



REPUBLIC OF NAMIBIA

MINISTRY OF LANDS AND RESETTLEMENT

DEPARTMENT: LAND MANAGEMENT

DIRECTORATE OF VALUATION AND ESTATE MANAGEMENT

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Republic of Namibia

MINISTRY OF LANDS & RESETTLEMENT

IMPLEMENTATION OF LAND TAX ON COMMERCIAL
(AGRICULTURAL) LAND IN NAMIBIA

1995 - 2012

A Case Study

Presentation: FIG Working Week
Monday, 7th May 2012
Rome, Italy

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Presentation Outline

1. Introduction
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6. Valuation Methodology
7. Appeal Process
8. Rate of Tax
9. Land Tax Administration
10. Achievements
11. Have the Land Tax Objectives been Met?
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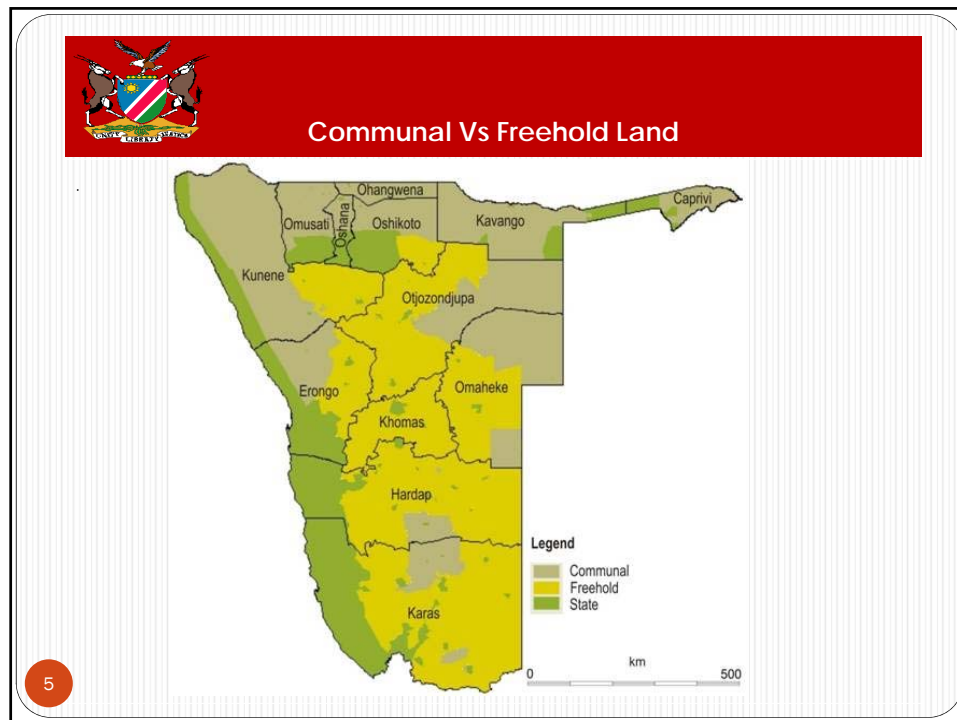
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Introduction

- A century of settler colonialism disposed indigenous communities, manipulated land tenure systems, resulted in vast discrepancies in the distribution/ownership of land and wealth.
 - On the one hand was the freehold sector predominantly the domain of the white minority
 - On the other hand was a non-freehold/communal sector
- This skewed distribution of land and land rights prompted the Government of Namibia to pursue a process of land reform,
- 12,500 agricultural land parcels spread over a widely ecologically diverse area covering 52% of Namibia's land mass estimated at 69.9 million hectares.
- The legal basis for the imposition of a tax on commercial agricultural land is the Agricultural (Commercial) Land Reform Act, Act No. 6 of 1995 and the Land Valuation and Taxation Regulations.

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Background

- ❑ National Land Conference in 1991, followed by numerous policies and legislative instruments governing land reform
- ❑ Tax may be defined as a recurrent or once-off levy imposed by government in terms of enabling legislation to fund the provision of public services or goods.
- ❑ In Namibia, the basis of land tax on agricultural land is the unimproved site value of land excluding improvements.

