

**Property Taxation in Francophone West Africa:  
Case Study of Senegal**

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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 detailed case study of property taxation in 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 Senegal.

The goal of this study is to report and reflect in a concise manner on property-related taxes levied and collected in Senegal; to report on the property tax system as *legislated and as practised* in that country; 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 the country.

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 the overall tax system in Senegal. Section five describes the property tax system as legislated and practiced in Senegal. In section six, we analyze the importance of annual property taxes and property transfers taxes as sources of revenues at the local government level in Senegal. Section seven summarizes the trends and future role of property tax in Senegal while section eight concludes.

# Basic Country Information and Government Structure

## Some Basic Facts

The Republic of Senegal 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. Interestingly, Senegal surrounds The Gambia on three sides, with the Northern Atlantic Ocean on the west. The capital of Senegal and its largest city is Dakar. French is the official language while *Wolof* is the most widely spoken ethnic language.

Senegal has a geographic size of about 75,749 square miles (196,190 square kilometers) and a population of approximately 12.5 million (2008 estimate, *World Economic Outlook*). The *Wolof* ethnicity, who represents approximately 43 percent of the population, is the largest ethnic group in Senegal, followed by the *Peul* and *Toucouler* (24 percent) which together represent the second largest group. Additionally, around 95 percent of the Senegalese population adheres to Islam, the predominant religion, while only 4 percent of the population identifies itself as Christian and 1 percent still holds traditional indigenous beliefs (animism).

In 2008, the Gross Domestic Product per capita income 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>1</sup>

The urban population in Senegal has reached 41.6 percent with most of the population concentrating in Dakar, Touba, Thiès, Rufisque, Saint-Louis, Kaolack, M'Bour, Ziguinchor (2005 figure, *World Urbanization Prospects: the 2007 Revision*; World Bank 2006).<sup>2</sup> The 2010 urbanization figure is estimated to be around 42.9 percent. According to the National Office of Statistics and Demographics 2005 estimates, Dakar is by far the largest city in Senegal with over 2 million inhabitants, followed by Touba with a population of approximately 500,000 residents. Thiès, the third largest city has

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<sup>1</sup> See World Bank, Country Brief, <http://go.worldbank.org/1ELYCSI8O0>, accessed October 16, 2008.

<sup>2</sup> This figure represents the urban population as a percentage of the total population in 2005.



population of just over 240,000. Three other cities, Rufisque, Kaolack, and M'Bour have a population nearing 187,000; 173,000 and 170,000 inhabitants respectively. Saint-Louis's population reached around 130,000 residents.<sup>3</sup>

Senegal proclaimed its independence from France and became an independent republic in August 20, 1960. As of 2001, the President of the Republic is elected to a 5-year term by direct universal suffrage in a two-round majority-basis vote and is eligible for a second term (the presidential term went from seven years to five year that year). Senegal adopted a multiparty system in the 1970's and since then, up to 80 political parties had been officially registered. The current president is Abdoulaye Wade, who has been in power since April 1<sup>st</sup>, 2000 and was re-elected in March 2007. Currently, Senegal is one of the few countries in Africa that has never experienced a coup d'état.<sup>4</sup>

## **Government Structure/Political and Fiscal Decentralization**

Senegal is divided into five levels of administrative units: 14 regions, 45 *départements*, 117 *arrondissements*, 150 communes and 349 rural municipalities ("*communautés rurales*"). According to the Decree published on September 10, 2008, the number of regions went from 11 to 14, when the *départements* of Kaffrine, Sédhiou and Kédougou were transformed in regions.<sup>5</sup> Since entry of Decree n° 2002-166 of February 21, 2002, *arrondissements* in the region of Dakar are further divided into 43 communes of arrondissement ("*communes d'arrondissement*").<sup>6</sup>

Regions are administered by an elected regional council and a state-appointed governor and, as such, remain under the control and authority of the central government. *Départements* and *arrondissements* are strictly administrative entities and wield no independent political power. Communes in urban areas and *communautés rurales* in rural areas are administered by elected government officials (Dickovick 2005).

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<sup>3</sup> See "Agence Nationale de la Statistique et de la Démographie (ANSD)", for more details; <http://www.ansd.sn/index.php>, accessed on January 10, 2009.

