

**Property Taxation in Two Francophone Countries in Central and West Africa**

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## **Abstract**

The Lincoln Institute and the African Tax Institute (ATI ), located at the University of Pretoria, South Africa, have formed a joint venture to better understand property-related taxation in Africa. Its goal is to collect data and issue reports on the present status and future prospects of property-related taxes in all 54 African countries, with a primary focus on land and building taxes and real property transfer taxes. Each individual report aims to provide concise, uniform and comparable information on property taxes within a specific country or region, considering both the system as legislated and tax in practice. This paper provides a regional overview of property taxation in Francophone Africa 1 (Gabon and Senegal).

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## Introduction

In the context of a widespread focus on decentralization around the world, there has been an imperative need to find suitable ways to maximize potential own revenue sources at all sub-national government levels. It is generally acknowledged that revenue autonomy and a broad range of good and adequate revenue sources would allow sub-national governments around the world to become more accountable to their taxpayers and to provide, more readily and efficiently, improved levels of public services and appropriate infrastructure tailored to their preferences. By the same token, this would promote economic development and local democracy, as well as improve the standard of living in local communities.

In that regard, it has been widely suggested that property tax would represent an important, if not the best, source of stable revenue at the sub-national level in both developed and developing countries. Basically, property tax is considered a good local tax in the sense that property, particularly land, cannot easily be moved out of the taxing jurisdiction; it is considered fair as long as it is used to finance public services and infrastructure reflecting the needs of local communities; moreover it is highly visible enough to ensure accountability and transparency. However, if property tax is an important potential source of revenue, especially at local government level in many developed and developing countries across the world, it remains true that property tax accounts for a small proportion of tax revenue in many African countries. To that effect, one author observed that property taxation is “one of the most lucrative . . . yet least tapped sources of tax revenue to support urban government in Africa” (Mou, 1996 p.6). This is especially true in many francophone countries in Central and West Africa, especially in Gabon and in Senegal.

The goal of this study is to report and reflect in a concise manner on property-related taxes levied and collected in these two francophone countries; to report on the property tax system as *legislated and as practised* in these countries; to establish, if applicable, the importance and extent of annual property taxes and property transfer taxes

as sources of national and/or municipal revenue; and finally to comment on the future role of property taxation in both Gabon and Senegal.

The remainder of this study is organized as follows: section two reviews the basic country information and government structure in Senegal. In section three, we examine land issues and the extent of the property market. Section four gives an overview of property-related taxes in both countries. Section five describes the property tax system as legislated and practiced in Senegal. In section six, we analyze the importance of annual property taxes as source of revenue at the local government level in Gabon and Senegal. Section seven summarizes some trends and future role of property taxation in Gabon and Senegal while section eight concludes.

# Basic Country Information and Government Structure

## Some Basic Facts Regarding Gabon and Senegal

Table 1 below provides some basic country data for each of the studied countries.

**Table 1: Basic Information**

Country	Geographic Size (km <sup>2</sup> )	Capital	Population (millions)	GDP per capita (current US\$)	Urbanization
Gabon	267,667	Libreville	1.454	9,900	83.6 %
Senegal	196,190	Dakar	12.5	1,027	41.6 %

Source: *World Economic Outlook 2008*; *World Urbanization Prospects: the 2007 Revision*.

From Table 1, Gabon and Senegal differ significantly in terms of population, per capita income, and urbanization. While Senegal is the largest in terms of population, Gabon is the wealthier of the two with the highest rate of urbanization.

Gabon is located in Central Africa between Equatorial Guinea and Cameroon in the north, the Republic of Congo (Congo-Brazzaville) in the east and south and the Atlantic Ocean (Gulf of Guinea) in the west. Senegal, on the other hand, is located in the west coast of Africa and is bordered on the north by Mauritania, on the east by Mali, on the west by the Atlantic Ocean, and on the south by Guinea and Guinea-Bissau. In both countries, the official language is French.

In 2008, the GDP per capita in Gabon was estimated to be around US\$ 9,900 (current prices) which is mainly explained by Gabon's offshore oil production that amounts to about 43 percent of GDP, consists of 65 percent of the national budget and 81 percent of exports (World Economic Outlook 2008).<sup>1</sup> Besides oil, the country is heavily dependent on logging and mineral resources such as petroleum, uranium, phosphate, manganese, diamond, zinc, marble, and niobium. In the other hand, the 2008 GDP per

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<sup>1</sup> See U.S. Department of State, Bureau of Consular Affairs, <http://www.state.gov/r/pa/ei/bgn/2826.htm#econ>, accessed October 16, 2008. It is important to note that thanks to its oil revenues, Gabon has a GDP per capita exceptionally high compared to the average GDP per capita in Africa. Between 2000 and 2005, the GDP per capita in Gabon was on average seven times higher than the GDP per capita in the Sub-Saharan Africa region (World Development Indicators 2007).



capita in Senegal was estimated to be around US\$ 1,027 (current prices) which is mainly explained by Senegal's few key sectors such as groundnuts, chemical industry, tourism, fisheries, and services (World Economic Outlook 2008).<sup>2</sup>

The two countries were French colonies and gained their independence in 1960; on August 17 for Gabon and on August 20 for Senegal. Both countries have a multiparty democratic regime.

## **Government Structure in Gabon and Senegal /Political and Fiscal Decentralization**

Gabon and Senegal have each three tiers of government.

The three levels of government in Gabon include: the national government, 9 provinces, and two levels of local governments which consist of 47 *départements* and 50 municipalities (urban and rural). Provinces are headed by a Governor who is appointed by the President. *Départements* are administered by a *département* council which includes elected members with a term of office lasting 5 years and is headed by a President of the County Council. Municipalities whether urban or rural are administered by an elected municipal council composed of members with voting rights who serve a term of five years and an executive office of the council (World Bank 2006; *Loi No 15/96*, art. 17, arts. 18-22, arts. 28-29, and arts. 32-33).

Senegal is divided into 14 regions which form the tier of administration between the central government and 150 communes and 349 rural municipalities. There are two levels of local government in Senegal termed as *collectivités locales*: on the one hand, regions and on the other hand, communes in urban areas and rural municipalities or "*communautés rurales*" in rural areas. Regions in Senegal are administered by a regional council whose members are elected for a five-year term and a state-appointed governor; as such, they remain under the control and authority of the central government. Communes in urban areas and *communautés rurales* in rural areas are administered by elected government officials who serve for a five-year term (*Loi n° 96-06*, art. 1, art. 18, art. 28, art. 98, and art. 202; Dickovick 2005).

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<sup>2</sup> See World Bank, Country Brief, <http://go.worldbank.org/1ELYCSI800>, accessed October 16, 2008.

The Decentralization Law of June 6, 1996 in Gabon and the Decentralization Law n° 96-07 of March 22, 1996 in Senegal defined the assignment of expenditure responsibilities, the revenue assignment and intergovernmental transfers among local governments, three factors which constitute important components of a decentralized system of finance.<sup>3</sup>

### Expenditure Assignment

In Gabon, according to the decentralization law, sectors that are the object of a transfer of responsibilities to local governments include territorial (land) management, health, welfare, education, cadastre, housing, environment and sanitation, urban planning, culture, tourism, rural water, public facilities, waste collection, roads, urban, inter-urban and inter-departmental transport, water, youth, sports, agriculture, fishing, livestock farming and quarries. The division and modalities for exercising responsibilities is the object of law (*Loi No 15/96*, art. 185).

In Senegal, expenditure assignments were somewhat similar. There were nine major sectors that were the object of a transfer of responsibilities to the three levels of sub-national governments; these include public land (“*domaines*”); environment and natural resource management; health, population and social welfare; youth, sports, and recreation; culture; education; planning; land management, zoning, and local Development (“*aménagement du territoire*”); and urban development and housing (“*urbanisme et habitat*”). The detailed expenditure assignment among the *collectivités locales* is specified in the Decentralization Law (*Loi n° 96-07*, arts.16-53).

De facto, however, local governments in both countries still have in fact little spending autonomy. While in Gabon, this is explained by the fact that the Decentralization Law has not yet been formally implemented (Yebe 2007; World Bank 2006); in Senegal, it is mainly explained by the fact that budgets are controlled by the central government with little spending discretion given to local governments.

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<sup>3</sup> Fiscal decentralization is the transfer of expenditure responsibilities and revenue assignments to lower levels of government. There are four pillars of fiscal decentralization: pillar #1: Expenditure Assignment; pillar #2: Revenue Assignment, pillar #3: Intergovernmental Transfers, and pillar #4: Sub-national Borrowing.

In Gabon, local governments are not yet responsible for providing public services other than civil administration, police force and solid waste collection. In 2006, the largest share of municipalities' resources, around 80 percent, was allocated to the payment of salaries, while the remaining 20 percent was devoted to operating expenses, mainly waste collection. For instance, in Port-Gentil, only 6 percent of an annual budget of more than CFAF 5 billion was allocated to urban roads maintenance, side drains cleaning, and storm drainage systems maintenance; and this was solely the result of an initiative taken by the municipal council in place (World Bank 2006).

In Senegal, the following reasons account for the low spending autonomy of sub-national governments:

First, there appears to be a mismatch between expenditure assignment and revenue assignment in Senegal. Revenues transferred from the central government to finance mandated public services are often too low, sluggish, and irregular to provide proper social services and public infrastructure. In fact, the central government still retains control and great latitude regarding transfers of revenues to sub-national governments hindering the latter in the daily financing of their activities. Specifically, the Decentralization Fund or "*Fonds de Dotation de la Décentralisation*", FDD was put in place in 1996 to provide local and regional governments with sufficient resources to cover their expenditure mandates. However, according to the Decentralization Law, criteria for allocating the Fund are set and modified every year by decree and after recommendation by the National Council for Local Government Development. Additionally, the Local Government Capital Fund or the "*Fonds d'Équipement des Collectivités Locales*" or FECL, provided essentially to sub-national governments to finance capital investment, is left to the sole discretion of the central government (Dickovick 2005; *Loi n° 96-07*, arts. 58-63).

Second, another factor limiting the spending autonomy of sub-national governments in Senegal is their low spending capacity which explains the recurrence of unspent budgets.

