the total valuation of the property
Coverage	All immovable property within the area of the local authority
Taxpayer	Owner of rateable land
Method(s) of assessment	Market value of the land and the improvements, but ignoring value accrual resulting from the presence or proximity of minerals or precious stones
Assessment	Local authorities may only appoint a valuer from ‘a panel of eligible valuers’ as gazetted by the minister - selection by open tender
Valuation roll	Must contain the values of the land, the improvements, the improved property of each separate property, the zoning, the nature of the use
Valuation cycles	Maximum 5 years
Objections and appeal	Valuation court (objections) High Court (appeals)
Tax rates	Rates are fixed annually Different rates may be charged upon specified categories or residential or non-residential properties – with ministerial approval
Exemptions	Churches, schools, registered charitable institutions, hospitals, a ‘public place’ (as defined), public libraries, museums, art galleries, embassies
Relief measures	Not regulated in this Act
Collection	Annually, but may arrange for payment by monthly instalments
Enforcement	Interest on arrears (at 15% per annum) Clearance certificate required before any formal transfer Legal proceedings must be initiated within 2 years from date on which rates became due and payable Seizure and public sale (within 3 years from date of judgment)

5.6 Valuation and Property Tax: Practice

5.6.1 *Mbabane*

The capital city of Mbabane is located in the mountainous, western part of Swaziland. Its population is less than 50,000.

5.6.1.1 *Assessment*

Valuation for rating purposes in Mbabane has been outsourced to the private sector. The municipal valuer is selected in terms of an open bidding process and is appointed for a period of five years.

The valuation roll reflects both land values and the value of improvements. The current valuation roll was prepared in 1996 and a general revaluation of the 9,372 rateable properties is currently (2001) under way.

5.6.1.2 Assessment Rates (i.e. Property Tax)

Mbabane levies rates on the value of land and also on the value of improvements. It also utilises differential rates, differentiating between residential, commercial and industrial, and government properties.

Table 2.17: Growth in Importance of Rates in the City of Mbabane

Financial Year	1994/1995	1995/1996	2000/2001	2001/2002
Rates as % of Total Revenue	48.76%	60.19%	73.89%	77.94%

Table 2.18: Hypothetical Property: Land Value @ R50,000 and Improvements @ R200,000

Jurisdiction	Tax base	Use/Zoning	Tax Rate(s) (%)	Effective Rate
Mbabane	Site Value	Residential	1.96	0.656% (residential)
		Commercial	5.91	
		Government	2.12	
	Improvements	Residential	0.33	1.974% (commercial)
		Commercial	0.99	
		Government	2.12	

5.6.1.3 Collection and Enforcement

At 74.31% of total income rates are an important source of revenue for the Mbabane City Council. However, arrears are a cause for concern. The target collection of 75% was not reached in 2000/01, but there was an improvement on the low of 55% of the previous year (Mbabane, 2001).

5.6.1.4 Ratepayer Education

The city council maintains a user-friendly web site (for those who can utilize it!) and also publishes a monthly newsletter. The web site provides, amongst other things, answers to frequently asked questions regarding property tax. It also provides a hyper link to the Rating Act of 1995.

5.6.2 *Manzini*

Manzini, a city of similar size than Mbabane, also utilises a system of split rates with the tax rates on land much higher than those on improvements in case of residential properties. Manzini also utilises differential rates.

5.7 Current Property Tax Issues

The following issues have thus far been identified –

- The wide range of possible tax bases
- The collection of current rates and rates in arrears
- Outdated local government legislation, making it difficult to enforce rates legislation (Dlamini et al, 2001).

Part 3: Specific Issues Regarding Property Taxation in the Five Countries Studied

1 Importance of Property Tax as a Source of Revenue

In Botswana property tax is a very important own source of revenue. Support grants from the central government however remain the most important source of revenue for urban municipalities. As electricity and water are not provided to consumers by municipalities, these services cannot be utilised for revenue purposes.

In Lesotho property tax is the most important source of revenue in the case of Maseru (the only jurisdiction currently empowered to levy rates).

In Namibia profits on trading services (e.g. electricity and water) and property tax are the most important sources of revenue. Government grants and subsidies are becoming less important (Hennies, 2001). This will place more emphasis on property tax in future.

