MINISTRY OF LANDS AND RESETTLEMENT

DEPARTMENT: LAND MANAGEMENT
DIRECTORATE OF VALUATION AND ESTATE MANAGEMENT

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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
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 predominately 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.
Communal Vs Freehold Land

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.
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;

Legal and Institutional Framework

<table>
<thead>
<tr>
<th>Year</th>
<th>Act/Amendment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>The Agricultural (Commercial) Land Reform Act</td>
<td>To redress the imbalances of land ownership</td>
</tr>
<tr>
<td>2000</td>
<td>Introduction of the Agricultural (Commercial) Land Reform Amendment Act</td>
<td>Established the Land Acquisition and Development Fund (LADF)</td>
</tr>
<tr>
<td>2001</td>
<td>Gazetting of the Land Valuation and Taxation Regulations</td>
<td>In preparation for the implementation of land tax and the commencement of the valuation process.</td>
</tr>
</tbody>
</table>
# Land Tax Implementation

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

## Land Tax Implementation Timelines

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Valuation Court approves the Valuation Roll of 2007.</td>
<td>The value of commercial agricultural land increased by about 30% over the 2002 values on average.</td>
</tr>
<tr>
<td>2011</td>
<td>Cumulative land tax amount collected</td>
<td>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.</td>
</tr>
<tr>
<td>2012</td>
<td>CAMA system finally accepted and implemented</td>
<td>The system is put in operation to standardize the preparation of the 2012 valuation roll which is currently underway.</td>
</tr>
<tr>
<td>2012</td>
<td>Drafting of amendments to the LVTR, Regulations of 2007</td>
<td>Amendments aimed at mitigating against possible changed circumstances caused by implementation of the LIPRS &amp; CAMA systems.</td>
</tr>
</tbody>
</table>
Valuation of Farm and 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.

The 2001 Carrying Capacity Map

Carrying Capacity 2001

Legend
- Regional
- Carrying Capacity 2001
  - A
  - B
  - C
  - D
  - E
  - F
  - G
  - H
  - I
  - J

Map showing carrying capacity distribution.
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:
  \[ \text{USV} = \text{IAPP} - \text{Sum of DRC of Permanent Farm Improvements} \]
  \[ \text{USV/ha} = \text{USV divided by Total Area of farmland} \]

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.
The law provides for objections to the values
Talking to owners who objected to the values led to the withdrawal of some objections.
Main Valuation Roll of 2007 and 2002 were approved by the valuation court after 4 and 10 days of court hearings, respectively.
## The 2007 Valuation Roll Extract

<table>
<thead>
<tr>
<th>FARM NUMBER</th>
<th>REGISTRATION DIVISION</th>
<th>TITLE SIZE NUMBER</th>
<th>DEED NUMBER</th>
<th>NAME OF OWNER</th>
<th>ADDRESS OF OWNER</th>
<th>DEED</th>
<th>EXTENT (HA)</th>
<th>USV/HA UNIMPROVED SITE VALUE</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>B 88</td>
<td>Okorusu</td>
<td>T1212/90</td>
<td>13343</td>
<td>Government of Namibia</td>
<td>P/Bag 13343, Windhoek</td>
<td>GRN Namibian</td>
<td>3,409.7964</td>
<td>743,400</td>
<td>NI</td>
</tr>
<tr>
<td>C 8</td>
<td>Klein Omahoro</td>
<td>TS765/05</td>
<td>13343</td>
<td>Government of Namibia</td>
<td>P/Bag 13343, Windhoek</td>
<td>GRN Namibian</td>
<td>5,032.0737</td>
<td>820,300</td>
<td>NI</td>
</tr>
<tr>
<td>D 1</td>
<td>Marburg</td>
<td>T3192/89</td>
<td>13343</td>
<td>Government of Namibia</td>
<td>P/Bag 13343, Windhoek</td>
<td>GRN Namibian</td>
<td>5,111.5269</td>
<td>1,114,400</td>
<td>NI</td>
</tr>
<tr>
<td>H 14</td>
<td>Onjossa</td>
<td>T104/05</td>
<td>13343</td>
<td>Government of Namibia</td>
<td>P/Bag 13343, Windhoek</td>
<td>GRN Namibian</td>
<td>9,818.5572</td>
<td>2,012,600</td>
<td>NI</td>
</tr>
</tbody>
</table>

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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.
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
29/05/2012

### MECHANISM ADMINISTRATION

<table>
<thead>
<tr>
<th>№</th>
<th>MECHANISM</th>
<th>ADMINISTRATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Land Tax Clearance Certificates (LTCC’s) &amp; Data Verification</td>
<td>Agricultural (Commercial) Land Reform Act provides that the Registrar of Deeds shall not register any transfer of agricultural land unless a land tax clearance certificate and a completed data verification forms is submitted to the Registrar.</td>
</tr>
<tr>
<td>2</td>
<td>Data Correction</td>
<td>Administered on a daily basis</td>
</tr>
<tr>
<td>3</td>
<td>Land Tax Returns</td>
<td>Served on land owners annually</td>
</tr>
<tr>
<td>4</td>
<td>Land Tax Exemptions</td>
<td>Granted on application</td>
</tr>
</tbody>
</table>

#### 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
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.

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.
The CAMA System – Look and Feel

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.
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.

Challenges

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

The End

THANK YOU!