Finally, in spite of expenditure responsibilities mandated and devolved to sub-national governments, the central government still has charge of the majority of social spending, which represents a large share of total local expenditures. Indeed, personnel,

such as teachers and health civil servants are appointed, paid and overseen by the central government (Dickovick 2005).

### Revenue Assignment

Both countries remain heavily dependent on transfers from the central government while local governments' own sources of tax revenues, especially revenues from property taxes are quite small.

In Gabon, de facto, 90 percent of local governments' resources are transferred from the State budget of local governments. These resources consist of refunds, especially income tax refunds which represent almost 95 percent of all refunds and constitute the main source of revenues of *départements* and municipalities (income tax refunds amount to approximately 43 percent of their total revenues). The second source of revenue for local governments is an annual subsidy allocated to finance solid waste collection and management. Subsidies represent about one third of municipalities' annual revenues. Local taxes are recovered entirely by the central government on behalf of the local governments. Business taxes are the largest source of local tax revenues with approximately CFAF 3 billion per year. A smaller, if not negligible, portion of local tax revenues is drawn from property tax revenues due in part to a small number of registered titles.

Revenues from local fees and licenses are in general lower than local taxes, although the number of fees and licenses imposed by city councils in the largest municipalities has been increasing over the recent years.

In Senegal, regional governments' budgets are financed entirely by intergovernmental transfers through the FDD, since they do not have their own sources of revenue and the authority to raise their own regional taxes ("*impôts propres*"). Consequently they are dependent on the State for the supply of funds (Dickovick 2005). The tax autonomy of communes and rural communities is also very limited in the sense that, in Senegal, with the exception of a few taxes, all taxes are assessed, levied, and collected by the central government. Only the following taxes and charges are collected at the local level, specifically at the commune level: fiscal minimum tax; charge for the use of public places; and advertizing charges (Sylla 2008 int.).

Overall, if some aspects of political and fiscal decentralization are currently observed in Gabon and Senegal, as reflected through elections and intergovernmental transfers to sub-national governments, there remain some shortcomings in the fiscal decentralization process, reflected in the form of circumscribed revenue and spending autonomy.

The next section describes the range of land issues of concern in Gabon and Senegal, the extent of their property market, and how such factors might affect property taxation in these countries.

# Land Issues and the Property Market in Gabon and Senegal

## Land Issues

In Gabon, three government services administer land management and land development: the *Service des Domaines*, within the Ministry of Finance; the *Service du Cadastre* within the Urban Planning Ministry; and the *Services de la Conservation Foncière* (or land conservation) within the Presidency of the Republic. In Senegal, two laws regulate national land tenure and land management: the National Domain Law of 1964 (*Loi n° 64-46 of June 17, 1964*) and the Rural Council Law of 1972 (“*Loi Relative aux Communautés Rurales*”).<sup>4</sup>

According to Law Ndeg. 15/63 of May 8, 1963, completed by the Ordinances of September 30 and October 30, 1970 which defined land tenure in Gabon, all land without a title that has not been registered as an individual private property belongs to the state (Law 14/63 art. 2; Akomezogho 2006). Thus, all land held under customary systems are legally state owned or part of the state private domain. In other words, the current land legislation in Gabon encourages individual private tenure through a formal land registration procedure and does not recognize communally-based land tenure.

De facto, however, the majority of land in Gabon remains in the hand of the indigenous community in rural areas (local land chiefs, family heads, and village notables) and is managed through customary land tenure systems. In view of the fact that the population in Gabon is relatively sparse and for the most part urbanized, land legislation has not always been in the priority agenda of the central government. Furthermore, Gabon has in general disregarded the overall issue of community-based land tenure (Bruce 1998).

The land tenure system is somewhat similar in Senegal but with a major difference: rural councils, under the Rural Council Law of 1972 (“*Loi Relative aux Communautés Rurales*”, *Loi n° 72-25 of April 19, 1972* art. 24) are given the right to

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<sup>4</sup> See “*Loi N° 64-46 du 17 Juin 1964 relative au Domaine National*”: [http://www.impotsetdomaines.gouv.sn//index.php?option=com\\_content&task=view&id=23&Itemid=45](http://www.impotsetdomaines.gouv.sn//index.php?option=com_content&task=view&id=23&Itemid=45), accessed on January 10, 2009.

allocate land in rural areas according to customary practice provided the land is efficiently exploited. In other words, since 1964, all lands in rural areas and held under customary rights have been incorporated in the national domain and may not be sold; however rural councils, which are under the supervision of government appointed administrators such as Sub-prefects or “*Sous-préfet*”, are given the right to allocate and exploit land in the most efficient manner; they would only have “right of use” (Bruce 1998).

Specifically, under the National Domain Law of 1964, all lands not in the public domain that are unregistered lands or lands not registered within a two-year grace period became property of the state, as part of the national domain (*Loi n° 64-46*, art. 1, and art. 14).<sup>5</sup> This represents around 97 to 98 percent of the land in Senegal. Overall, the current land legislation in Senegal encourages individual private tenure through a formal land regularization procedure in urban areas (*Loi n° 64-46*, art. 3) but recognize communally-based management and exploitation of the land in rural areas.

De facto, a considerable share of land in Senegal, both urban and rural, is still managed through the customary land tenure system. In urban areas, even though customary rights have not been recognised by law since the National Domain Law of 1964 and customary land has since then been part of the national domain, customary ownership of land is still widespread (Durand-Lasserre and Ndiaye 2008).

In both countries, procedures for land registration are particularly lengthy and cumbersome.

In Gabon, procedures for individual registration of land are as follows: *first*, the individual applicant establishes a letter of reservation of a specific parcel of land and sends it to the Cadastre. *Second*, the Cadastre (*Service du Cadastre*) carries out a land topographical survey (location, dimensions, boundaries and ownership of land parcels). *Third*, the individual then transmits his/her application to the *Service des Domaines* in order to obtain a *Provisional Attribution Order* (or *Décret d’Attribution Provisoire* -

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<sup>5</sup> National Domain Land consists of all land on which a land title has not already been issued by the time of the inception of the National Domain Law in 1964 and all land that is not “State property”. Public Domain Land includes all land that is registered under the name of the State and that is untransferable (Durand-Lasserre and Ndiaye 2008).

DAP) signed by the Prime Minister or the President. The DAP is valid for two years in urban areas and five years in rural areas and can be extended for one year during which the applicant is required to put his/her parcel of land into productive use according to the provisions of “*Mise en Valeur*” (land exploitation, improvement, and development). *Fourth*, after land improvement, the application is directed to the *Service des Domaines* who then would check the status of land improvement and productive use and verify that they been made in accordance with the stipulations of the “*Mise en Valeur*”. The *Service des Domaines* would then issue the *Final Attribution Order* (or *Décret d’Attribution Définitif* - DAD) signed by the Prime Minister or the President with the approval of the Council of Ministers. *Finally*, once the DAD is obtained, the individual then makes a request to the *Services de la Conservation* to obtain the land title. According to Comby (1995), there are not less than 134 successive operations from the request of a *Provisional Attribution Order* to the issuance of a private land title.

In Senegal, according to Decree n° 91.748 of July 29, 1991; the *Code du Domain de l’Etat* (CDE); and the *Commission de Contrôle des Opérations Domaniales* (CCOD), land tenure regulations procedures are generally as follows: *first*, the individual applicant establishes a letter of reservation of a specific parcel of land and sends it to the *Receveur des Domaines*. *Second*, the *Receveur des Domaines* must then follow the following administrative procedures: (1) consult with Urban Planning to check areas to be titled for conformity with official planning and zoning norms; (2) request the Cadastre for a survey of areas to be titled and recording of survey information; (3) eventually request other services for advice or information (such as tourism or environment department). *Third*, the application is then transferred to the *Directeur des Domaines* for approval before being submitted to the CCOD. After the CCOD’s approval, the *Receveur des Domaines* prepares the title documents (land title, surface rights, or lease) that are signed by the applicant, the *Receveur des Domaines*, and a competent State representative. The title documents should then be approved by the Minister in charge of the domain to be definitive. *Finally*, the land registry is prepared and updated as the title document is delivered to the applicant and the information is communicated to other authorities (Durand-Lasserve and Ndiaye 2008; AIIDS 2002).



According to Durand-Lasserve and Ndiaye (2008), before 1993 when simplification in the process were proposed, tenure regulations and the granting of property rights in Dakar necessitated 44 stages and 12 different central and local administrative offices; after 1993, the stages and offices involved were reduced to 14 and 10 respectively.

Consequently, despite land tenure regularization and land titling programs implemented in both Gabon and Senegal, land tenure informality and irregularity remain an important issue in both countries.

For instance, according to the Gabonese Department of Taxation (“*Direction Générale des Impôts*”), there is not a strict enforcement of land registration procedures and as a result, there is a significant illegal occupation of land in Gabon. For example, in 2006, while between 40,000 to 45,000 parcels of land were identified by the Cadastre, only about 15,000 land titles were distributed in Gabon, with approximately 18,000 applications being examined at the *Service des Domaines*. Reform proposals have been put forward by the Department of Taxation that would eliminate the provisional attribution phase (normative reform), and create an administrative structure that would consolidate all government services currently intervening in the land registration process and thus improve and hasten the land registration process (structural reform) (World Bank 2006; Akomezogho 2006; Bruce 1998; Comby 1995).

In Senegal, and especially in Dakar, land tenure regularization programs carried out in informal settlements consisted of initially delivering surface rights (“*droit de superficie*”). Surface rights were considered as a first step towards allocating freehold land titles which would provide an individual with full ownership of the land. Surface rights are property rights that are granted for a period of 50 years renewable one time. They can be inherited, transferred, and mortgaged; however the law have placed temporary restrictions on transfers of surface rights for a period of five years. Surface rights would be converted into freehold titles after the land has been developed and all costs and fees of regularization as well as the administered price of land entirely paid (Durand-Lasserve and Ndiaye 2008).