<sup>4</sup> [http://www.etat.sciencespobordeaux.fr/\\_anglais/institutionnel/senegal.html](http://www.etat.sciencespobordeaux.fr/_anglais/institutionnel/senegal.html), and <http://www.state.gov/r/pa/ei/bgn/2862.htm>, accessed on January 10, 2009.

<sup>5</sup> <http://www.au-senegal.com/-Senegal-administratif-.html>, accessed on January 12, 2009.

<sup>6</sup> Situation économique et sociale de la région de DAKAR, 2006 (Agence Nationale de la Statistique et de la Démographie) : [http://www.ansd.sn/publications/annuelles/SES\\_Dakar\\_2006.pdf](http://www.ansd.sn/publications/annuelles/SES_Dakar_2006.pdf) and DECRET n° 2002-166 fixant le ressort territorial et le chef-lieu des régions et des Départements: <http://www.au-senegal.com/IMG/pdf/decret-territoire.pdf>, accessed on January 10, 2009.

According to the Decentralization Law n° 96-06 of March 22, 1996 on the local government code, there are two (tiers) levels of sub-national governments in Senegal termed as *collectivités locales* which are defined as “elected structures of government with some independence from the centre”. Such *collectivités locales* encompass on the one hand, the 14 elected regional governments; and on the other hand, two forms of local governments: communes in urban areas and *communautés rurales* in rural areas (*Loi n° 96-06*, art. 1).

As stated in the Decentralization Law, regions are administered by a regional council and by an executive office composed of a president, a first and second vice-presidents and two secretaries, all elected within the council. All members of the regional council are elected by direct universal suffrage for a five-year term. Communes in urban areas are governed by a municipal council and an executive office composed of a mayor and one or several deputy mayors elected within the council. As with regions, all members of the municipal council are elected by direct universal suffrage for a five-year term. *Communautés rurales* in rural areas, which constitute the third level of sub-national government in Senegal, are ruled by a rural council and an executive office which consists of a president and two vice-presidents elected within the council. Members of the rural council are elected for a five-year term in accordance with the electoral code (*Loi n° 96-06*, art. 18, art. 28, art. 98, and art. 202).

On the question of competences of sub national governments, one area of legislative competence of the regions is to promote economic, educational, social, health, cultural and scientific development at the regional level while respecting the autonomy and attributions of the communes and *communautés rurales* (*Loi n° 96-06*, art. 25). In accordance with the Decentralization Law, the planning, programming, and management of local development strategies fall within the competence of communes; while areas such as land occupation planning, occupation authorization, allocation of national domain lands, investment projects in human capital, maintenance and improvements of public roads, parks and open spaces, come within the competences of rural communities or *communautés rurales* (*Loi n° 96-06*, art. 88, art. 195).

The Decentralization Law n° 96-07 of March 22, 1996 on the transfer of power to regions, communes and rural communities defined in more details 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>7</sup>

### Expenditure Assignment

According to the provisions of the Decentralization Law n° 96-07 of March 22, 1996, there are 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, despite increased expenditure assignment responsibilities mandated to sub-national governments through the decentralization law, these governments still have in fact little spending autonomy due to the following reasons.

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 (see section below for more details) 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

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<sup>7</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.

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

According to the Decentralization Law n° 96-07 of March 22, 1996 on the Local Government Code (art. 249), regional governments in Senegal unlike communes and rural communities do not have their own sources of revenue; they were not given the authority to raise their own regional taxes (“*impôts propres*”). In other words, regions in Senegal were “designed to depend entirely on central government transfers with no independent tax authority of their own” (Dickovick 2005).

On the other hand, communes and rural communities are able to generate part of their own revenues from three types of local taxes (AIIDS 2001, *Loi n° 96-06*, art. 250):

- Individual taxes which include a fiscal minimum tax (“*impôt du minimum fiscal*”), a charge representative of the fiscal minimum tax (“*taxe représentative de l’impôt du minimum fiscal*”), and a rural tax (“*taxe rurale*”).<sup>8</sup>
- Property taxes which consist of a tax on improved property or tax on buildings (“*contribution foncière des propriétés bâties*”); a tax on unimproved property (“*contribution foncière des propriétés non bâties*”); and a surtax on unimproved or insufficiently improved land (“*surtaxe sur les terrains non bâtis ou insuffisamment bâtis*”).
- Professional taxes which include business taxes (“*patentes*”) and license fees (“*licences*”).