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Objectives of Land Tax

- ❑ Discourage multiple ownership of farms (through the application of a progressive rate of tax);
- ❑ Encourage redistribution/diversification of ownership;
- ❑ Encourage the efficient utilization of commercial agricultural land;
- ❑ Relieve poverty through resettlement and decongestion of communal areas;
- ❑ Raise revenue for the Land Acquisition & Development Fund (LADF) to facilitate & accelerate land acquisition, distribution and development process;

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Legal and Institutional Framework

1995	The Agricultural (Commercial) Land Reform Act	To redress the imbalances of land ownership
2000	Introduction of the Agricultural (Commercial) Land Reform Amendment Act	Established the Land Acquisition and Development Fund (LADF)
2001	Gazetting of the Land Valuation and Taxation Regulations	In preparation for the implementation of land tax and the commencement of the valuation process.

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Land Tax Implementation

2002	Directorate of Valuation and Estate Management (DVEM) established	In time for the full scale implementation of the land tax. The Directorate embarked on the process in the absence of adequate professional cadre.
2004	Valuation Court approves the 2002 Valuation Roll	Roll approved after 10 days of court hearings
2005	Collection of land tax started	Collection of land tax started. Only N\$ 3.7 Million (20%) of the N\$ 18 Million (total base) was collected in 2005.

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Land Tax Implementation Timelines

2008	Valuation Court approves the Valuation Roll of 2007.	The value of commercial agricultural land increased by about 30% over the 2002 values on average.
2011	Cumulative land tax amount collected	Tax collection started in 2005 (8 years ago) and so far, an accumulative amount over N\$ 230 Million was collected and credited to the LADF
2012	CAMA system finally accepted and implemented	The system is put in operation to standardize the preparation of the 2012 valuation roll which is currently underway.
2012	Drafting of amendments to the LVTR, Regulations of 2007	Amendments aimed at mitigating against possible changed circumstances caused by implementation of the LTPRS & CAMA systems

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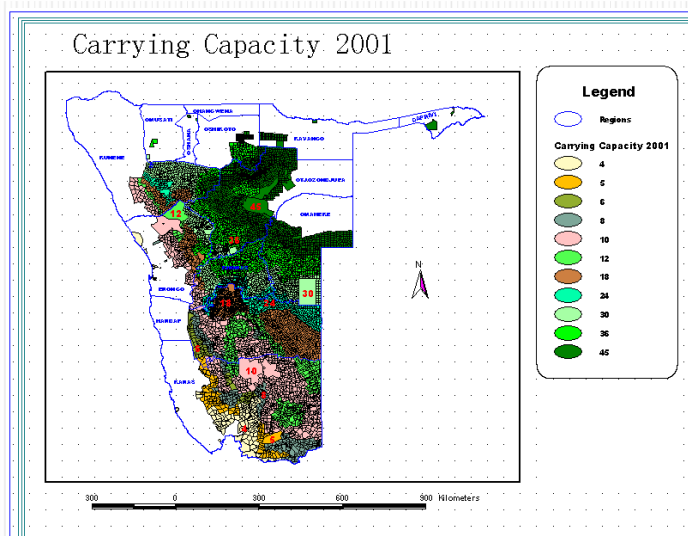
Valuation of Farmland for Taxation purposes

- ❑ The valuation rolls are prepared at intervals of five years.
- ❑ The values are determined on a market value basis
- ❑ The value arrived at is an unimproved site value (prairie value, excluding any infrastructure/improvements)
- ❑ Mass appraisal approach of valuation applied.
- ❑ Carrying capacity taken into consideration

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The 2001 Carrying Capacity Map



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Valuation Methodology

- ❑ In determining market value, comparison of recent transactions of agricultural properties was considered.
- ❑ A sample of farms sold during the period of 5 years were inspected
- ❑ The bare land values (USV) is determined.
- ❑ The available market transactions reflect the market value (incl. improvements value)
- ❑ The USV is determined as the residue amount after deducting the Depreciated Replacement Cost (DRC) from the inflation adjusted purchase prices (IAPP) as summarized below:
 - $USV = IAPP \text{ less } \textit{Sum of DRC of Permanent Farm Improvements}$
 - $USV/ha = USV \text{ divided by } \textit{Total Area of farmland}$

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Valuation Methodology

- ❑ The resultant figures correlated with the relative potential productivity (carrying capacity) of the land could be relied upon as a basis for the mass valuation approach.
- ❑ In compliance with the Regulations, it was necessary to relate the resultant figures to the carrying capacity of the agricultural land.
- ❑ Thus, carrying capacity data was employed in order to define value boundaries.
- ❑ The result of the valuation process was the production of an iso-value map and subsequently, a provisional valuation roll.