Results of a household random survey conducted between September and November 2007 in five settlements in Dakar and Pikine showed that although a great majority of households were entitled to a surface right in regularized settlements, only a small share have actually been delivered the right. This is explained mainly by the amount of fees and delays involved in tenure regularization procedures. Furthermore, restrictions on land transfers after a surface right was delivered without the authorization of the land administration for a period of five years resulted in the creation of an informal land market of regularized zones. Finally, results also showed that since the inception of the tenure regularization programme in Senegal very few surface rights have actually been converted into freehold land titles (Durand-Lasserve and Ndiaye 2008). As a result, it appears that in Senegal a small portion of the population actually has a surface right and an even smaller portion of the population possesses a freehold title.

The extent of land tenure informality in these countries is bound to affect property tax policy and administration.

## **The Property Market**

The introduction of an ad valorem-based local property tax has been widely acknowledged as a crucial tool to create fiscal autonomy at the local government level in countries around the world. However, an ad valorem-based property tax could only be justified, achieved and maintained in a context of a mature property market. In general, countries around the world would adopt an area-based property tax system as a temporary solution until conditions have been met to establish a tax system based on relative property value (McCluskey et al. 2002). In effect, area-based systems (where assessment is done on the basis of the size of the property) and location based-systems are commonly reputed to be regressive, unfair, not directly linked to the ability to pay principle and characterized by a lack of buoyancy. On the other hand, value-based tax systems include capital value-based systems (land only, buildings only, land and buildings separately, land and buildings collectively) and annual rental value-based systems. They are in general a relatively good proxy for the ability to pay principle and reflect the quality of public services; nevertheless, as aforementioned, they require extensive property market

data and a good deed registration system. They are also resource intensive and require at least skills, capacity, and maintenance.

In general, the state of the property market and land tenure issues in a country, among other things, are necessary to determine the most appropriate valuation basis for property tax assessment (whether value-based or non-value based).

In both Gabon and Senegal, the property market remains imperfect. Because land tenure regularizations and title registrations are not yet complete in both countries and because of the unresolved issue of customary rights on land (conflicts between statutory law and customary law), a large informal property market exists in these countries. In this context, the implementation of a successful ad valorem property tax system might be greatly hindered.

The next section provides a brief overview of the property-related tax system in Gabon and Senegal.

## Property-Related Taxes in Gabon and Senegal

Property-related tax refers to any tax on the ownership, occupation, or transfer of “property”, whether immovable (i.e. real property) or movable or personal property (e.g. vehicles, books, and jewelry), whether tangible (e.g. vehicles and land) or intangible property (shares and rights). Property-related taxes include value-added tax (VAT), real property transfer taxes, stamp duties, capital gains tax, estate tax, death duties or succession tax, gift or donations taxes, and, in general, annual (recurrent) property and land taxes in the strict sense.

In Gabon specifically, the national government levies a property transfer tax called the tax on property in mortmain, a capital gains tax, and a Value-Added Tax (VAT).

In Senegal, the national government levies the following property-related taxes: property transfer tax called “*Droits d’enregistrement*”; capital gains tax (“*Taxe de plus-value immobilière*”); death and gift duties (“*Droits sur les successions, donations et legs*”); stamp duties (“*Droits de timbre*”); tax on vehicles (“*Taxe sur les véhicules à moteur*”); special tax on company owned vehicles (“*Taxe spéciale sur les véhicules de sociétés*”); and value-added tax (VAT).

Table 2 below presents an overview of property-related taxes in Gabon and Senegal.

**Table 2: Property-Related Taxes in Gabon and Senegal**

Country	VAT	Property Transfer Tax	Capital Gains Tax	Estate Duty & Donations Tax
Gabon	Yes	Yes	Yes	Yes <sup>1</sup>
Senegal	Yes	Yes	Yes	Yes

Note: 1. There is no evidence of a donation tax in Gabon.

## **Property Transfer Tax**

In Gabon, it is called the tax on property in mortmain or “*Taxe sur les biens de main morte*”. It is an annual tax representing the right of conveyance *inter vivos* or upon death. The tax is levied on real property belonging to companies and collectivities. The tax base is the declared gross value of the real property on January 1 of the taxable year, and the tax rate is set at 0.25 percent of the tax base.

In Senegal, the property transfer tax is called “*Droits d’enregistrement*” and is levied on company creation and company mergers; on capital increases, transfer of shares, and transfer of securities; on the sale, lease, exchange, and mortgage of real estate; on the sale and lease of movable property; and on selected transactions, namely transfer of goodwill, financial claims, and sales at auction. It is composed of a proportional rate and a fixed rate. The proportional rate varies between 0.2 percent and 15 percent depending on the transaction involved. For instance, a proportional rate of one percent is levied on the amount of capital over CFAF 10 million. The fixed rate varies between CFAF 2,000 and CFAF 25,000 according to the type of transaction. For example, a fixed amount of CFAF 25,000 is imposed on enterprises with capital under CFAF 10 million. In addition, duties ranging from CFAF 2, 000 to CFAF 32,000 are provided for various acts (GTC arts. 408-732; Law n° 2004-12 of February 6, 2004).

## **Capital Gains Tax**

Capital gains tax in Gabon is called “*Impôt libérateur de l’impôt sur le revenu des personnes physiques (IRPP) sur les plus values*”. It is a withholding personal income tax levied on capital gains realized by individuals or corporations when they transfer goods or rights of any kind (*GDITC*, art. 98 *bis* as amended under Finance Law for 2003). The tax base of withholding personal income tax consists of the capital gains realized which are determined as the difference between the transfer price or market value of the property in question and the purchase price paid by the transferor. Any costs of construction, reconstruction, renovation, and improvement since the purchase, are added to the purchase price, if they have not been previously deducted from the taxable income (*GDITC*, arts. 98 *sexies*, as amended under Finance Law for 2003).

Capital gains in Gabon are taxed at a withholding personal income tax rate of 20 percent and a rebate of 15 percent is allowed on the taxable capital gains realized during the course of the same year, after deduction of any losses incurred in that year (*GDITC*, arts. 98 *septiès* and *octiès*, as amended under Finance Law for 2003).

In Senegal, the “*Taxe de plus-value immobilière*” is a tax levied on capital gains derived from the sale of improved and unimproved property and the sale of rights over such property (“*droit réel immobilier*”). Specifically, the tax is imposed on the portion of capital gains which is not the result of the owner’s doing. The seller or the owner of the property is subject to this tax. As in Gabon, capital gains are defined as the difference between, on the one hand, the transfer price or market value of either the property in question or the right over the property and, on the other hand, the acquisition price. In computing the taxable capital gains, any costs of construction, reconstruction, expenses on the improvements or repairs are added to the acquisition price (GTC arts. 884-900; Law n° 2004-12 of February 6, 2004). Additionally, after the fifth year of holding the property, the acquisition price will be increased by 1 percent annually; and by 2 percent each year after a 15-year ownership period. Capital gains as above defined are taxed at a tax rate of 15 percent.<sup>6</sup>

### **Estate Duty and Donation Tax**

The estate tax in Gabon is also the property transfer tax since it is an annual tax representing the right of conveyance *inter vivos* or upon death. To our knowledge there is not any donation tax or gift duty in Gabon.

In Senegal, death and gift duties or “*Droits sur les successions, donations et legs*” are levied on the net value of property transferred by inheritance or *inter vivos* in Senegal. Tax rates applied vary between 3 percent and 50 percent, depending on the relation of the beneficiary to the deceased or to the donor. For property transferred by inheritance, there is a global deduction of CFAF 150 million, and for property transferred by *inter vivos*, there is a global deduction of 50 percent (GTC arts. 523-554; Law n° 2004-12 of February 6, 2004).

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<sup>6</sup> See <http://www.globalpropertyguide.com/Africa/Senegal/Taxes-and-Costs>, accessed on January 10, 2009.

## **Value-Added Tax (VAT)**

The VAT in Gabon is governed by Law 1/95 of February 24, 1995. This tax is assessed on value added and is levied on all production, delivery, import, and service provision activities conducted on a regular or occasional basis. A business transaction must be carried out in Gabon in order to be subject to the VAT. For a sale, the merchandise must be delivered to Gabon and, for other operations, service provided, right transferred, or thing leased must be used in Gabon (*GDITC*, arts. 165, 167).

Subject to this tax are all corporate or individual taxpayers in Gabon with a turnover of: (a) CFAF 80 million for service provision; (b) CFAF 140 million for general operations; (c) CFAF 800 million for taxpayers engaged in forestry activities; (d) and also subject to VAT when their turnover exceeds CFAF 40 million are the following taxpayers: forwarding agents; contractors; suppliers of automobile spare parts and accessories; driving schools; independent legal and accounting professions (such as attorneys, court clerks, notaries, legal receivers, and accounting firms); property managers, printers, and reproduction agencies; job placement firms; photographers and dry cleaners; hardware leasing firms; and restaurant owners (*GDITC*, arts. 164, as amended under Finance Law for 2002).

VAT rates in Gabon are applied as follows: a *general rate of 18 percent*, applicable to all operations other than operations subject by law to other rates; a *reduced rate of 10 percent* applicable to the following items: mineral water, chicken, sugar, beef and poultry meat, table oil, tomato paste, fruit or vegetable preserves, peanuts; detergents; cement, concrete bars, building tile, tile pegs; fishing equipment, outboard motors, raincoats; and spare automobile parts. Finally, in addition to these tax rates, there is a *zero percent tax rate* which applies to exports and international transport (*GDITC*, art. 177, as amended under Finance Law and Rectified Finance Law for 2004).

The VAT in Senegal is governed by Law n° 2001-07 of September 18, 2001 and Law n° 2004-12 of February 6, 2004. This tax is assessed on value added and is levied on all business relating to an economic activity (provision of service, industrial, commercial, noncommercial, and civil activities, craft, extraction, and so on), with the exception of agricultural production and salaried activities. The VAT is also levied on imports and any

act of production, but wholesale and retail trade are exempt of the tax. The VAT tax base for imports consists of the c.i.f. value (“*valeur en douane*”) augmented by all other import duties and taxes except the VAT. The VAT rate applied in Senegal is a single rate of 18 percent (GTC arts. 283-311; Law 2001-07 of September 18, 2001; Law n° 2004-12 of February 6, 2004).

Property-related taxes also include annual property and land taxes in the strict sense. The next section provides an overview of the property tax system as legalized and practised in Gabon and Senegal.