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<sup>8</sup> The rural tax is a poll tax fixed at the rate of CFAF 1,000 (i.e. approximately \$2 or €1.5 rates, exchange rates as per January 14th, 2009) per person per year (Juul 2006).

In that context, the *Fonds de Dotation de la Décentralisation* or FDD (Decentralization Fund) was established by the Decentralization Law of 1996, on the one hand, to provide regional governments with resources to finance the entirety of their budgets and, on the other hand, to provide communes and rural communities with sufficient funds to supplement their own sources of revenue. The FDD is in general allocated according the following weighting: 82 percent goes to all three levels of sub-national governments (regions, communes and rural communities) in compensation for expenditure responsibilities transferred; 10 percent is used specifically to fund costs related to regional governments' functioning. Finally, 8 percent is used to pay for central state services (such as personnel) put at the disposal of sub-national governments (*Loi n° 96-07*; Decree n° 96-1126 of December 27, 1996;<sup>9</sup> Gaye 2008 int.).

As mentioned above, in addition to the FDD, sub-national governments also receive from the central government, transfers essentially set up to finance their capital investment; it is the Local Government Capital Fund or the "*Fonds d'Équipement des Collectivités Locales*" or FECL.

Besides local taxes and the FDD, sub-national governments' other sources of revenue include national domain and local services operating profits and refunds from the central government (*Loi n° 96-06*, art. 249).

De facto, sub-national governments in Senegal have very little tax autonomy. As aforementioned, although regional governments' budgets are financed entirely by intergovernmental transfers through the FDD, they nevertheless have no right to collect their own taxes. 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.).

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<sup>9</sup> It is the Decree n° 96-1126 of December 27, 1996 that set the criteria for allocating the Decentralization Fund for Fiscal Year 1997; <http://www.tresor.gouv.sn/documents/Decretb961126.pdf> , accessed on January 10, 2009.

Overall, if some aspects of political and fiscal decentralization are currently observed in 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. Additionally, sub-national governments, i.e. regions as well as communes and rural communities, are hindered in the decentralization process by insufficient skilled and qualified personnel (Barro 2006).

The next section describes the range of land issues of concern in Senegal, the extent of its property market, and how these factors could affect property taxation in Senegal.

# Land Issues and the Property Market

## Land Issues

Two laws regulate national land tenure and land management in Senegal: the National Domain Law of 1964 (*Loi n° 64-46 of June 17, 1964*)<sup>10</sup> and the Rural Council Law of 1972 (“*Loi Relative aux Communautés Rurales*”). 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>11</sup> This represents around 97 to 98 percent of the land in Senegal. The National Domain Law was enacted partly as a result of the central government’s desire to protect the poor against the continuing misappropriation of land by religious leaders and rural elite. The central government also regarded the National Domain Law as a means of improving the efficiency of land allocation and land use in Senegal in accordance with development planning, land management, and zoning programs (Bruce 1998; *Loi n° 64-46*, art. 2).

The National Domain Law of 1964 divided the national domain into four categories of land: (1) urban zones (“*zones urbaines*”) which include all lands located in urban areas or community settlements; (2) classified zones (“*zones classées*”) encompassing all government classified forest areas and government protected zones; (3) agricultural zones (“*zones des terroirs*”) which cover all lands which at the time of the enactment of law, were exploited for rural housing, agricultural proposes, and pasture. Note that agricultural zones are under the control of rural councils, who are responsible of land exploitation, improvement, and development, but remain under the supervision of the central government; (4) and finally pioneer zones (“*zones pionnières*”) which include all other types of land (*Loi n° 64-46*, arts. 4-12).

Under the Rural Council Law of 1972 (“*Loi Relative aux Communautés Rurales*”, *Loi n° 72-25 of April 19, 1972* art. 24), rural councils are given the right to allocate land

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<sup>10</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.

<sup>11</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).

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).

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-Lasserve and Ndiaye 2008).