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The 2007 Valuation Roll Extract

REGISTRATION DIVISION	FARM NUMBER	FARM NAME	EXTENT (HA)	TITLE DEED NUMBER	NAME OF OWNER	IDENTITY NUMBER OF OWNER	NATIONALITY OF OWNER	ADDRESS OF OWNER	USV/HA	UNIMPROVED SITE VALUE	REMARKS
A	347	Rem. Of Michael	3,993.0690	T523/98	Government of Namibia	GRN	Namibian	P/Bag 13343, Windhoek	218	870,500	Nil
B	88	Okorusu	3,409.7964	T1212/90	Government of Namibia	GRN	Namibian	P/Bag 13343, Windhoek	218	743,400	Nil
C	8	Klein Omahoro	5,032.0737	T5766/05	Government of Namibia	GRN	Namibian	P/Bag 13343, Windhoek	163	820,300	Nil
D	1	Marburg	5,111.5269	T3192/89	Government of Namibia	GRN	Namibian	P/Bag 13343, Windhoek	218	1,114,400	Nil
H	14	Onjossa	9,818.5572	T104/05	Government of Namibia	GRN	Namibian	P/Bag 13343, Windhoek	205	2,012,900	Nil

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The land tax base

- The 2007 main valuation roll contained a total number of about 12,500 farms (approx. 43.1 million ha) and valued at a total USV of about N\$ 6.8 billion.
- About 15.4% of the total USV consists of government owned farms.
- Granting of tax payment exemptions was projected at about N\$ 3.7 million.
- Tax collection was projected to be at a total of about 40 million.

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The rate of tax

□ The rate of tax is determined by Parliament

- Namibian citizen - 0.75%
- foreign national - 1.75

The rates progress by 0.25% for any additional farm owned by the same owner .

→ 85 % Exemption from payment of land tax (on request);

- Previously disadvantaged people (on the basis of article 23 of the Namibian Constitution).

□ Land tax be paid each financial year (land tax assessment served on the land owner).

□ Penalty for non-payments (To be introduced)



The Land Tax Assessment -Sample

REPUBLIC OF NAMIBIA MINISTRY OF LANDS AND RESETTLEMENT

LAND TAX ASSESSMENT

Assessment No: 2010/11 - 07513 Assessment Area: 1042011 Financial Year: 2010/11 Land Use Assessment Code: 20-021-2011 <small>It should be noted that the 100% exemption on the liability of land tax is not applicable.</small>	
Name: Spies Stone Farming CC P.O. Box 118 Omaruru	Section No: 1000/0000 Area: 240000 Rate: 0.75 Tax: 1800.00

Section No	Area	Rate	Tax
1000/0000	240000	0.75	1800.00
Total			1800.00
Exemption			0.00
Total Tax			1800.00

The amount of tax payable is 1800.00. Payment should be made to the Receiver of Revenue, Ministry of Lands and Resettlement, P.O. Box 118, Omaruru.

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Land Tax Administration

	MECHANISM	ADMINISTRATION
1	Land Tax Clearance Certificates (LTCC's) & Data Verification	Agricultural (Commercial) Land Reform Act provides that the Registrar of Deeds <i>shall not register</i> any transfer of agricultural land unless a land tax clearance certificate and a completed data verification forms is submitted to the Registrar.
2	Data Correction	Administered on a <i>daily basis</i> .
3	Land Tax Returns	Served on land owners annually
4	Land Tax Exemptions	Granted on application.