# Property Taxation in Gabon and Senegal

## Property Tax System as *Legislated* in Gabon and Senegal

The property tax legislation currently in place in Gabon is quite comprehensive and is based on Law 14/63 of May 8, 1963 which merely perpetuated the property tax system originally established by the colonial system at the end of the 19th century (Comby 1995). In accordance with the Decentralization Law 15/96 of June 6, 1996 (arts. 96-106) and articles 290-318 of the General Direct and Indirect Tax Code (hereafter *GDITC*) of the Republic of Gabon ratified by Law 13/82, local governments are entitled to levy property taxes and other direct local taxes as part of their own revenue sources. However, the legislation stipulates that the tax rate and tax base of each direct local tax and the administration of the tax collection are dictated and fixed by law with no discretion given to local governments. In particular, the legislation in Gabon requires the central government to collect direct local taxes and distribute them in their entirety to local governments. Property taxes at the local level in Gabon include property tax on improved property (“*contribution foncière des propriétés bâties*”) and property tax on unimproved property (“*contribution foncière des propriétés non bâties*”).

The property tax system is somewhat similar in Senegal. The property tax legislation currently in place in Senegal is also comprehensive and is based on the Decentralization Law n° 96-06 of March 22, 1996 on the local government code. In accordance with the Decentralization Law n° 96-06 (arts. 243-255) and articles 215-241 of the General Tax Code of the Republic of Senegal, local governments are entitled to levy property taxes and other direct local taxes as part of their own revenue sources. However, the legislation stipulates that with the exception of a few taxes, all local taxes are assessed, levied, and collected by the central government and their proceeds are largely, if not totally, transferred to local governments. Only the following taxes and charges are collected at the local level, specifically at the commune level: fiscal minimum tax; charge for the use of public places; and advertizing charges (Sylla 2008 int.).

There are three types of property taxes levied in Senegal: the tax on improved property or tax on buildings (“*contribution foncière des propriétés bâties*”); the tax on unimproved property (“*contribution foncière des propriétés non bâties*”); and the surtax

on unimproved or insufficiently improved land (“*surtaxe sur les terrains non bâtis ou insuffisamment bâtis*”).

### Overview of Tax Bases

- Tax on Improved Property

In Gabon and in Senegal, the tax on improved property is based on the annual rental value of improved property.

Specifically, in Gabon, the property tax on improved property is based on the taxable income equal to the *rental value* on January 1 of the improved property concerned, less 25 percent for wear and tear and maintenance and repairs. In Senegal however, the property tax on improved property is based on the total annual rental income of all built-up land, i.e. having permanent structures on it, including factories on January 1 of the taxable year.

In both countries, the tax in improved property is defined to include construction set on masonry foundations, such as houses, factories, hangars, and factories. The property tax on improved property is also levied on the equipment of industrial plants incorporated in goodwill in perpetuity or attached to special foundations that are an integral part of the building, as well as any commercial or industrial installations.

- Tax on Unimproved Property

Beside the tax on improved property, Gabon and Senegal also impose a tax on unimproved property. In Gabon, while the assessment of the tax on unimproved property is based on 4/5 (80 percent) of the *rental value*, which itself is equal to 10 percent of the market value of the unimproved property; in Senegal, the assessment of the tax on unimproved property is based on the *market value* of property on January 1 of the taxable year.

In Gabon, the tax on unimproved property encompasses all types of unimproved property, except property granted under provisional concessions. Unimproved properties located within the boundaries of urban centers are considered urban properties and unimproved property located outside the boundaries of urban centers are classified as

rural properties. In Senegal, the tax on unimproved property covers all types of unimproved property located within the boundaries of commune, in urban communities, and community lots. Land in construction would also be subject to the tax in unimproved property if the building work is not completed three years after the beginning of construction (GTC art. 228).

In Senegal, there is a third type of property tax called the surtax on unimproved or insufficiently improved land. The base of this tax is the *market value* of such land. Notwithstanding the tax on improved property, the surtax on unimproved or insufficiently improved land is levied on buildings with an estimated market value lower than the market value of the land on which they are erected. The tax is specifically imposed on unimproved or insufficiently improved land located in communes of the Dakar region and in chef-lieu of communes in the remaining regions of Senegal (GTC arts. 234-235; Law n° 2004-12 of February 6, 2004).

In conclusion, legislation in Gabon and Senegal allows for a combination of rental value system and capital value system (land only). However, in Gabon, if the legislation allows for a value-based system, in practice it is not yet utilized. Rather, an area-based system is in place. In this system, property taxes are called domanial taxes (“*redevances domaniales*”) and are based on the assessed rate per square meter multiplied by the size of the land parcel, improved and unimproved. Both taxes are also collected by the national government and distributed to local governments. Table 3 below summarizes the different types of property tax bases encountered in Gabon and Senegal.

**Table 3: Property Tax Bases Provided for in Legislation and Utilized in Practice**

Country	Land value(site value)	Capital value	Land and improvements (separately)	Improvements only	Annual value	Area	Flat rate
Gabon					O	P	
Senegal		X			X		

Note: X indicates tax bases provided for in legislation and used in practice. O indicates tax bases provided for in legislation but not used in practice. P indicates tax bases not provided for in legislation and used in practice.

## Overview of Valuation Approach

- Tax on Improved Property

As stipulated in the legislation, the rental value of improved property in Gabon and Senegal is assessed annually using somewhat similar methods.

In Gabon, the rental value of improved property is determined by tax officials and by means of bona fide lease, by means of a declaration of rental value made by the taxpayer, by comparison with other premises for which rental values have been regularly established or are well-known; or in the absence of these instruments, by direct appreciation made by the property tax agent.

In Senegal, the annual rental value of improved property on January 1 of the taxable year is determined by means of the cadastral method conducted by cadastral technicians and experts or failing that, by means of comparison with other premises chosen in the area for which rental values have been regularly established or are well-known. The comparison method would base a property's value on the annual rental value of properties that are within the same area and comparable in size, quality, amenities and features. Additionally, the rental value of the equipment of industrial plants is determined by means of direct appreciation as defined by the Ministry of Finance (“*voie d’appréciation directe*”). There is no evidence that the rental value of the equipment of industrial plants is assessed differently in Gabon.

- Tax on Unimproved Property

As for the tax on unimproved property, legislation in both countries specifies that the market value of such property should also be assessed annually on the basis of conveyances (“*actes translatifs*”) or by means of comparison with similar properties in the area whose market values have been regularly recorded or are well-known.

Specifically, the legislation in Senegal stipulates that the market value of unimproved property assessed on January 1 of the taxable year is determined by means of the cadastral method. Failing that, the market value of unimproved property would be assessed on the basis of conveyances for taxable properties three years old or less. If an

unimproved land has not been developed for three years, the market value would then be determined by means of comparison with other lands that are within the same area and comparable in size, quality, and features and for which market values were assessed on the basis of conveyances of less than three years old.

In Gabon, property valuation in rural areas follows a different approach. The market value of unimproved property in rural areas is fixed per hectare on an annual basis pursuant to Decree No 57/460 dated on April 4, 1957 and according to the type of agricultural activity.

### Overview of Tax Rates

In Gabon and Senegal, tax rates on improved and unimproved property are fixed in the legislation by the central government with no discretion given to local governments and all types of annual property taxes are collected by the central government. In both countries, local governments are entitled to 100 percent of revenues collected from property tax. In general, this reflects the fact that local governments in Gabon and Senegal have very little authority in terms of expenditures and revenue needs.

In Gabon, the property tax rate on improved property is uniform across all categories of buildings. The tax rate on improved property is set at 25 percent of 75 percent of the rental value. The tax rate on unimproved property is also uniform and is set at 25 percent of 80 percent of the rental value which is estimated at 10 percent of the market value. In urban areas, the market value of unimproved property is assessed on an annual basis by the tax administration; while in rural areas, as above mentioned, the market value of unimproved property is fixed in the legislation according to the type of agricultural activities. The following Table describes the property tax rate structure in Gabon.

**Table 4: Property Tax Rate Structure in Gabon**

Local Property Taxes	Tax on Improved Property	Tax on Unimproved Property	
		<i>Urban Areas</i>	<i>Rural Areas</i>
Taxable Base	75% of Rental Value	80% of Rental Value which is estimated at 10% of Market Value <sup>1</sup>	80% of Rental Value which is estimated at 10% of Market Value <sup>2</sup>
Tax Rate	25%	25%	25%

Notes:

1. In Urban Areas, the market value of unimproved property is assessed on an annual basis by the tax administration

2. In Rural Areas, the market value of unimproved property is fixed in the legislation according to the type of agricultural activities as follows:

- Cultivated land producing coffee, oil palm trees, rubber: Market Value per hectare = CFAF 600
- Other agricultural activities: MV per hectare = CFAF 250
- Second category land with adjoining factories to process agricultural products: MV per hectare = CFAF 150
- Idle land: MV per hectare = CFAF 150
- Land used for livestock farming: MV per hectare = CFAF 150

The property tax rate structure in Senegal is somewhat different. For example, while the tax on unimproved property is uniform, the tax on improved property varies depending on the category of buildings and the surtax on unimproved or insufficiently improved land differs according to the market value of land as categorized in each local jurisdiction. Table 5 below summarizes the property tax rate structure in Senegal.

**Table 5: Property Tax Rate Structure in Senegal**

Property Taxes	Differential Value Rate		Uniform Value Rate
	<i>Type of Buildings</i>	<i>Land Value</i>	
Tax on Buildings	* 5% of Rental Value for all buildings except plants and factories * 7.5% of Rental Value for industrial plants and factories		
Tax on unimproved property			5% of Market Value of undeveloped property

Surtax on unimproved or insufficiently improved land		1% or 2% or 3% according to Market Value of land	
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### Overview of Tax Administration

Gabon and Senegal allow for billing, collection, and enforcement provisions in the legislation. Each of these functions is performed at the central government level by the Department of Taxation of each country.