Beside the delivery of land title or “*titre foncier*” which provide an individual with full ownership of the land, there are other land tenure rights in Senegal: (1) the lease or “*bail*” which is delivered on Private Domain of the State or on National Domain land. It is in general a 30-year renewable lease. (2) Surface rights (“*droit de superficie*”) are property rights that are granted for a period of 50 years renewable one time. Surface rights can be inherited, transferred, and mortgaged; however the law have placed temporary restrictions on transfers of surface rights for a period of five years. Additionally, surface rights fees should be paid in full at the time of delivery. Finally, surface right can be converted into a land title (Durand-Lasserve and Ndiaye 2008).

According to Decree n° 91.748 of July 29, 1991; the *Code du Domaine de l' Etat* (CDE); and the *Commission de Contrôle des Opérations Domaniales* (CCOD), land tenure regulations procedures in Senegal 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).

As it appears, these land tenure regulations procedure are quite lengthy and cumbersome and unfortunately, the various land administration agencies in Senegal do not possess sufficient financial and human resources to efficiently implement land regulation processes. 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. Additionally, there is no strict enforcement of tenure regulation procedures which considerably impedes tenure regulation and land titling in Senegal.

## **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 Senegal, the property market remains imperfect. The 2002 population census revealed that in Dakar's urban area (including Dakar, Rufisque and Pikine), 44 percent of households were owners, 48 percent were tenants, and 8 percent were accommodated for free through administrative certificates allocated by the government. However, the term "owner" refers to either "regular owners" who possess either a land title, a surface right, a lease, or an administrative permit; or "irregular owners" who would have none of the above documents but would have a private land sale contract obtained from a person claiming a customary right on the land (Durand-Lasserve and Ndiaye 2008).

In 2008, Durand-Lasserve and Ndiaye reported the results of a household random survey conducted in five settlements in Dakar out of which 4 have been regularized and

one has not been regularized. The survey was conducted between September and November 2007. Based on the results, surface rights are the predominant tenure status of occupants in the four regularized settlements. As aforementioned, surface rights are granted for a period of 50 years renewable one time 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. In unregularized settlement, 42 percent of households have an administrative certificate or a government lease and 19 percent have access to land through customary right.

Additionally, results also show that although a great majority of households are 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 regulation 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, the report also shows 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 which would provide an individual with full ownership of the land. This situation would considerably limit the extent of the property market in Senegal. 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 overall tax system in Gabon.

# Overview of the Overall Tax System in Senegal

## National Taxes

At the national level, Senegal's tax structure rests on the following main taxes: (1) the corporate income tax imposed on net profits from industrial, commercial, and agricultural activities realized during the previous year by companies and other legal entities. The corporate income tax is levied at a general rate of 33 percent, with a 15 percent tax rate levied on export processing enterprises under special regime. (2) The minimum presumptive tax on enterprises ("*impôt minimum forfaitaire sur les sociétés*") is a fixed amount levied annually on enterprises falling within specified ranges of profit and turnover. (3) The individual income tax consists of a proportional tax and a graduated tax. The proportional tax is levied on each category of income while the graduated tax applies to the taxpayer's total income. The graduated income tax is a progressive tax featuring 10 tax brackets with rates ranging from 0 to 50 percent. (4) The single general contribution or SGC ("*contribution globale unique*") is levied on enterprises whose turnover does not exceed CFAF 50 million.<sup>12</sup> It was created by the reform Law n° 2004-12 of February 4, 2004 with the main objective to bring economic activity out of the shadow economy. Revenues from the single general contribution are allocated among the State and sub-national governments as follows: 60 percent for local governments and 40 percent for the state (Eyoh and Stren eds. 2007).<sup>13</sup> (5) Employer's payroll taxes are imposed on the amount of wages, salaries, and allowances paid. Payroll taxes are levied on Senegalese nationals at a rate of 3 percent while foreigners pay payroll taxes at a rate of 6 percent. (6) Finally, the value-added tax (VAT) is levied on all business relating to an economic activity at a single rate of 18 percent (IMF 2005).

Unfortunately, data on government's total general revenue derived from taxes is not available to the public in Senegal.

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<sup>12</sup> For enterprises whose turnover does not exceed CFAF 50 million, the Single General Contribution is levied in lieu and stead of five previous taxes: tax on revenue, minimum presumptive tax, business license fees, VAT, and the payroll tax (IMF 2005).