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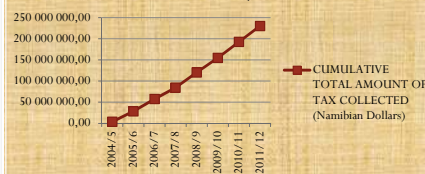
Achievements

- ❑ N\$ 3 Million was collected in the first year.
- ❑ Increased to about N\$ 36 million per annum from the 2008/9 (2007 general revaluation)
- ❑ N\$ 230 million was collected over the period of 8 years.
- ❑ Only approximately N\$ 15 million has been spent to date on the implementation of the land tax which represents only about 2 % of the total tax collected.
- ❑ This percentage is very encouraging as it is consistent with one of the canons of a good tax that the cost of collection must be low relative to the yield.
- ❑ If the expenditure by cooperating partners such as UNDP, EU, GIZ, UNFAO etc is included, then the expenditure expressed as a percentage of tax collected comes to 6 %.
- ❑ The rest of the funds goes to land reform

AMOUNT COLLECTED (Namibian Dollars)



CUMULATIVE TOTAL AMOUNT OF TAX COLLECTED (Namibian Dollars)



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The CAMA System

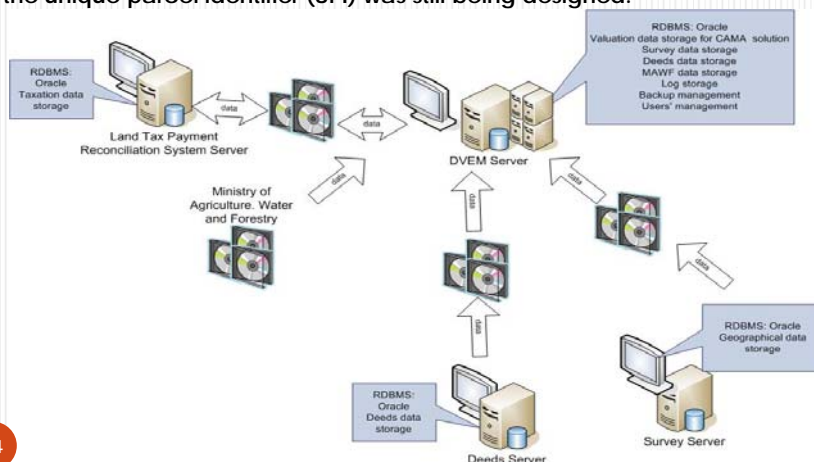
- ❑ CAMA is aimed at supporting the valuation for land tax purposes by enhancing analytical capabilities and operational efficiency.
- ❑ The development and implementation of CAMA was funded by the European Union .
- ❑ IGN France International (IGNFI) and Maky Engineering (Madagascar) developed the CAMA system.
- ❑ The CAMA system has been finally accepted.

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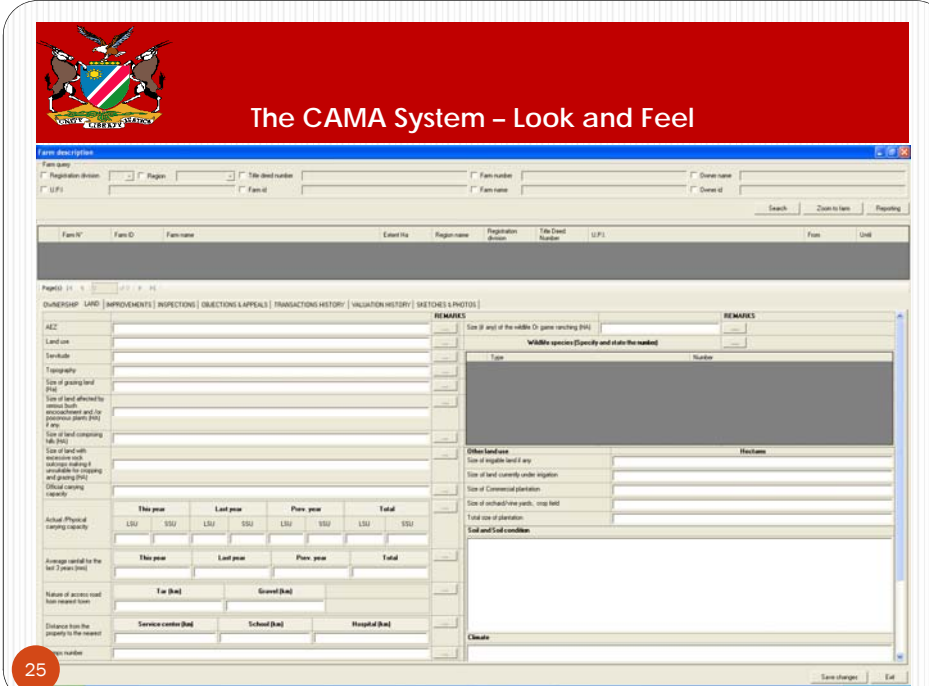