At approximately 21% of local government operating income, property tax is the most important own source of *tax* revenue at the local government sphere in South Africa (*Budget Review, 2000; Budget Review, 2001*). Profits on trading services remain important sources of revenue for municipalities, however this is bound to change when new policy directives regarding to the provision of water and electricity are introduced. Property tax is set to become even more important in future.

Property tax is the most important source of revenue in Swaziland (Dlamini et al, 2000; Steffensen and Trollegaard, 2000), at least in the capital of Mbabane.

Current data to indicate the importance of property tax as a percentage of total income at local government level, or as a percentage of total revenue or GDP in Botswana, Lesotho,

Namibia and Swaziland could not be obtained. Table 3.1 indicates the importance of property tax as a source of revenue for each of the capital cities of the five countries.

Table 3.1: The Importance of ‘Rates’ as a Percentage of Total Operating Income in the Five Capital Cities

Country	City	Estimated Operating Income (2000/01)	Estimated Total Rates (2000/01)	Rates as % of Total Income
Botswana	Gaborone	P 99,765,820	P 21,030,370	21.08%
Lesotho	Maseru	L 30,929,392	L 14,895,052	48.16% ¹
Namibia	Windhoek	N\$ 507,000,000	N\$ 98,000,000	19.35%
South Africa	Pretoria	R5,647,000,000	R 984,000,000	17.43%
Swaziland	Mbabane	E 32,827,000	E 24,393,000	74.31%

1 85.59% if the government grant in lieu of rates is to be regarded as a form of property tax.

2 Choice of Tax Base

Table 3.2: Tax Bases provided for in Legislation

Country	Land value (i.e. site value)	Improved value	Site and improvements (as separate objects and at different rates)	Improvements only
Botswana ¹		X		
Lesotho ²		X		
Namibia ³	X	X	X	X
South Africa	X	X	X	
Swaziland ⁴	X	X	X	X

- 1 Although the improved value is taxed, this value is the aggregate of the site value and the value of the improvements.
- 2 In practice tax is levied on the aggregate value of site and improvements (i.e. improved value), although the Act seems to provide for a tax on improvements only. A ground rent (collected by national government) may be payable for the use of land.
- 3 The Local Authorities Act (s 79) provides that with the approval of the Minister, a town council or village council may determine a rate ‘upon a basis other than that of valuation’. In practice local authorities rate on the value of site and improvements, as separate objects, with site being taxed at a substantially higher rate.
- 4 Although legislation provides four options, it is not clear yet whether all of these options are actually used in Swaziland.

Table 3.3: Tax Base Utilised in the Five Capital Cities

Country	City	Tax base	Differential rates (use or zoning)
Botswana	Gaborone	Improved value ¹	Yes
Lesotho	Maseru	Improved value ¹	Yes
Namibia	Windhoek	Site + improvements	No
South Africa	Pretoria	Site only	Indirectly (through use of rebates)
Swaziland	Mbabane	Site + improvements	Yes

1 In Gaborone and Maseru land and improvements are assessed separately. These values are then added together and the improved value is rated.

3 Assessment: Valuation Issues and Practices

One of the most critical issues in southern Africa is the lack of capacity to assess properties for property tax purposes. In many countries (South Africa being - to a large extent - an exception) valuation rolls are generally dangerously out of date, undermining the buoyancy of the tax base and also the legitimacy of rating as an important source of local revenue.

It is noteworthy that in some countries there are pressures to move towards the privatisation of property assessments (e.g. Botswana, South Africa and Swaziland), whereas in others to appoint in-house municipal valuers (Lesotho). Presently some of the larger municipal councils in Namibia and South Africa have in-house departments responsible for valuations, whereas smaller councils make use of private valuers.

Not one of the countries presently control or measure the quality of municipal valuation rolls at a provincial or national level of government. South Africa is to introduce quality control when the Local Government: Property Rates Bill is eventually enacted (Franzsen, 2000).

Table 3.4: Number of Valuers, Responsibility for, and Quality of Valuation Rolls

Country	Number of registered valuers	Valuation Rolls			
		In house Valuers	Government valuers	Private valuers	Quality control
Botswana	60	No	Yes	No	No
Lesotho	<6	Yes	Yes	No	No
Namibia	<10	Yes	No	Yes	No
South Africa	2,030	Yes	No	Yes	No
Swaziland	<6	No	No	Yes	No

As Table 3.4 indicates, there is a serious problem in respect of the capacity to properly assess properties for property tax purposes. With the exception of South Africa, the number of registered valuers is very low. The position is not any better in other countries in the southern and east Africa. Malawi has fewer than 20 valuers (Ahene, 2001) and Uganda only 25 (Nsamba-Gayiiya, 2001). Zambia (Chirwa, 2000) and Kenya (Olima, 2001) are also experiencing difficulties in this regard. Even in South Africa it is argued that the valuers' profession will probably not be able to cope with the implementation of the proposed new dispensation when the Property Rates Bill is enacted (Marten, 1999; Franzsen and McCluskey, 2000).