In terms of billing, per article 394 of the General Direct and Indirect Tax Code in Gabon, tax bill notifications should be delivered to taxpayers in a sealed envelope (hand delivered by tax collectors). The tax code stipulates that no taxpayer may use the excuse of not receiving the tax bill at the appropriate time to defer tax payment or claim a reduction or waiver of fines and penalties (*GDITC*, arts. 424-427). In Senegal, per article 1027 of the General Tax Code, tax bill notifications should be delivered to taxpayers on paper (hand delivered by Treasury's tax collectors).

Regarding property tax collection, tax legislation in Gabon allows for a *one-time payment* of property tax liability, regardless of its amount, at the latest on the last day of the first month following the month when the taxpayer roll and the corresponding property tax bill notifications were emitted (*GDITC*, art. 431). Tax legislation is more flexible in Senegal, as it allows for the payment of property tax liability, regardless of its amount, at the latest on the last day of the first month following the month when the taxpayer's roll and the corresponding property tax bill notifications were emitted.

Finally, concerning the enforcement of payment, tax legislation in both countries allows similar enforcement measures to be applied against potential tax evaders.

In both countries, there is an interest on arrears equal to 10 percent of the tax liability when tax payment has not been received, at the latest, the last day of the second month following the month when the taxpayer roll and the corresponding property tax bill notifications were emitted. Subsequently, in Gabon, a one percent increase is applied

each month the tax liability is not paid; whereas in Senegal, an additional 10 percent interest on the principal will be added to the taxpayer' liability if payment is not received within 1 year of the application of the first interest on arrears.

Furthermore, procedures for seizure and sale of property are also very similar in these two countries. A seizure and auction would be implemented after the following procedures have been respected: first, the tax collector issues a demand notice giving the taxpayer 8 days (12 days in Senegal) to settle his debt. If after 8 days (12 days in Senegal) the tax liability has not been paid, the tax collector then signs and sends out a warning letter delivered in person to the taxpayer. After the emission of the warning letter, a property seizure order may be set forth. The seizure order directing tax agents to take possession of all or part of the property would be vacated if the taxpayer acquits his debt. Finally, a property sale order would be entered if the seizure order is not vacated ((GTC art. 999; arts. 1062-1072; Law n° 2004-12 of February 6, 2004; *GDITC*, art. 432; arts. 470-479).

### **Property Tax System as *Practiced* in Gabon and Senegal**

Although comprehensive property tax legislation exists, implementing the provisions of the law still remains somewhat of a problem in Gabon and Senegal.

#### Property discovery/Valuation/Assessment

As mentioned in previous sections, the Decentralization Law has not yet been formally implemented on Gabon. As a result, if the legislation allows for a value-based system, in practice it is not yet utilized. Rather, an area-based system is in place. In this system, property taxes are called domanial taxes (“*redevances domaniales*”) and are based on the assessed rate per square meter multiplied by the size of the land parcel, improved and unimproved. Both taxes are also collected by the national government and distributed to local governments.

In Senegal, contrary to stipulation in the law, the Cadastre is not yet involved in property discovery and valuation and assessment of property. These functions are performed by the Department of Taxation or “*Direction Générale des Impôts et Domaines*” (DGID). Currently, the valuation roll is prepared and maintained by DGID's



valuers with the assistance of local government officials who are trained by the DGID. Property discovery is based on a manual system: first, the DGID's valuers survey the land, locate and identify taxable properties and if possible collect basic information such as nature of the property, name of property owner or tenant, number of people living in the house, amount of rent, and so on. Second, the DGID's agents request from property owners and principal tenants a document providing relevant and detailed information about their property to aid in the discovery process. Finally, based on the collected information, the DGID's agents construct a fiscal cadastre i.e. "a compilation of the basic property information necessary for valuation, assessment, billing, collection and enforcement" (Kelly and Musunu 2000).

Fortunately, however, the government in Senegal is currently introducing administrative improvements to build a broader, comprehensive fiscal cadastre and thus expand the coverage ratio. Notably, support for extensive computerization is under development, and a new cartography is being conducted. Additionally, the European Union financed a Computer Assisted Mass Appraisal (CAMA) system that will be implemented in Senegal in the upcoming years (Sylla 2008 *int.*; Fall 2008 *int.*). Such a system would expand the coverage and valuation ratios and overhaul the ad valorem-based property tax system in Senegal. Finally, Senegal has also secured a project loan from the African Development Bank to modernize the Cadastre and acquire topographical equipments such as Total Stations and GPS. This project is called "*Projet d'Appui à la Modernisation du Cadastre*" or PAMOCA.

### Objections and Appeals

In Senegal, the number of objections and appeals involved in property information, valuation or tax assessment is very large. Although such a large number of objections and appeals would affect local government budget estimates through tax abatements and refunds, they nevertheless help to update the fiscal cadastre.

In particular, when confronted to potential taxpayers who are reluctant to provide detailed information about their property or refuse to make their properties accessible to valuers, DGID's agents would intentionally apply to their properties a high market or rental value depending on the property tax valuation, which would result in a high tax

liability. By doing so, they rely on objections that would undoubtedly be made by these potential taxpayers to include them in the fiscal cadastre.

In Gabon, there is not enough information available to determine whether dispute resolution in property information, valuation or tax assessment is effective or ineffective.

### Collection and Enforcement

Compared to the tax on unimproved property and the surtax on unimproved or insufficiently improved land in Senegal, the tax on buildings has the highest collection ratio. One reason for this difference is that it is essentially difficult to identify owners of unimproved property and insufficiently improved land, and thus to collect basic relevant information for tax purposes. Another reason is merely that while sanctions and penalties are mostly imposed for noncompliance on paying tax on buildings, compliance is not properly enforced for the tax on unimproved property and the surtax on unimproved or insufficiently improved land (Sylla 2008 *int.*).

Additionally, compared to other regions, communes in the Dakar region have the highest collection ratio mainly because the Taxation Department chooses to mobilize its administrative resources into collecting property taxes essentially in communes of the Dakar region where the largest portion of the economic activity takes place. As a consequence, the potential tax revenue collection from other communes and rural communities is simply forgone (Sylla 2008 *int.*).

Similarly, the collection/enforcement ratio on domanial taxes in Gabon is very low. This is mainly explained by the central government's reluctance to impose additional taxes on an already heavily burdened and impoverished population and by the fact that political leaders and influential richer taxpayers tend to use their influence to evade property tax.

The next section provides an overview of the importance of property tax as a source of revenue at local government level in Gabon and Senegal.

## **Importance of Annual Property Taxes as Source of Revenue in Gabon and Senegal**

In Gabon and Senegal, a small, if not negligible, portion of local governments' tax revenues is drawn from annual property taxes. They are clearly underutilized and do not constitute an important own source of revenue.

In Gabon, although specific data to indicate the importance of property tax as a percentage of total revenues at local government level or as a percentage of total revenue or GDP could not be obtained, the following data (Table 6) on the Commune of Libreville could be used to substantiate our argument. Unfortunately, the figures reported do not distinguish between the different types of local tax revenues collected by the central government and refunded to local governments, i.e. business taxes ("*contributions des patentes*"), license fees ("*contribution des licences*"), the highway tax ("*taxe vicinale*"), the municipal tax on fuels, and property taxes ("*redevances domaniales*" or domanial taxes).

From Table 6, we observe that total tax revenues in the Commune of Libreville decreased between 2003 and 2005. This decline in tax revenues was mainly explained by a decrease in local tax revenues collected entirely by the state on behalf of the local governments and which represented on average 53 percent of Libreville's total tax revenue and 34 percent of Libreville's total revenue between 2001 and 2005. Since business taxes are the largest source of local tax revenues in Gabon, they obviously drive these numbers, therefore confirming that a small portion of local tax revenues is actually drawn from property taxes. Additionally, local taxes collected by the Commune of Libreville itself constituted on average around 19 percent of its total revenues during this period. In other words, refunds from the central government accounted for nearly two third of total revenues in the Commune of Libreville; implying heavy financial dependence on resources from the central government.

**Table 6: Trends in Total Revenues in the Commune of Libreville from 2001 to 2005 (in CFAF) \***

	2001	2002	2003	2004	2005
Local taxes collected by the Commune **	2,258,361,345	2,178,846,415	2,095,258,300	2,255,947,695	2,197,534,705
Local fees and licenses	1,331,478,712	1,011,892,531	1,349,609,160	1,811,908,320	1,308,136,843
Local taxes recovered entirely by the State on behalf of the Commune ***	4,315,576,992	5,260,144,817	3,780,641,597	3,232,462,269	3,558,880,990
<b>Total Tax Revenues (A)</b>	<b>7,905,417,049</b>	<b>8,450,883,763</b>	<b>7,225,509,057</b>	<b>7,300,318,284</b>	<b>7,064,552,538</b>
Subsidies	4,100,801,995	3,600,000,000	3,607,216,495	4,099,619,618	3,619,328,896
Provision of services	220,736,720	173,608,664	177,280,000	186,310,000	269,312,700
Sundry revenues	78,468,388	77,673,923	138,915,744	41,355,859	42,643,036
Past revenues	158,048,702	116,780,928	120,496,810	88,815,465	87,804,000
<b>Total Revenues (B)</b>	<b>12,463,472,854</b>	<b>12,418,947,278</b>	<b>11,269,418,106</b>	<b>11,716,419,226</b>	<b>11,083,641,170</b>
% of local taxes recovered by the State in (A)	55	62	52	44	50
% of local taxes recovered by the State in (B)	35	42	34	28	32
% of local taxes in Total Revenues	63	68	64	62	64

Source: Yebe (2007).

Notes:

\*The currency used in Gabon is the CFA franc or CFAF (ISO currency code: XAF). CFA stands for *Communauté Française d'Afrique* or French community of Africa. As per January 27, 2009, €1= CFAF 656 and \$1= CFAF 498.

\*\*Local taxes collected by the Commune include taxes applied to various activities such as hotel accommodation, night clubs, taxis, pleasure boats, car washing, movie theaters and special events.

\*\*\* Local tax recovered entirely by the State on behalf of the Commune of Libreville include business taxes ("*contributions des patentes*"), license fees ("*contribution des licences*"), the highway tax ("*taxe vicinale*"), the municipal tax on fuels, and property taxes ("*redevances domaniales*" or domanial taxes).