The CAMA – System Direct Integration

The indirect integration was done as other systems were either not ready or the unique parcel identifier (UPI) was still being designed.

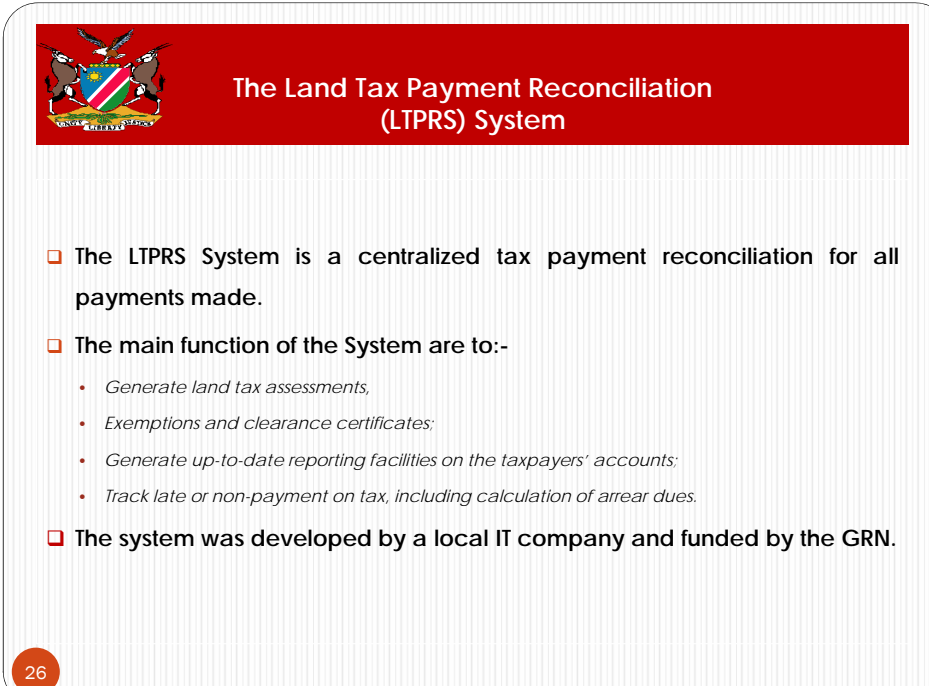


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The CAMA System – Look and Feel