4 Traditional Forms of Land Tenure and Communal Land

Recent developments in Zimbabwe clearly indicate how emotive land reform can be. Land policies and tenure reforms also have a very direct impact on a country's economy and investor confidence (Ramodibedi, 2000) and should therefore be handled with extreme caution.

Traditional forms of land tenure have been identified as a problem area (MacMillan, 1997; ESRA II, 1999; Ramodebedi, 2000). Presently communal (tribal) land is excluded from local government property tax bases in all five countries. In certain instances tribal authorities have powers to levy property-related charges on members of the tribe with respect to the tenure rights bestowed. It comes as no surprise that many traditional authorities are therefore opposed to any form of formal, democratic local government which undermines their powers and functions - especially in so far as it relates to land (MacMillan, 1997; Franzsen, 2000).

In South Africa, the Local Government: Property Rates Bill provides for the extension of the tax base to include tribal land. This is sound policy. The Bill provides for a temporary exemption which could be repealed once all the legal requirements and the administrative capacity to introduce (i.e. assess and collect) and maintain the tax system are in place. It is not only a rural issue, it is a very real problem for at least two of South Africa's metropolitan municipalities (Franzsen, 2001).

Although fraught with problems, taxation in the context of tribal land is not impossible. For example, in Zimbabwe a so-called 'development levy' is imposed upon all persons who are 'heads of households' within any communal or resettlement ward of a rural district council. (although in reality more akin to a poll tax, it does relate to the occupation of land.) The 'head of a household' is defined as a person who occupies or uses communal land or resettlement land for agricultural or residential purposes (other than a spouse, child or dependent of a such person). This levy is typically imposed on a family unit occupying land in terms of a traditional right of occupation and/or use. It may be uniform throughout an area, or differential (Brakspear, 1999). There are also

examples in Canada and New Zealand where First Nations' and Maori land respectively, is taxed (Franzsen, 2001).

5 Common Features and Trends in the Five Countries

Although more property tax research needs to be done in all five countries, the following issues have been raised with regularity in each country:

- The acknowledgement that property tax is an important source of revenue if properly administered.
- The generally wide range of tax bases available. Especially the option of taxing improvements only (Lesotho and Swaziland) is noticeable. It probably stems from a land tenure system in terms of which land belongs to the king or the nation collectively, and only improvements can legally be possessed. A system of taxing only improvements applies in Tanzania (Kelly and Masunu, 2000; Masunu, 2001).
- The need to extend the tax base within councils' areas of jurisdictions (e.g. to informal settlements and peri-urban developments). (This also applies elsewhere in the region, e.g. Zambia (Chirwa, 2000) and Uganda (Nsamba-Gayiiya, 2001).)
- The introduction or extension of property taxation, in one form or another to rural properties. In South Africa and Namibia the extension of property tax to rural land is imminent. It has also been mooted as a possible future source of revenue in Botswana and Lesotho. This is usually coupled with the demand for the extension of municipal services to more remote rural areas.
- Political interference at the national level (e.g. in Botswana). This is also a trend in other countries in the SADC region (e.g. Tanzania and Zambia), and elsewhere in Africa, e.g. Kenya (Olima, 2001) and Uganda (Nsamba-Gayiiya, 2001). Ministerial (i.e. political) control or intervention, especially in assessment-related matters, should be limited or preferably avoided altogether (see also Chirwa, 2000; Nsamba-Gayiiya, 2001).
- Difficulties experienced with the assessment (i.e. valuation) of properties, as well as the billing and collection of property taxes and other charges in informal settlements within the municipal area and, where applicable, land occupied under traditional forms of tenure. The provision of municipal services in these areas is usually problematic too.
- The shortage of qualified and skilled professional staff is chronic in all five countries – with South Africa in some respects the exception. This is the case with respect to the surveying of land, the recording and maintaining of an accurate register of deeds or titles (proper cadastral information), preparing initial or supplementary valuation rolls, as well as undertaking complete revaluations. These are prerequisites for a legitimate and efficient property tax system. (This applies equally to other countries in southern and east Africa, e.g. Zambia (Chirwa, 2000), Kenya (Olima, 2001), Tanzania (Kelly and Masunu, 2000) and Uganda (Nsamba-Gayiiya, 2001).) Although various large municipalities in South