Similarly, local tax revenues derived property taxes in Senegal are in general limited and far below their potential. Table 7 and Table 8 below present trends in some local taxes levied and collected in Senegal between 2001 and 2004.

**Table 7: Trends in Local Taxes Levied in Senegal (in 000's of CFAF)**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Property Taxes	7,238,226	6,411,663	6,815,909	6,773,097
Business Taxes	12,685,134	14,491,499	15,624,994	21,185,420
Fiscal Minimum Tax	38,707	42,311	42,790	9,543
License Fees	17,937	18,288	16,600	8,342
Single General Contribution				1,519,005
Other Taxes	398,852	24		
<b>Total</b>	<b>20,378,856</b>	<b>20,963,785</b>	<b>22,500,293</b>	<b>29,495,407</b>
% Change of Property Taxes		-11.42	6.30	-0.63

*Source: PDM (2005). Note: the single general contribution ("contribution global unique") is levied on enterprises whose turnover does not exceed CFAF 50 million. It was created by the reform Law n° 2004-12 of February 6, 2004 with the main objective to bring economic activity out of the shadow economy. Sixty percent of the SGC goes to local governments and 40 percent goes to the state.*

**Table 8: Trends in Local Taxes Collected in Senegal (in 000's of CFAF)**

	<b>2003</b>	<b>2004</b>
Property Taxes	2,965,241	3,450,058
Business Taxes	14,115,855	14,766,230
Fiscal Minimum Tax/CRFMT	1,532,728	1,419,754
License Fees	1,834	434
Other Taxes	918,879	1,006,180
<b>Total</b>	<b>19,534,537</b>	<b>20,642,656</b>

*Source: PDM (2005). Note: CRFMT is the charge representative of the fiscal minimum tax.*

From the limited information available in Table 7 and Table 8, it appears that, between 2001 and 2004, the total amount of property tax levied ("Assiette") in Senegal represented on average approximately 30 percent of total local taxes in nominal terms (27 percent between from 2003 to 2004), while the total amount of property taxes actually collected ("Recouvrement") between 2003 and 2004 represented around 17 percent of total local taxes. In particular, in 2003, the collection ratio was only about 44 percent;

while in 2004, the collection ratio increased to 51 percent. This low collection ratio is explained in part by the fact that compliance is not properly enforced for the tax on unimproved property and the surtax on unimproved or insufficiently improved land; and that property tax, primarily tax on buildings, is for the most part collected in communes of the Dakar region (Sylla 2008 *int.*).

Overall, based on the limited information we could obtain, we could infer that property tax is not an important own source of revenue in Gabon and in Senegal.<sup>7</sup> Evidently, transfers from the central government in the form of FDD (Decentralization Fund) and FECL (Local Government Capital Fund) in Senegal and income tax refunds and subsidies in Gabon remain a major source revenue for local governments in these countries.

The next section discusses the trends and future role of property taxation in Gabon and Senegal.

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<sup>7</sup> Unfortunately, specific current data to indicate the importance of property tax as a percentage of total revenues at local government level or as a percentage of total revenue or GDP in both countries are not available to the public.

# **Trends and Future Role of Property Taxation in Gabon and Senegal**

Similar factors would explain why property taxation is underutilized as an own source of revenue at the local level in Gabon and in Senegal. The following trends are observed.

## **1. Lack of political will and bureaucratic support**

In both countries, the central government is hesitant to devolve property tax policy and administration authority to local governments. As a result their revenue and spending autonomy are largely circumscribed. More important, in Gabon, the lack of political will and bureaucratic support resulted in a delay of the implementation of the Decentralization Law and thus the implementation of a formal property tax legislation.

## **2. Low coverage ratio**

In both countries, low coverage ratios are in general explained by the following problems:

- A lack of human and financial resources allocated to property discovery and the development of comprehensive fiscal cadastre reflected in insufficient qualified and motivated staff, inefficiency of manual systems used to systematically identify properties (e.g. lack of proper tax maps, aerial photography, vehicles needed for field surveys, printers), and a lack of computers and other equipment necessary for data gathering and management.
- Political and religious leaders and other prominent taxpayers who tend to use their influence to exclude their properties from the fiscal cadastre.
- Difficulty to identify owners of unimproved property and unimproved or insufficiently improved land, especially in Senegal.
- Tenure regularizations and title registrations are not yet complete in both countries and the issue of customary rights on land (conflicts between statutory law and customary law) remains for the most part unresolved. Additionally,

lengthy, cumbersome and unenforced procedures for land registration exacerbate this situation.

As a result, the fiscal cadastre is very poor in Gabon; in Senegal, according to Sylla (int. 2008), only approximately 40 major cities and 36 communes are currently covered in the fiscal cadastre. In both countries, coverage has not yet been extended to other smaller and rural municipalities.

However, the Taxation Department in Senegal is taking advantage of the voluminous amount of objections and appeals to update and expand its fiscal cadastre. In addition, support for extensive computerization is under development, and a new cartography is being conducted. Additionally, the European Union financed a Computer Assisted Mass Appraisal (CAMA) system that will be implemented in Senegal in the upcoming years (Sylla 2008 *int.*; Fall 2008 *int.*). Finally, the PAMOCA project or “*Projet d’Appui à la Modernisation du Cadastre*” is a loan project financed by the African Development Bank that has been put into place to modernize the Cadastre and acquire topographical equipments such as Total Stations and GPS. Senegal has established an adequate legal basis to ensure a comprehensive coverage ratio, and now the Taxation Department is reforming the property tax administration to bring about this result.

Similar approaches to broaden the fiscal cadastre are being taken into consideration in Gabon; however, they are sluggish on takeoff because of the lukewarm response of the government to the issue of inadequate human and financial resources.

On the issue of inaccurate and out-of-date valuation rolls, in case valuations are not done annually as stipulated by law or as frequently as possible to reflect changes in absolute and relative property market values, then the above mentioned administrative reforms would also help to increase the valuation ratio’s accuracy and level. More could be gained by improving the cadastre administrative structure and operating procedures, by providing both training and incentives required to motivate and retain the administrative staff, and by introducing a computerized system to efficiently manage an up-to-date and accurate property tax roll (Kelly 2000).



- **Tax ratio**

In Gabon and Senegal, if some aspects of political and fiscal decentralization are currently in place, as reflected through elections and intergovernmental transfers to sub-national governments, there remain some shortcomings in the fiscal decentralization process. In particular, property tax policy and administrative authority are not devolved to local governments. The central government on both countries sets property tax rates, with no discretion given to sub-national governments, collects taxes and refunds them to local governments. So far, there is no evidence that the central government in each country would be ready to devolve the tax administration aspect of property taxation to local governments.

As mentioned above, Gabon applies a uniform tax rate on improved property and on unimproved property. Senegal, however, applies differential tax rates depending on improved property use (residential/commercial and industrial) and differential tax rates according to the market value of unimproved land.

- **Collection/Enforcement ratio**

Collection and enforcement ratios are in general very low in Gabon and Senegal. In particular, compliance is not properly enforced in Senegal, especially for the tax on unimproved property and the surtax on unimproved or insufficiently improved land. Furthermore, the Taxation Department mobilizes its administrative resources into collecting property tax essentially in communes of the Dakar region where the largest portion of the economic activity takes place (Sylla 2008 *int.*). As a consequence, the potential tax revenue collection from other communes and rural communities simply is forgone. Adopting an approach that would promote voluntary taxpayer compliance and systematically applying penalties and sanctions as stipulated by law in as much local governments as possible would go a long way towards increasing the collection ratio in Senegal.

In Gabon, the central government's reluctance to impose additional taxes on an already heavily burdened and impoverished population and the fact that political leaders

and powerful taxpayers tend to use their influence to evade property tax would account for low collection and enforcement ratios.

Overall, there is tremendous potential for improving basic property tax administration through an increase in coverage, valuation, and collection ratios. If properly administered, property tax has clearly the potential to become an important source of revenue, especially in Senegal. In Gabon, the Decentralization Law as it was designed and the property tax legislation as stipulated have the potential to increase the share of local revenues derived from property taxes if only they are implemented and efficiently administered.

## Conclusions

Property taxation is not utilized optimally as an important own source of revenue for local governments in Gabon and in Senegal, even more so in Gabon due to the fact that the Decentralization Law and property tax legislation have not yet been implemented.

According to Kelly (2000), the six major functions of a property tax system are related to four fundamental ratios:<sup>8</sup> coverage, valuation, tax, and collection. As the property tax system is currently practiced in Gabon and in Senegal, we could reasonable infer that the coverage, valuation, and collection ratios have been low.

For the most part, a poor tax administration in terms of coverage, valuation, collection and enforcement ratios would account for the fact that property tax is not utilized optimally as an important own source of revenues for local governments in both countries; but the potential is enormous and can only be tapped into if the Taxation Department in both countries implements tax administration reforms and if these reforms are synchronized with broader fiscal decentralization efforts. In Gabon, not until the Decentralization Law is actually implemented could we accurately ascertain the strengths and weaknesses of the property tax system as legislated.

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<sup>8</sup> The six major functions are: tax base identification, tax base valuation, tax assessment, tax collection, tax enforcement, and dispute resolution and taxpayer service (Kelly 2000).

## Appendix

### Contextual Data

A brief country description providing appropriate background and/or statistics regarding:

- Geographic size, population, urbanization, etc.;
- Government structure (i.e. constitutional make-up);
- Land use, land tenure system, land rent;
- A brief overview of the property market; and
- Overview of the tax system (i.e. most important taxes levied)

### Country Covered: Gabon

<i>Basic Country Information</i>			
Geographic size	103,346 sq mi (267,667 sq km)	Independence	17 August 1960 (from France)
Capital city	Libreville	Population (millions)	1.454 (2008 est., <i>World Economic Outlook, April 2008</i> )
Secondary cities/towns	Port-Gentil; Franceville, Oyem, Lambaréné, Mouila	Urbanisation	83.6 % (2005 figure, <i>World Urbanization Prospects: the 2007 Revision</i> ) <sup>9</sup>
System of government	Republic, Multiparty Presidential Regime	GDP per capita, (current prices, U.S. dollars)	9,877.63 (2008 est., <i>World Economic Outlook, April 2008</i> ) <sup>10</sup>
<i>Government Structures</i>			
Levels/Tiers of government	<ol style="list-style-type: none"> <li>1. Central government</li> <li>2. Provinces (9)</li> <li>3. <i>Départements</i> (47)</li> <li>4. Districts (15)</li> <li>5. Communes or municipalities (50) run by elected mayors and the municipal council. There are urban municipalities subdivided in <i>arrondissements</i> and the rural municipalities subdivided in villages.</li> </ol> <p>Provinces, <i>Départements</i>, and districts are headed by a Governor, a Prefect, and a sub-</p>		

<sup>9</sup> This figure represents the urban population as a percentage of the total population in 2005. The 2010 figure is estimated to be around 86.0%.