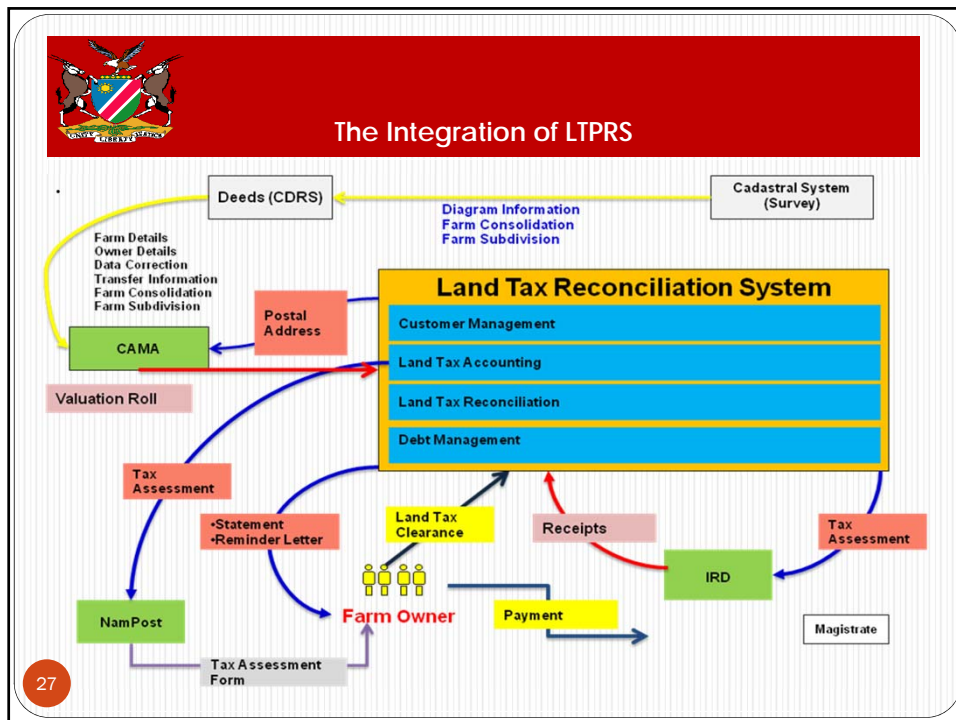
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The Land Tax Payment Reconciliation (LTPRS) System

- ❑ The LTPRS System is a centralized tax payment reconciliation for all payments made.
- ❑ The main function of the System are to:-
 - Generate land tax assessments,
 - Exemptions and clearance certificates;
 - Generate up-to-date reporting facilities on the taxpayers' accounts;
 - Track late or non-payment on tax, including calculation of arrear dues.
- ❑ The system was developed by a local IT company and funded by the GRN.

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The LTPRS System - Look and Feel

The screenshot shows a software window titled "Ltrs0407 - Record Payment Received". The interface is designed for recording tax payments and includes the following sections:

- Record Receipts:** Fields for Transaction ID, Receipt No, Receipt Date, and Status. Includes "Cancel" and "Approve" buttons.
- Payment For:** Fields for Ownership ID, Tax Assessment #, Agreement No., Amount Due, Agreement Amount Due, and Agreement Due Date.
- Payment Details:** Fields for Payment Date, Payment Ref No, Payment Method, Cheque No., Paid At, Amount Received, Amount Allocated, and Amount Unallocated.
- Remarks:** A large text area for entering additional information.
- User Tracking:** Fields for Created By, Modified By, Cancelled By, Approved By, Created On, Modified On, Cancelled On, and Approved On.

A red circle with the number **28** is located in the bottom left corner of the screenshot.



Have The Objectives of Land Tax Been Met?

- ❑ The collection of land tax to be used in the land reform programme has been a success - 95%
- ❑ N\$ 230 million was collected over the period of 8 years.
- ❑ The objective of increased productivity as a result of the land tax is yet to be determined through a survey.
- ❑ The achievement of the rest of the objectives is dependent on empirical data from the Deeds registry which is yet to be linked to information from the land tax payment reconciliation system.

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Challenges

	CHALLENGE	INTERVENTIONS / RESOLUTIONS
1	Absence of IT system on land valuation and tax management.	The development of the CAMA and LTPRS systems aimed at improving land valuation and tax administration
2	Lack of adequately qualified personnel within the establishment of the Government	MLR embarked on staff training in fields of Land Management, Valuation, Registration, Surveying, Land Use Planning, Agriculture, and Nature Conservation, at local institutions
4	Slow progress in property discovery/ identification and non-payment of land tax for some land owners	LTCC's were measures put in place to identify land owners who had not initially registered for land tax, and identify defaulters (non payment).
5	Identification of new property/ land owners details after a transaction has occurred.	A data verification mechanism was put in place to be completed and submitted together with the lodgment of the deed of transfer.

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Lessons Learnt

- ❑ The implementation of land tax in Namibia would not have succeeded without the strong political will that prevailed at very high levels.
- ❑ The process requires sustained and dedicated commitment of resources to enable the execution of various activities associated with successful implementation of such a tax.
- ❑ The Directorate of Valuation and Estate Management that is tasked with the valuation of land for tax purposes requires to be strengthened with regard to human and IT resources.

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The End

THANK YOU!

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