<sup>13</sup> [http://www.uael.sn/article.php?id\\_article=450](http://www.uael.sn/article.php?id_article=450), accessed on January 10, 2009.

## **Sub-National Taxes**

In Senegal, there are three categories of taxes that are classified as local taxes:

### **1. Individual taxes**

They include a fiscal minimum tax (“*impôt du minimum fiscal*”), a charge representative of the fiscal minimum tax (“*taxe représentative de l’impôt du minimum fiscal*”), and a rural tax (“*taxe rurale*”).

The fiscal minimum tax is levied on persons of 14 years old and upwards falling under one of the five categories described in article 201 of the General Tax Code (hereafter GTC). The fiscal minimum tax varies from CFAF 600 to CFAF 12,000. The charge representative of the fiscal minimum tax is levied at source on a pay-as-you-earn basis (“*retenue à la source*”) on all people living in Senegal and falling under one of the four categories described in article 207 of the General Tax Code. This tax varies from CFAF 900 to CFAF 18,000. Finally, the rural tax is a poll tax fixed at the rate of CFAF 1,000 (i.e. approximately \$2 or €1.5 rates, exchange rates as per January 14, 2009) per person per year (Juul 2006).

### **2. Property taxes**

They consist of a tax on improved property or tax on buildings (“*contribution foncière des propriétés bâties*”); a tax on unimproved property (“*contribution foncière des propriétés non bâties*”); and a surtax on unimproved or insufficiently improved land (“*surtaxe sur les terrains non bâtis ou insuffisamment bâtis*”). These taxes will be examined in detail in the fourth section of this report.

### **3. Professional taxes**

They include business taxes (“*patentes*”) and license fees (“*licences*”).

The business tax is levied annually on any individual engaged in trade, industry, or a professional activity. It is composed of a fixed tax according to turnover, number of staff, and value of equipment; and a proportional levy that applies to the rental value of premises (GTC art. 242). License fees are levied annually on all individuals or companies engaged in the selling of alcoholic beverages (GTC art. 275).

In Senegal's tax system, most of the above mentioned local taxes are assessed, levied, and collected by the central government and their proceeds are largely, if not totally, transferred to local governments (AIIDS 2001). 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.).

## **Property-Related Taxes in 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 Senegal specifically, 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).

### Property Transfer Tax

The property transfer tax or "*Droits d'enregistrement*" 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

The capital gains tax, also called “*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.

Capital gains in this context 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>14</sup>

The following capital gains are exempt of the “*taxe de plus-value immobilière*”: capital gains realized from (a) transfer of government buildings; (b) transfer of administrative public property; (c) public enterprises; (d) companies with public participation specialized in habitat improvement; (e) and finally public and private groups and organizations whose acquisitions are exempt of property transfer tax (GTC arts. 884-900; Law n° 2004-12 of February 6, 2004).

### Death and Gift Duties

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

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<sup>14</sup> See <http://www.globalpropertyguide.com/Africa/Senegal/Taxes-and-Costs>, accessed on January 10, 2009.

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).

### Stamp Duties

Stamp duties or “*Droits de Timbre*” are levied on all documents drawn up for purposes of civil and judicial acts and documents that may be used in legal proceedings. They are four types of stamp duties in Senegal: (a) size stamp (“*timbre de dimensions*”) where the amount payable is determined on the basis of the size of the document. The tax rates vary from CFAF 2,000 to CFAF 8,000. (2) The receipt stamp (“*timbre des quittances*”) where the tax is imposed on receipts of all kinds. Tax rates range from CFAF 20 to CFAF 200. (3) Transport contract stamp (“*timbre de connaissements*”) where the tax is imposed on any bill of lading or any other document listing the transportation of merchandise by waterways. The stamp duty on transport contract varies from CFAF 2,000 to CFAF 16,000. (4) Finally, the check-form stamp (“*timbre des formules de chèques*”) is imposed at a rate of CFAF 25 per form (GTC arts. 733-839; Law n° 96-32 of December 31, 1996).

