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LAGOS: LAND USE CHARGE AND ECONOMIC DEVELOPMENT 1

Lagos: Land Use Charge and economic development

In 2001, the Lagos State Government consolidated all property and land-based rates and charges previously applicable under Land Rates, Tenement Rates and Neighbourhood Improvement Charge into a single rate. Thus, the Land Use Charge as prescribed by the Land Use Charge Law, No 11 of 2001 applicable to landed properties in Lagos State commenced on June 22, 2001.

This was done with the dual aim of simplifying the payment of property tax and generating additional revenue for the state through efficient enforcement.

However, the Land Use Charge of 2001 was not effective in Lagos State as only a few residents were aware of it and even fewer complied with the provisions. A member of the Lagos State House of Assembly, Gbolahan Yishawu, was reported to have lamented in December 2017 that only about 300,000 out of an estimated two million eligible properties paid their land use charge.

It was no surprise, therefore, that the LSHA on January 16, 2018 organised a public hearing to sensitise the citizens of Lagos to the rationale and details of a new bill to repeal the land use charge law 2001. It was an interactive session during which the House also received inputs from stakeholders from across commercial businesses, religious organisations, NGOs, real estate professionals, and the media, among others.

Subsequently, the LSHA passed the Land Use Charge Bill 2017 on Monday, January 29, 2018, and signed into law by Governor Akinwunmi Ambode on Monday, February 5, 2018. This law has effectively consolidated all land-based rates and also incorporated several improvements to enable it correct the inadequacies of the previous land use charge law and reflect current economic realities.

The land use charge is now based on the commercial value of a property and valuation will be assessed by professional estate valuers appointed by the state. Valuation will also now be updated every five years. This will bring more fairness to the annual charge rate as a property owner in Ikorodu, for instance, will pay a markedly lower charge than a property owner in Ikoyi where property values are much higher. It also effectively removes any obsolescence in previous charges that were based on outdated valuations, some dating as far back as 2001. Fairness is also further entrenched in the new law with the establishment of an assessment appeal tribunal where people may appeal the decision that their property is chargeable or any perceived overvaluation of their assets.

The scope has also been expanded as the elements of property were broadened to include a building; any improvement on land; a parcel of land, whether or not reclaimed, waterlogged or otherwise; a wharf or pier; and leaseholds of up to 10 years. Thus, even that which is commonly called "a bare land" will now be charged an annual rate. This is partly designed to encourage the owners to develop such a property.

The law provides a delineation of properties exempted from payment. Such properties like registered educational institutions and public or private libraries are now only exempted once they are certified by the commissioner to be non-profit making. Properties owned and occupied by a religious body will be exempt if used exclusively as a place of worship or religious

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education. If used otherwise, they become chargeable. Other exemptions include public cemeteries and burial grounds, all palaces of recognised Obas and Chiefs, and any property specifically exempted by the governor of Lagos State. Properties occupied by non-profit making organisations may get only partial relief and not complete exemptions

The law also makes provision for self-billing and electronic payment of the land use charge by owners. This is an indication that the government is employing technology to make compliance much easier.

To further ease the burden on citizens as well as incentivise prompt payments, reliefs have been included in the bill. Lagos State retirees will get 100 per cent relief (no charge) while factors like the age of a property owner, any physical challenges (or disability), and duration of residency may confer some partial relief. Prompt payments will confer some relief as well.

In line with its pledge to carry stakeholders along, the government has kicked off an awareness campaign through multiple communication and media channels to enlighten the populace on the imperatives of taxation. In the mix include the print media, television and radio; the internet and social media as well as engagement with key influencers in the state. In this way, citizens will become fully aware of the details of the new land use charge, understand their obligations and act accordingly. The government is also publicising the process of paying the new land use charge.

To achieve its ultimate goal, enforcement of the law must be vigorous. The incentives and reliefs embedded in the law clearly show that government intends to employ moral suasion. A successful enlightenment campaign will undoubtedly make enforcement much seamless. When citizens better understand the necessity of the charge and their roles in the scheme of things, it's easier to get their buy in. Enforcement should be strict nonetheless and will require courteous displays of discipline, diligence and consistency on the part of the agencies of government that will pursue compliance to the provisions of the law.

The previous effort through the land use charge law of 2001 was largely ineffective due to several factors. For one, the general attitude towards taxation has been fraught with indifference and suspicion of government. This is due in part to overreliance on funding from the Federal Government from the proceeds of crude oil sales and also a lack of transparency and accountability on the part of governments on the details of state expenditure.

There was also very low public enlightenment on the importance and usefulness of the Lagos land use charge as well as the duties and responsibilities of the citizens. The responsibility of tenants versus property owners/landlords generated lots of conflicts, mainly due to ignorance.

Enforcement of the policy by government also left a lot to be desired. Landowners continued to receive charges such as ground rent and tenement rate which were consolidated in the land use charge. This was coupled with the poor state of information on property ownership resulting in difficulties in administering charges to owners of properties.

The Lagos State Government with its declared aspiration to become a megacity as well as grow the state's economy to become Africa's third largest faces a monumental task of creating an environment that can trigger the level of productivity required for this growth and development. However, it is a task the government has set itself to accomplish.

To achieve this, the government, apart from shaping the context and institutional structure to create a favourable business environment, has also identified the need to close the huge infrastructure gap that exists in the state. The dearth of physical and social infrastructure has continued to make unattainable the level of productivity required to achieve sustainable growth and development. It is in this regard that the Lagos State Government is overhauling the tax regime in the state to enthrone efficient taxation as a major revenue source to fund infrastructure development among other initiatives.

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