<sup>10</sup> The IMF 2007 estimate of the GDP (PPP) per capita in Gabon was \$14,083.

	<p>prefect respectively all appointed by the President.</p> <p>They are two levels of decentralization in Gabon (local governments): the <i>Départements</i> level and the municipality level. The <i>Département</i> council and the municipal council are constituted of elected members.<sup>11</sup></p>
Traditional authorities or chiefdoms	No Data
<b><i>Land Issues and the Property Market</i></b>	
Land tenure	<p>State tenure</p> <p>Official tenure objective: Individual private tenure</p> <p><i>De facto</i> dominant tenure type: Indigenous community-based, extensive but not recognized by the law (Bruce 1998).</p>
Land titling/registration	<p>Individual registration of land through formal administrative structure for land registration: local land commission, courts, the Direction of Land, the Council of Ministers, and the Chief of State can all administered land (Land Law 15/63 of 8 May 1963, amended in 1970)</p> <p>Most rural land is not registered and is subject to customary tenure and administered by local land chiefs, family heads, and village notables. However, according to the law, all land without a title that has not been registered as individual private property belongs to the state. Thus, all land held under customary systems are legally state owned or part of the state private domain (Bruce 1998)</p>
Land rent	<p>The state could lease any land falling under its private domain for a limit of fifty years; the lease may be renewed for up to forty-nine years (Bruce 1998).</p> <p>No mention of policies regarding land sales, rents, trades, farmers' tenure security under customary tenure.</p>
Property Market	<p>Atrophied-All land without a title that has not been registered as an individual private property belongs to the state. An individual could only sell his improved parcel of land if he has secured a title issued by a judicial judge. However, a small portion of the population in Gabon actually goes beyond the first administrative phase in the land registration process due to the considerable amount of fees and time involved in the various land registration procedures.</p>
<b><i>Taxes</i></b>	
National	Corporate income tax on oil and non-oil companies, personal income tax, complementary wage tax, <sup>12</sup> VAT, capital gains tax, National Habitat Fund tax
Sub-national	Business tax, license fees, highway tax (" <i>taxe vicinale</i> "), municipal tax on fuels, property taxes (on improved and unimproved property)
<b><i>Property-related Taxes: National</i></b>	
Property Transfer Tax	Tax on Property in Mortmain

<sup>11</sup> According to the Fundamental Law on Decentralization (Law 15/96 of June 6, 1996) "local governments are public entities distinct from the central government and endowed with legal status and financial autonomy" (World Bank 2006).

<sup>12</sup> For more details, see <http://www.globeafrica.com/Gabon/gabon2.htm>, accessed on November 3<sup>rd</sup>, 2008.

Capital Transfer Tax	
Capital Gains Tax	Capital Gains Tax (“ <i>Impôt Libérateur de l’IRPP sur les Plus Values</i> ”)
Other	Land tax, TSIL , VAT
<b><i>Property-related Taxes: Sub-national</i></b>	
	Property tax on improved property, Property tax on unimproved property

## Country Covered: Senegal

<b><i>Basic Country Information</i></b>			
Geographic size	75,749 sq mi (196,190 sq km)	Independence	4 April 1960 (from France) <sup>13</sup>
Capital city	Dakar	Population (millions)	12.519 (2008 est., World Economic Outlook, April 2008)
Secondary cities/towns	Touba, Thiès, Rufisque, Saint-Louis, Kaolack, M'Bour, Ziguinchor	Urbanisation	41.6 % (2005 figure, <i>World Urbanization Prospects: the 2007 Revision</i> ) <sup>14</sup>
System of government	Semi-Presidential Regime, Multiparty Democratic Republic	GDP per capita, (current prices, U.S. dollars)	1,027.14 (2008 est., World Economic Outlook, April 2008) <sup>15</sup>
<b><i>Government Structures</i></b>			
Levels/Tiers of government	<p>6. Central government</p> <p>7. Two levels of subnational government (called <i>collectivités locales</i>):<sup>16</sup></p> <ul style="list-style-type: none"> <li>• Elected regional governments (14)</li> <li>• Two forms of elected local government: <i>communes</i> in urban areas (150) and <i>communautés rurales</i> (rural councils) in rural areas (349)</li> </ul> <p>Limited decentralization: subnational government officials are elected and given intergovernmental transfers but tax authority, budgeting and expenditure decisions, access to capital markets, power to remove and appoint some subnational government officials remain under central government control.<sup>17</sup></p>		

<sup>13</sup> The complete independence was obtained on August 20<sup>th</sup>, 1960 when the Mali Federation was finally dissolved.

<sup>14</sup> This figure represents the urban population as a percentage of the total population in 2005. The 2010 figure is estimated to be around 42.9%.

<sup>15</sup> The IMF 2007 estimate of the GDP (PPP) per capita in Senegal was \$1,685.

<sup>16</sup> Subnational government is defined as levels of government below the central government headed by elected officials somewhat independent from the center (Dickovick 2005).

<sup>17</sup> Note that below the regions, there are two levels of state administration that oversee the local governments: the *départements* (45) and the *arrondissements* (117). However, contrary to regional and

Traditional authorities or chiefdoms	
<b><i>Land Issues and the Property Market</i></b>	
Land tenure	State tenure Official tenure objective: Individual “leasehold” <i>De facto</i> dominant tenure type: Indigenous community-based, extensive but not recognized by the law (Bruce 1998).
Land titling/registration	Under the National Domain Law of 1964, all unregistered lands, or lands not registered within a two-year grace period became property of the state, as part of the national domain. This represents around 97-98% of the land in Senegal. Under the Rural Council Law of 1972 ( <i>Loi Relative aux Communautés Rurales</i> ), the rural councils are given the right to allocate land according to customary practice provided the land is efficiently exploited (Bruce 1998).
Land rent	The 1976 Law No. 76-66 devised four methods to award rights to land: occupation authorization, ordinary lease, long-term lease, and land concession. Among these methods, only leases can be place under a mortgage (Bruce 1998)
Property Market	Limited
<b><i>Taxes</i></b>	
National	Corporate income tax, minimum presumptive tax on enterprises, individual income tax, single general contribution, Employer’s payroll taxes, value-added tax
Sub-national	Individual taxes (fiscal minimum tax, charge representative of the fiscal minimum tax, rural tax)  Property taxes (tax on improved property or tax on buildings, tax on unimproved property, surtax on unimproved or insufficiently improved land)  Professional taxes (business taxes, license fees)
<b><i>Property-related Taxes: National</i></b>	
Property Transfer Tax	“ <i>Droits d’enregistrement</i> ”
Capital Transfer Tax	
Capital Gains Tax	“ <i>Taxe de plus-value immobilière</i> ”
Other	Death and gift duties (“ <i>Droits sur les successions, donations et legs</i> ”); stamp duties (“ <i>Droits de Timbre</i> ”); tax on vehicles (“ <i>Taxe sur les véhicules à moteur</i> ”); special tax on company owned vehicles (“ <i>Taxe spéciale sur les véhicules de sociétés</i> ”); value-added tax (VAT).
<b><i>Property-related Taxes: Sub-national</i></b>	
	Tax on improved property or tax on buildings, tax on unimproved property, surtax on unimproved or insufficiently improved land

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local governments, the *départements* and *arrondissements* are unelected, state-appointed levels of government. For more details, see Dickovick (2005).

## Annual Property Tax

A detailed overview of all annual taxes on the ownership or occupation of immovable property, covering at least the following aspects:

- An indication of the importance of property tax as a source of revenue;
- Property tax base(s) provided by legislation
- Tax base(s) used in practice and tax base coverage
- Valuation and assessment procedures and practices,
- Valuation cycles and valuation coverage;
- Objection and appeals process;
- Tax assessment;
- Tax rates;
- Exemptions and tax relief mechanisms;
- Collection procedures and practices;
- Enforcement procedures and practices; and
- Other relevant features.

### Country Covered: Gabon

<i>Annual Property Tax</i>		
<b>Relevant Legislation: Law 14/63 of May 8, 1963</b>		
	<i>Legislation</i>	<i>Practice</i>
<i>Tax Base &amp; Taxpayer</i>		
Tax base	Property tax in improved property (Annual Rental Value) Property tax in unimproved property (4/5 or 80 percent of the <i>rental value</i> , which itself is equal to 10 percent of the market value of the unimproved property) Land Tax (area-based tax) <sup>18</sup> TSIL (gross income from rentals)	

<sup>18</sup> The land tax and the special real estate tax on rents (TSIL) are national tax levied and collected by central government.