### Tax on Vehicles

The tax on vehicles or “*Taxe sur les véhicules à moteur*” is levied annually on owners of motor vehicles that are licensed and active in Senegal. Government-owned vehicles and other specific vehicles are exempt of this tax (GTC arts. 855-870; Law n° 2004-12 of February 6, 2004). The tax on vehicles varies according to the vehicle’s engine capacity as follows:



**Table 1: Tax Rates on Vehicles**

<b>Horsepower</b>	<b>Amount (in CFAF)</b>
<i>Rates, Private Vehicles (in CFAF)</i>	
0-8	18,000
9-12	28,000
13-16	80,000
17-19	140,000
20 or more	200,000
<i>Rates, Commercial Vehicles (in CFAF)</i>	
0-8	7,500
9-12	9,000
13-16	15,000
Over 16	30,000
<i>Two- or Three-Wheeled Vehicles (in CFAF)</i>	
0-50 cc	3,000
51-125 cc	9,000
126-300 cc	12,000
Over 300 cc	36,000

Source: GTC arts. 855-870 and Law n° 2004-12 of February 6, 2004. "cc" stands for cylinder capacity (in cubic centimeters).

### Special Tax on Company Owned Vehicles

The special tax on company owned vehicles or "*taxe spéciale sur les véhicules de sociétés*", in addition to the tax on vehicle aforementioned, is levied annually on company-owned cars with headquarters in Senegal and on national or communal public institutions engaged in industrial or commercial activities. Tax rates on company owned vehicles are established as follows:

- For vehicles with horsepower up to 4: CFAF 50,000 annually
- For vehicles with a horsepower between 5 and 11: CFAF 100,000 per year
- For vehicles with a horsepower over 11: CFAF 200,000 per year (GTC arts. 871-882).

### Value-Added Tax (VAT)

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. Some VAT exemptions and deductions include: exports, administrative services rendered by public entities, sale of buildings, insurance business, and so on (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 Senegal.

# Property Taxation in Senegal

## Property Tax System as *Legislated* in Senegal

The property tax legislation currently in place in Senegal is quite 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*”). These property taxes are described in detail in this section.

In general, property taxes in Senegal rest on a value-based system where assessment is done on the basis of *annual rental value* and *capital value* (land only).

### Tax on Buildings (“*Contribution Foncière des Propriétés Bâties*”)

#### **1. Tax Base**

The property tax on improved property is based on the annual rental income of all built-up land, i.e. having permanent structures on it, including factories on January 1 of the taxable year. The rental value is defined as the value of property in terms of the rent that the owner may derived from it (GTC arts. 221-222; Law n° 2004-12 of February 6, 2004).

## **2. Coverage**

The tax on improved property is levied on construction set on masonry foundations and made of iron and wood such as houses, factories, plants, and hangars. The property tax on improved property is also levied on non-cultivated land used for commercial and industrial purposes such as construction sites and warehouses. 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 are also subject to the tax on buildings (GTC arts. 215-216).

## **3. Taxpayer**

Taxpayers of the tax on an improved property in Senegal are owners of said property. Persons or businesses holding a property deed, a temporary or permanent occupancy title (e.g. usufruct, emphyteutic lease), and who are actually residing on a property on which a taxable construction has been built, are considered owners of said property. The improved property tax is due on January 1 of the taxable year (GTC arts. 223-225; Law n° 2004-12 of February 6, 2004).

## **4. Valuation/Assessment**

The annual rental value of improved property on January 1 of the taxable year is determined by means of the cadastral method 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.

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*”).

The cadastral method also called corrected area method (“*méthode de la surface corrigée*”) is conducted by cadastral technicians and experts. This method incorporates elements such as area, number of rooms, existing installations, material used, and age of the building, on which correction coefficients are applied to scientifically determine the

rental value. The cadastral method is slightly similar to method of direct appreciation (*“méthode de l’appréciation directe”*).

The direct appreciation method is used in the computation of the rental value of industrial plants and factories for which reliable comparable elements are not available, such as public construction companies, drilling companies, and power supply companies. To determine the rental value of such companies, first the market value of the following factors is assessed: land, buildings, existing installations, and material and tool equipment. Abatement coefficients are applied to assess the market value of each production factor as follows:

- Land: Market value = cost price
- Buildings: Market value = cost price – 40% or 60% of cost price.
- Existing installations: Market value = cost price – 40% or 60% of cost price.
- Material and tool equipment: Market value = cost price – 50% or 60% of cost price.