- Africa, and the Windhoek City Council in Namibia have in-house valuation departments with unique assessment expertise, municipalities should preferably not be seen to be involved in the assessment process. Assessment issues and tax issues should be kept apart. Valuations should not be manipulated or corrupted to attain equity. Equity is best attained through proper property categorisation, adjustments to tax rates or the use of tax rebates.
- ‘Country-appropriate’ and theoretically sound valuation and rating legislation generally seem to be in place. However, putting the legal principles into practice in an equitable and sustainable manner is difficult - with political interference reported in some instances (e.g. in Botswana). It is imperative that the property valuation profession must be consulted in a constructive manner where changes to assessment policies and practices are to be considered. This has unfortunately not happened in the reform process in South Africa or elsewhere (Nsamba-Gayiiya, 2001) to date.
 - Government-owned land is generally not exempt in Namibia, South Africa and Swaziland (although a rebate may apply).
 - Problems with tax collection, delinquency and enforcement are experienced universally.
 - Poor relationships between councils and taxpayers. Although it is generally accepted that taxpayer education is critical to improve collection ratios, very little if any thought has gone into how this issue should be addressed. (This is also true for other countries in the region, e.g. Uganda (Nsamba-Gayiiya, 2001).)

6 Current Role and Future Prospects of Land Value Taxation (LVT)

6.1 Botswana

Although land and improvements are assessed separately, rates are levied on the aggregate value of these two values.

As a land value (unimproved site value) is readily available, it would in principle be possible to change to LVT without too much administrative problems - at least from an assessment point of view.

6.2 Lesotho

In Maseru (the only municipality presently levying rates), land and improvements are assessed separately, but again – as in Botswana – rates are levied on the ‘improved value’ (i.e. the aggregate of the value of land and the value of the improvements).

From a practical point of view it would therefore be possible to introduce a LVT with relative ease. However, it must be remembered that in Lesotho all land belongs to the King - who holds it in trust on behalf of the whole Basotho nation. Culturally, it may prove to be problematic to introduce LVT.

On the other hand, a ground rent is levied in some instances. Therefore the concept of paying for the occupation and/or use of land is not foreign to the Basotho people. This issue merits further research.

6.3 Namibia

In Namibia land and improvements are assessed as separate objects for rating purposes. Municipal councils and town councils also levy different rates on the value of land (site) and the value of improvements (the so-called 'split-rate'), with a much higher rate on land values.

Rating on the land value only is specifically permitted in terms of the Local Authorities Act of 1992. However, all councils utilising a system of *ad valorem* rating, presently use the split-rate system.

6.4 South Africa

Provincial ordinances in South Africa has for a long time allowed a choice between three tax bases, namely site rating, flat rating and composite rating. Although approximately one third of the transitional local councils (i.e. between 150 and 200) rated only the value of land (although the valuation rolls had to reflect all three values (i.e. land, improvements and the total value), it is rumoured that the new framework legislation will provide for one tax base only - capital improved value. In other words, it will be a major shift away from LVT. If this major policy change is indeed enacted, future valuation rolls need only reflect the improved value.

6.5 Swaziland

In Mbabane land and improvements are assessed as separate objects and also rated at different tax rates. Again, therefore, it would in principle be possible to introduce LVT. Land value only (i.e. site rating) is also permitted in terms of the Rating Act 1995 as a basis for rating.

6.6 Overview

Legislation in all five countries presently insists that valuation rolls generally reflect three values: site/land value, the value of improvements, and the total value. In Namibia and Botswana land value and the value of improvements are obtained separately and then added together to reflect the total or improved value of property. In South Africa and Swaziland the value of improvements is arrived at by subtracting the unimproved value (site value) from the total, improved value. In other words, the value of the improvements is a residual value.

Rating legislation in all five countries specifically provide for the separate assessment of land values and the value of improvements. However, ‘site rating’ as a possible tax base is not – in terms of current legislation - possible in Botswana and Lesotho. Although a legislative option in Namibia, South Africa and Swaziland, it is, however, only used extensively (if not exclusively) in South Africa.