Coverage of tax base	<p>Improved property-Construction (registered or not) set on masonry foundations, equipment of industrial plants, and commercial or industrial installations located in a <i>département</i> or municipality</p> <p>Unimproved property- All types of unimproved property, except property granted under provisional concessions</p> <p>Land tax- Building grounds, playgrounds, and unused land</p> <p>TSIL- All bare land, and all improved property used for housing or for industrial or commercial development purposes that are subject to a rental agreement</p>	
Taxpayer	<p>Improved property-Persons or businesses holding a property deed, a temporary or permanent occupancy title, and who are actually residing at a property on which a taxable construction has been built.</p> <p>Unimproved property- Persons or businesses holding a property deed, a temporary or permanent occupancy title, and who are occupying the property in their own right.</p> <p>Land tax- Persons or businesses holding a property deed, a temporary or permanent occupancy title, license-holders or any individual with a usufruct right to land.</p> <p>TSIL- Individual or corporate owners who rent bare land, and improved property used for housing or for industrial or commercial development purposes</p>	
<b>Valuation &amp; Assessment</b>		
Valuation	<p>Improved property-bona fide lease, declaration of rental value made by the taxpayer, comparison with other premises for which rental values have been regularly established or are well-known; or direct assessment made by the property tax agent</p> <p>Unimproved property-In urban areas, the market value is determined by means of a transfer of land property titles or assessed by comparison with similar properties in the area whose market values have been regularly recorded or are well-known. In rural areas, the market value of unimproved property is fixed per hectare on an annual and according to the type of agricultural activity.</p> <p>Land tax-In urban areas, assessment based on the surface area of the property expressed in square meter and rounded to the lowest square meter. In rural areas, assessment based on the size of the land measured in hectare and rounded to the lowest hectare unit.</p> <p>TSIL-Each year before January 31<sup>st</sup>, taxpayers must provide tax officials with a statement including among other things the name of their tenants, a specific allocation of fixed rent, the rental period, and the amount of the TSIL tax liability paid the previous year.</p>	Area-based System
Responsibility for valuations	<p>Improved and Unimproved property-tax agent</p> <p>Land tax- in urban areas, tax agent and in rural areas, taxpayers</p>	

	TSIL-Taxpayers	
Valuation cycle	Improved and Unimproved property-Annually Land tax-Annual basis TSIL-Every quarter	
Objection & appeal	Taxpayers who believe they are wrongfully taxed or over-taxed could submit a written claim to the Minister of Economy and Finance before December 31 of the following year. The Minister rules on claims within a period of six months from the date of submission. Possibility to appeal to the Administrative Court.	
Quality control measures		
<b><i>Rate Setting and Tax Relief</i></b>		
Tax rates	Improved property- Uniform rates for all categories: 25 percent of 75 percent of the rental value Unimproved property- 25 percent of 80 percent of the rental value which is estimated at 10 percent of the market value Land tax- Differential rates for different property categories: square meter rate and per hectare rate depending on land location (urban or rural) and category (first category or second category) TSIL-15 percent of the gross income from rentals	Assessed rate per square meter multiplied by the size of the land parcel, both improved and unimproved (Domianial Taxes)
Exemptions	Improved property- Buildings belonging to the state, to international organizations, to municipalities, to chambers of commerce; buildings used for worship; buildings used for educational, sporting, humanitarian, or social purposes belonging to missions or to duly authorized groups; new construction, remodeling, and additions are exempt from the tax on improved property for three years starting on January 1 after completion. The length of this exemption is five years for plants and buildings used for housing, except if the buildings in question are leased out, or used as recreational homes. Unimproved property- Streets, public places, roads, and rivers; property belonging to the state, to international organizations, to municipalities, to chambers of commerce; land located outside urban centers and recently used for livestock farming or land that have been cleared, plowed and sowed is temporarily exempt from the land tax on unimproved property. Land tax- land subject to provisional grants; land exempt from the property tax on unimproved property; land used for commercial and industrial purposes, such as project sites, warehouses, and other facilities of	

	similar nature; land temporarily exempt from the property tax on unimproved property; urban land on which construction is prohibited for the duration of the prohibition; and urban land during the two years following its acquisition.	
Tax relief measures	Improved property- Rebates or reductions for vacant houses and idle commercial or industrial establishments; permanent and temporary exemptions Unimproved property, Land tax- Permanent and temporary exemptions.	
<b><i>Tax Administration</i></b>		
Billing	Inform the taxpayer of tax liability immediately after emission of the tax bill notification on the first of each month by means of a sealed envelope hand delivered by tax collectors. TSIL- each quarter, the taxpayer must send his/her payment of the special real estate tax on rents to the Revenue Service before the 25 <sup>th</sup> of the month following the collection of the rent. As aforementioned, for rentals to the state, the TSIL is withheld by the Treasury when rents are deposited to the owners	
Collection	One-time payment of tax liability, regardless of its amount, at the latest on the last day of the first month following the month when the taxpayer list and the corresponding property tax bill notifications were emitted. TSIL-See Billing above	
Enforcement	Interest on arrears equal to 10 percent of the tax liability when tax payment has not been received, at the latest, the last day of the second month following the month when the taxpayer list and the corresponding property tax bill notifications were emitted. Seizure 11 days after emission of the demand notice and auction 8 days after property sale order issued by the Minister of Economy and Finance. TSIL- Interest on arrears equal to 5 percent of the tax liability when tax payment has not been received on the due date. Subsequently, a two percent increase will be applied each month the tax liability is not paid. Seizure 11 days after emission of the demand notice and auction 8 days after property sale order issued by the Minister of Economy and Finance.	
<b><i>Additional Comments</i></b>		
Importance of property tax	Negligible	
Role of the property tax	Negligible	

Tax effort		
Other issues		

## Country Covered: Senegal

<i>Annual Property Tax</i>		
<b>Relevant Legislation: Decentralization Law n° 96-06 of March 22, 1996; Law n° 2004-12 of February 6, 2004</b>		
	<i>Legislation</i>	<i>Practice</i>
<b><i>Tax Base &amp; Taxpayer</i></b>		
Tax base	<p>Tax on Buildings: annual rental income of all built-up land</p> <p>Tax in unimproved property: market value of unimproved property</p> <p>Surtax on unimproved land: market value of unimproved land</p>	
Coverage of tax base	<p>Tax on Buildings: construction set on masonry foundations and made of iron and wood such as houses, factories, plants, and hangars</p> <p>Tax in unimproved property: all types of unimproved property located within the boundaries of commune, in urban communities, and community lots. Land in construction would also be subject to the tax in unimproved property if the building work is not completed three years after the beginning of construction</p> <p>Surtax on unimproved land: buildings with an estimated market value lower than the market value of the land on which they are erected and located in communes of the Dakar region and in chef-lieu of communes in the remaining regions of Senegal</p>	
Taxpayer	Owners of said property. Persons or businesses holding a property deed, a temporary or permanent occupancy title (e.g. usufruct, emphyteutic lease)	
<b><i>Valuation &amp; Assessment</i></b>		
Valuation	Tax on Buildings: assessment by means of the cadastral method or failing that, by means of comparison with other premises chosen in the area for which rental values	

	<p>have been regularly established or are well-known. The rental value of the equipment of industrial plants is determined by means of direct appreciation as defined by the Ministry of Finance.</p> <p>Tax in unimproved property: assessment by means of the cadastral method. Failing that, the market value of unimproved property would be assessed on the basis of conveyances (“<i>actes translatifs</i>”) for taxable properties three years old or less. If an unimproved land has not been developed for three years, the market value is then determined by means of comparison with other lands that are within the same area and comparable in size, quality, and features and for which market values were assessed on the basis of conveyances of less than three years old</p> <p>Surtax on unimproved land: assessed by means of the cadastral method, on the basis of conveyances, or by comparison method.</p>	
Responsibility for valuations	Cadastral technicians and experts	Department of Taxation
Valuation cycle	Annually	
Objection & appeal	<p>Taxpayers who believe they were wrongfully taxed or over-taxed could submit a written claim to a conciliation commission created by the Ministry of Finance within two years after date of tax payment. Taxpayers who believe they were wrongfully taxed could also go to court within three months of receiving the tax payment notification. Should taxpayers not be satisfied with the court’s ruling or the commission’s decision, they may further appeal to the competent regional court within a period of three months following the receipt of the tax bill notification and the written notice of the claim’s rejection.</p>	
Quality control measures		
<b>Rate Setting and Tax Relief</b>		
Tax rates	<p>Tax on Buildings: tax rate on improved property is set at 5 percent of the rental value for all buildings except plants and factories; and at 7.5 percent for industrial plants and factories</p> <p>Tax in unimproved property: the tax rate is set at 5 percent of the market value of undeveloped property</p>	

	Surtax on unimproved land: 1% or 2% or 3% according to market value of land	
Exemptions	<p>Tax on buildings: buildings or constructions belonging to the state, to municipalities, and to public institutions, facilities in sea ports and internal navigation routes, drinking water or electrical power supply infrastructure systems belonging to the state and municipalities; buildings used for worship; buildings used by the owner for educational, health or social purposes</p> <p>Tax in unimproved property: gardens and tree nurseries created by the administration and agricultural companies of collective interest; undeveloped land used by commercial and industrial companies for purposes related to their specific activities; land surrounding residential housing; land used for sporting; land used for worship; and land used by the owner for educational and health purposes</p> <p>Surtax on unimproved land: lands hit with an interdiction to build; and lands for which owners are temporarily deprived of their use for reasons beyond their control</p>	
Tax relief measures	Tax on buildings: a <i>rebate or reduction</i> may be granted to the taxpayer if it should happen that the building is vacant or the commercial or industrial factory becomes inoperative for reasons beyond the control of the taxpayer and if the premises remain idle for at least six consecutive months	
<b><i>Tax Administration</i></b>		
Billing	Tax bill notifications should be delivered to taxpayers on paper (hand delivered by Treasury's tax collectors).	
Collection	A payment of property tax liability, regardless of its amount, at the latest on the last day of the first month following the month when the taxpayer's roll and the corresponding property tax bill notifications were emitted.	
Enforcement	Interest on arrears equal to 10 percent of the unpaid tax liability when tax payment has not been received, at the latest, the last day of the second month following the month when the taxpayer's roll and the corresponding property tax bill notifications were emitted. Subsequently, an additional 10 percent interest on the principal will be added to the taxpayer'	

	<p>liability if payment is not received within 1 year of the application of the first interest on arrears.</p> <p>A seizure and auction could also be implemented after the following procedures have been respected: first, the Treasury's tax collector issues a demand notice giving the taxpayer 12 days to settle his debt. If after 12 days the tax liability has not been paid, the Treasury's tax collector then signs and sends out a warning letter delivered in person to the taxpayer. After the emission of the warning letter, a property seizure order may be set forth. The seizure order directing the Treasury's prosecution agents to take possession of all or part of the property would be vacated if the taxpayer acquits his debt. Finally, a property sale order would be entered if the seizure order is not vacated.</p>	
<i>Additional Comments</i>		
Importance of property tax	Negligible	
Role of the property tax	Negligible	
Tax effort		
Other issues		

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