



# NAMIBIA - October 2018

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## **GOVT MISSES LAND TAX TARGET BY N\$178M ..... 1**

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### **Govt Misses Land Tax Target By N\$178m**

THE government collected about N\$350 million in land tax over the past 14 years, which is N\$178 million less than what the state wanted to collect during that period.

These statistics were obtained from a presentation that deputy valuer general Protasius Thomas from the land reform ministry gave at the land conference earlier this month.

The state introduced this tax to fund its resettlement programme, discourage multiple farm ownership, and to encourage the efficient use of agricultural land.

Statistics show that the government did not collect the N\$528 million in land tax as planned.

Thomas said the N\$350 million was collected over 14 years, despite legal challenges by farmers who questioned the constitutionality of the tax.

The land tax was collected between 2005 and 2018 at an average of N\$25 million per year, he added.

The Namibian asked the valuer general at the land reform ministry, Rudolf Nanuseb, to explain some of the details contained in Thomas' presentation.

Statistics provided by Nanuseb show that the government collected about N\$3,6 million in 2005, which was only 20% of the N\$18 million the state expected that year.

The state then collected N\$24 million the following year, and N\$28 million in 2007.

The government got N\$27 million from land taxes in 2008, and N\$38 million was collected in 2009.

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From 2010 to 2012, collections increased to an average of N\$40 million a year, but went down to N\$22 million in 2013, partly because it was a drought year, Nanuseb added.

The government afterwards collected an average of N\$19 million a year between 2014 and 2017.

In February 2018, the High Court halted the land tax collections until objections lodged in the courts had been clarified.

The court, however, lifted the ban three months later, and gave farmers an option to pay the tax, especially those who wanted to transfer the land to new owners.

A farm owner needs a tax clearance certificate before selling or transferring land ownership.

The lifting of the ban allowed people to pay their land taxes, which resulted in the government collecting N\$12 million in 2018.

Nanuseb stated that should the objections before the court lead to an approval of the 2012 valuation roll, the tax collections not yet recovered will be backdated, and any penalties on any late payment will depend on the "court's directive in the matter".

#### WHAT IS LAND TAX?

Nanuseb said land tax is paid by every commercial agricultural landowner, excluding local authorities, settlement areas, communal areas and for state land.

"It is enforced as a land reform tool to compel those owning excess land to sell it to the government because the tax is applied progressively on an incremental tax rate basis on additional land owned, among other things," he explained.

He added that the value of the land on which the tax is charged is determined by land reform ministry valuers.

"There are penalties for failure to register for and pay land tax," he warned, noting that farmers selling land cannot transfer ownership if all the land taxes are not paid.

Land tax is payable on the unimproved site value - the value of an immovable property - excluding all the improvements made on the property.

This value is determined by prices paid on the land market, Nanuseb added.

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For instance, a farm which has an unimproved site value of N\$890 000 owned by a foreigner is taxed at 1,4%, and will yield tax of N\$12 460.

HIT OR MISS?

The objectives of starting land tax includes encouragement on the efficient use of commercial agricultural land, to raise money to support land reform, to discourage multiple farm ownership, as well as to reduce land prices. The other objectives are to correct the skewed patterns of land ownership, to reduce poverty through resettlement, and encourage the decongestion of communal areas.

A report issued earlier this month by the Ministry of Land Reform on the progress of land reform since 1991 reveals that of the seven objectives of land tax, only two were achieved, while others were either partially achieved, or not at all.

The achieved objectives include the raising of revenue to support the land reform programme, where the state collected N\$350 million. The government also introduced a 0,25% additional tax on farmers who own multiple farmland.

The report furthermore shows that the land tax target of reducing poverty through the resettlement programme was partly achieved, with 5 338 households resettled since 1991. This is 2% of the 245 000 households targeted for resettlement.

Another target was to correct the skewed pattern of land ownership, with the government buying 15 million hectares by 2020. The government only acquired 9,1 million hectares, which is a 61% success rate.

The government likewise had a target to encourage the redistribution of farm ownership by introducing additional taxes on the extra farmland owned. This was partly achieved, as there are people who own multiple farms.

Encouragement for the efficient use of commercial agricultural land and the reduction of farmland objectives were not achieved, the report stated.

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