7 Conclusions

For a variety of reasons property tax is not utilised optimally in any one of the five countries. However, it is generally recognised in all five countries that property tax could and should become a more important own source of revenue for municipalities.

The taxation of rural properties is on the cards in South Africa and Namibia. Botswana is contemplating it as well and it has been mentioned in the Land Policy Review Commission’s report with regard to Lesotho (Ramodebedi, 2000). Capacity to assess land (urban and rural) is lacking, and proper collection and enforcement procedures are generally lacking too.

In Table 3.5 the applicable assessment practices and property tax collection practices in all five countries are evaluated against the following criteria described by Kelly (Kelly, 1998; Kelly, 2000; Kelly and Masunu, 2000):

- *coverage ratio*, i.e. the amount of taxable land actually captured in the fiscal cadastre, divided by the total taxable land in the taxing jurisdiction (measuring the completeness and accuracy of the property information in the valuation roll);
- *assessment (valuation) ratio*, i.e. the value on the valuation roll divided by the real market value of the properties on the valuation roll (measuring the accuracy of the overall valuation level);
- *tax rate ratio*, i.e. the average tax rate used in the taxing jurisdiction (measuring the amount of tax per value of property);
- *collection ratio*, i.e. the tax revenue collected over the total expected tax liability budgeted for the financial year (measuring the efficiency of the revenue collection).

Table 3.5: Current Status of the Rating Systems in the Five Countries

Country	Coverage Ratio ¹	Assessment Ratio	Tax Rate Ratio	Collection Ratio
Botswana	Low	Moderate	Moderate	Low
Lesotho	Extremely low	Low	Low to high	Low
Namibia	Moderate to high	Moderate	Low to moderate	Moderate
South Africa	High	Moderate to high	Moderate	Moderate to high
Swaziland	Low	Moderate	Moderate	Low

1 Excluding rural properties. Presently property taxes are not levied on rural properties.

Albeit rudimentary and incomplete, Table 3.5 suggests that there is generally considerable room for improvement.

Further research is required to get a better understanding of the political, constitutional and legal environment within which property assessment and property taxes are administered, and to ascertain the strengths and the weaknesses of the respective systems currently in operation, and the reforms to be introduced (e.g. in South Africa and Namibia). Only then can properly justified recommendations regarding suitable changes be made.

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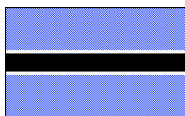
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Appendices

Appendix A: Botswana



<i>Basic Country Information</i>			
Geographic size	600,370 km ²	Population	1.6 million
Capital	Gaborone	Urbanisation	46%
System of government	Parliamentary republic Multi-party democracy	GDP (US\$)	10.4 billion
Sub-national government	1 city council, 5 town councils, 9 district councils	GDP (per capita)	US\$ 6,600
<i>Sub-national Government</i>			
Expenditure responsibilities	Traditional municipal services and infrastructure Primary education		
Sources of revenue	Grants (central government), rates (i.e. property tax)		
Importance of property tax	Important		
<i>Land Issues</i>			
Land tenure	Freehold, communal tenure		
Land titling	Deeds office		
<i>Taxes</i>			
National	Income tax, sales tax, capital gains tax, capital transfer tax, transfer duty	Sub-national	Rates
<i>Property-related Taxes</i>			
National	Transfer duty: Citizens: non-agric. Property above P20,000 5% agricultural property: exempt Non-citizens: non-agric. Property above P20,000 5% agricultural property 30%	Sub-national	Rates: Only levied in Gaborone and the 5 proclaimed town

Local Property Tax		
Township Act, 1955 and Town Council Regulations, 1966		
	Legislation	Practice
Assessment		
Valuation	3 values: land, improvements, land + improvements	All 3 values
Responsibility	A 'valuation officer' appointed by the local government	Central government valuers
Valuation cycle	Maximum 5 years	
Objection & appeal	Local Valuation Court (objections) High Court (appeals)	
Quality control measures	Individual: objection and appeal Collective or external: none	
Tax Administration		
Tax base(s)	Site + improvements (i.e. improved value)	
Coverage of tax base	All land, within rating authority area, unless exempt	
Taxpayers	Owner (in certain cases the occupier)	
Tax rates	Ministerial approval for locally set rates Differential rates for different property categories, set annually; higher rates on undeveloped properties	
Exemptions	Ownership: state, local council Use: Public libraries, museums, schools, churches, etc.	
Tax relief measures	Rate abatement for early payment	
Collection	Annually	Late billing causes problems
Enforcement	Interest on arrears Transferor remains liable until town clerk is notified in writing of a transfer of ownership Occupier can be held liable in certain cases Council may take possession of unoccupied rateable land after a period of 5 years	
Additional Comments		