Second, the rental value of each factor of production is calculated as a percentage of its market value as follows:

- Land: Rental value = market value or cost price x 3%
- Buildings: Rental value = market value x 8%
- Existing installations: Rental value = market value x 8%
- Material and tool equipment: Rental value = market value x 10%

The total rental value of industrial plants and factories is then the sum of rental values of all production factors (Sylla 2008).

Additionally, to determine the rental value of property, owners, principal occupants, and building managers must provide official valuers each year before January 31<sup>st</sup> with a subscribed statement including among other things the name of their tenants and the amount of rent.

In the event owners fail to submit such subscribed statement or provide it with some delay, they would be subject to a fine equal to 25 percent of the property tax based

on the rental value of building (GTC art. 222, art. 225; Law n° 2004-12 of February 6, 2004).

## **5. Objections and Appeals**

In accordance with the General Tax Code (GTC) and for most taxes imposed in Senegal, property taxes included, 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.

Furthermore, 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 (GTC art. 969, art. 1042-bis; art. 1054; arts. 1057-1058; Law n° 2004-12 of February 6, 2004).

## **6. Tax Rates**

The tax rate on improved property is fixed in the legislation by the central government and varies depending on the category of buildings. The 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 (GTC art. 226; Law n° 2004-12 of February 6, 2004).

## **7. Exemptions, Rebates, and Deductions**

*Permanent exemptions* include: buildings or constructions belonging to the state, to municipalities, and to public institutions, provided that they are used for a public purpose or general utility services and do not generate revenues; facilities in sea ports and internal navigation routes, which are subject to public equipment concessions granted by the state to chambers of commerce or municipalities; 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; buildings

used to house farm animals or to store agricultural harvests; and finally residential housing occupied by the owner when the rental value does not exceed CFAF 500,000 (GTC art. 217; Law n° 2004-12 of February 6, 2004).

Regarding *temporary exemptions*, new construction, remodeling, and additions are exempt from the tax on improved property for five years starting after the year of completion. This exemption does not apply to plants and buildings used for commercial and industrial purposes (GTC art. 218; Law n° 2004-12 of February 6, 2004).

In order to benefit from a temporary exemption, the owner should send a statement to the Taxation Director (“*Directeur des Impôts*”) within four months from the day the construction began, specifying the nature of the new building, its destination, and its coverage area. Additionally, from the day of completion of the construction of the building until January 1 of the year following the year of completion of the building, the owner should deliver to the Taxation Director a legal certificate issued by the authority issuing building permits and certifying that the building was erected in accordance with buildings regulations and salubrious conditions (GTC arts. 219-220; Law n° 2004-12 of February 6, 2004).

Finally, a *rebate or reduction* 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 (GTC art. 227; Law n° 2004-12 of February 6, 2004).

## **8. Tax Administration (Billing, Collection, and Enforcement)**

Pursuant to the General Tax Code (GTC), the General Director of Taxes and Domain mandated by the Minister of Finance, issues each month, the list of all taxpayers or taxpayer’s roll (“*établissement des rôles*”) and transfers the corresponding property tax bill notifications (“*avertissements, titres de perception*”) to the Treasury’s tax officials in charge of revenue collection (“*receveurs de recettes*”). The date on the tax bill notification determines the starting point of the time-limit on property tax collection, prescription, and claims. Treasury’s tax officials responsible for revenue collection subsequently make the necessary arrangements to immediately notify taxpayers of their

tax liability. 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). The Treasury department in charge of local tax collections in Senegal is called "*Recettes des Perceptions Municipales*" (GTC arts. 1021-1027; Sylla 2008 int.).

Beyond tax billing and with regard to property tax revenue collection, the tax legislation also allows for 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 ("*rôles*") and the corresponding property tax bill notifications were emitted. However, in the event of definitive departure from Senegal, personal bankruptcy, liquidation subject to supervision of court, voluntary or mandatory company liquidation, resignation, and death, property tax payments are due immediately after issuance of tax bill notifications (GTC arts. 1028-1030).