Appendix B: Lesotho



<i>Basic Country Information</i>			
Geographic size	30,355 km ²	Population	2.2 million
Capital	Maseru	Urbanisation	17%
System of government	Parliamentary constitutional monarchy	GDP (US\$)	5.1 billion
Sub-national government	7 municipal councils, 8 urban councils, 10 rural districts with rural councils	GDP (per capita)	US\$ 2,400
<i>Sub-national Government</i>			
Expenditure responsibilities	Traditional municipal services and infrastructure		
Sources of revenue	Grants (central government), rates (i.e. property tax)		
Importance of property tax	Important		
<i>Land Issues</i>			
Land tenure	All land held by the King in trust; no freehold; communal tenure		
Land titling	Deeds office		
<i>Taxes</i>			
National	Income tax (also on capital gains and donations received), sales tax, estate duty, transfer duty	Sub-national	Rates
<i>Property-related Taxes</i>			
National	Transfer duty: 3/4%	Sub-national	Rates: Only in Maseru

Notes:

- 1 VAT to be introduced.

<i>Local Property Tax</i>		
The Valuation and Rating Act, 1980		
	<i>Legislation</i>	<i>Practice</i>
Assessment		
Valuation		Land + improvements
Responsibility	A valuer appointed by the responsible minister	Central government valuers
Valuation cycle	3 years, to be extended for a further 3 years (i.e. max 6 years)	
Objection & appeal	Land Tribunal (appeals); before appeal parties may agree to a value to be recorded in the valuation roll	
Quality control measures	Individual: objection and appeal Collective or external: none	
Tax Administration		
Tax base(s)	Land and improvements	Site + improvements
Coverage of tax base	Properties within a 'designated area', including land and improvements held by the state	Currently only levied in the capital city Maseru
Taxpayers	'Owner'	
Tax rates	Ministerial approval for locally set rates Differential rates for different property categories, set annually;	
Exemptions	State-occupied property, property used for 'public benefit' (i.e. libraries, museums, schools, churches, etc.), property below a value threshold set by the minister	
Tax relief measures	Remittance (in whole or in part) or postponement of payments where property has been damaged or destroyed by an act of God or overwhelming force; or by reason of poverty	
Collection	Two half-yearly instalments, however shorter periods may be introduced	
Enforcement	Interest on arrears Clearance certificate for a transfer of ownership Forced sale	
Additional Comments		

<i>Local Property Tax</i>		
Local Authorities Act 23 of 1992		
	<i>Legislation</i>	<i>Practice</i>
<i>Assessment</i>		
Valuation	Land (at market value) Improvements (estimated cost of construction) Valuation roll must show 3 values (i.e. site, improvements and total value)	
Responsibility	Any 'fit and proper person' may be appointed as valuer	In-house: Windhoek; private sector in all other instances
Valuation cycle	Maximum 5 years	
Objection & appeal	Valuation Court (objections) High Court (appeals)	
Quality control measures	Individual: objection and appeal Valuation court considers all valuations (i.e. complete valuation roll)	
<i>Tax Administration</i>		
Tax base(s)	Land only, land and improvements, improvements only, total value, or area in settlement areas in rural areas	Site + improvements in all municipalities and town
Coverage of tax base	All rateable properties within area of jurisdiction of local authorities	
Taxpayers	Owner (or occupier of council property)	
Tax rates	Windhoek, Walvis Bay, Swakopmund determine their own rates annually Ministerial approval for locally set rates of smaller councils Uniform rates (e.g. Windhoek) or differential rates for different property categories; higher rates on land value	
Exemptions	Public libraries, museums, schools, churches, hospitals, etc.	
Tax relief measures	20% rebate for state-owned buildings (other than dwellings); 75% rebate for agricultural land	
Collection	Monthly instalments	
Enforcement	Interest on arrears Clearance certificate Seizure and public sale after 3 years	
<i>Additional Comments</i>		

Local Property Tax		
Various provincial ordinances; the Local Government: Municipal Rates Bill to be introduced in 2002		
	Legislation	Practice
Assessment		
Valuation	Land (market value), improvements (estimated cost of construction) Valuation roll must show 3 values (i.e. site, improvements and total value)	To be changed to only improved value
Responsibility	Only registered valuer may be appointed as valuer	In-house: various larger councils; private sector in all other instances
Valuation cycle	Maximum 4 to 5 years	Few councils are over extended
Objection & appeal	Valuation Board (objections) Valuation Appeal Board - in some provinces (appeals)	
Quality control measures	Individual: objection and appeal No formal quality control yet	External quality controls to be introduced by Bill
Tax Administration		
Tax base(s)	Land only, land and improvements, total value	All 3 systems are utilised extensively at present, Bill to introduce single base
Coverage of tax base	All rateable properties within area of jurisdiction of local authorities	
Taxpayers	Owner (or occupier of council property)	
Tax rates	Councils determine their own rates annually Uniform rates Councils using composite rating charge higher rates on land value	Differential rates for different property categories to be introduced, presently achieved indirectly through rebates
Exemptions	Few	Grants-in-aid
Tax relief measures	20% rebate for state-owned property Rebates for residential properties in some provinces Relief on basis of age, handicapped, and/or income	
Collection	Monthly instalments	
Enforcement	Interest on arrears Clearance certificate for a transfer of ownership Seizure and public sale after 3 years	
Additional Comments		

Appendix E: Swaziland



<i>Basic Country Information</i>			
Geographic size	17,363 km ²	Population	1.1 million
Capital	Mbabane	Urbanisation	25%
System of government	Near-absolute monarchy	GDP (US\$)	4.4 billion
Sub-national government	2 city councils, 4 town councils, a number of town boards	GDP (per capita)	US\$ 4,000
<i>Sub-national Government</i>			
Expenditure responsibilities	Traditional municipal services and infrastructure		
Sources of revenue	Grants (central government), rates (i.e. property tax), user charges		
Importance of property tax	Important		
<i>Land Issues</i>			
Land tenure	99-year leasehold; communal tenure		
Land titling	Deeds office		
<i>Taxes</i>			
National	Income tax, sales tax, transfer duty	Sub-national	Rates
<i>Property-related Taxes</i>			
National	Transfer duty: First E40,000 E40,001-E60,000 E60,001+	Sub-national	Rates (See next table)
	2%		
	4%		
	6%		

Notes:

<i>Local Property Tax</i>		
Rating Act, 1995		
	<i>Legislation</i>	<i>Practice</i>
Assessment		
Valuation	Land and improvements (at market value) Ignoring mineral Valuation roll must show 3 values (i.e. site, improvements and improved value)	
Responsibility	Local authorities appoint a valuer from a 'panel of eligible valuers' as gazetted by the minister	Private sector
Valuation cycle	Maximum 5 years	
Objection & appeal	Valuation Court (objections) High Court (appeals)	
Quality control measures	Individual: objection and appeal	
Tax Administration		
Tax base(s)	Land only, land and improvements, improvements only, total value	Site + improvements
Coverage of tax base	All rateable properties within area of jurisdiction of local authorities	Presently only in 2 cities and 4 towns
Taxpayers	Owner	
Tax rates	Rates are struck annually Ministerial approval for differentiation of rates	
Exemptions	Public libraries, museums, schools, churches, hospitals, embassies, etc.	
Tax relief measures	Nothing in the Rating Act	
Collection	Annually, but may arrange for monthly instalments	
Enforcement	Interest on arrears Clearance certificate for a transfer of ownership Legal proceedings to be initiated within 2 years from due date Seizure and public sale after 3 years	
Additional Comments		

Appendix F: SADC Property Tax Bibliography Database

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Legislation:

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Democratic Republic of the Congo

Legislation:

Lesotho

Legislation:

The Valuation and Rating Act 1980

Ramodibedi, M.M. (Chairperson) 2000. *Report of the Land Policy Review Commission*. Kingdom of Lesotho.

Malawi

Legislation:

Local Government (Urban Areas) Act (Chap 22:01)

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Mauritius

Legislation:

Mozambique

Legislation:

Namibia

Legislation:

Local Authorities Act of 1992

Howard, J.W. 1995. 'A Summary Review of Property Rating in Namibia' in *Property Tax in Eastern and Southern Africa: Challenges and Lessons Learned* Municipal Development Programme Working Paper 2.

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