Concerning the enforcement of payment, the tax legislation allows the following enforcement measures to be applied against potential tax evaders: (1) an 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's liability if payment is not received within 1 year of the application of the first interest on arrears. (2) 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 ("*summatio sans frais*") 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 ("*commandement*") 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. Here are some fees involved in the prosecution of tax evaders in Senegal:

- Warning letter ("*commandement*"): 3 percent of tax liability



- Property seizure (“*saisie*”): 5 percent of tax liability
- Inventory of property under seizure (“*recollement*”): 2.5 percent of tax liability
- Notice of property sale order: 1.5 percent of tax liability
- Billposting: 1 percent of tax liability
- Inventory before sale: 1 percent of tax liability
- Seized property sale report (“*procès-verbal de vente*”): 1 percent of tax liability (GTC art. 999; arts. 1062-1072; Law n° 2004-12 of February 6, 2004).

Property Tax on Unimproved Property (“*Contribution Foncière des Propriétés Non Bâties*”)

**1. Tax Base**

The assessment of the tax on unimproved property is based on the *market value* of property on January 1 of the taxable year (GTC art. 229; Law n° 2004-12 of February 6, 2004).

**2. Coverage**

The tax on unimproved property is levied annually on 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).

**3. Taxpayer**

Taxpayers of the tax on an unimproved property in Senegal are owners of said property. Persons or businesses holding a property deed (e.g. usufruct, emphyteutic lease) are considered owners of the property (GTC arts. 231-232).

**4. Valuation/Assessment**

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 (“*actes translatifs*”) 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.

As aforementioned, the cadastral method also called corrected area method (“*méthode de la surface corrigée*”) is conducted by cadastral technicians and experts. This method incorporates elements such as area, number of rooms, existing installations, material used, and age of the building, on which correction coefficients are applied to scientifically determine the rental value (GTC art. 229; Law n° 2004-12 of February 6, 2004).

## **5. Tax Rates**

The tax rate on unimproved property is fixed in the legislation. The tax rate is set at 5 percent of the market value of undeveloped property (GTC art. 233).

## **6. Exemptions, Rebates, and Deductions**

There are a variety of exemptions from property tax on unimproved property stipulated in the tax legislation in Senegal. Specifically, the General Tax Code (GTC) allows for the following exemptions: buildings or constructions belonging to the state and to municipalities, provided that they are used for a public purpose or general utility services and do not generate revenues; gardens and tree nurseries created by the administration and agricultural companies of collective interest (“*sociétés d’intérêt collectif agricole*”); 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 (GTC art. 230).

Finally, in the context of property tax on unimproved property, it is important to note that requirements regarding objections and appeals and tax administration as stipulated in the tax legislation are similar to objections, appeals, and tax administration related to the property tax on improved property.

Surtax on Unimproved or Insufficiently Improved Land (“*Surtaxe sur les Terrains non Bâtis ou Insuffisamment Bâtis*”)

**1. Tax Base**

The assessment of the surtax on unimproved or insufficiently improved land is based on the *market value* of land (GTC art. 238; Law n° 2004-12 of February 6, 2004).

**2. Coverage**

Independently of the property tax as defined in previous sections, there exists a surtax on unimproved or insufficiently improved land imposed in communes of the Dakar region and in chef-lieu of communes in the remaining regions of Senegal.

Notwithstanding a 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 (GTC arts. 234-235; Law n° 2004-12 of February 6, 2004).

**3. Taxpayer**

Taxpayers of the surtax on unimproved or insufficiently improved land in Senegal are owners of said land. Persons or businesses holding a property deed (e.g. usufruct, emphyteutic lease) are considered owners of the land (GTC art. 236).

**4. Valuation/Assessment**

In Senegal, the surtax on unimproved or insufficiently improved land is assessed on the basis of the market value of land. As cited earlier, the market value of the land could be determined by means of the cadastral method, on the basis of conveyances, or by comparison method.

**5. Tax Rates**

In Senegal, differential tax rates are applied to unimproved or insufficiently improved land according to the market value of land as categorized in each local jurisdiction. Specifically, the surtax on unimproved or insufficiently improved land is only imposed in communes of the Dakar region and in chef-lieu of communes in the remaining regions of Senegal. Tax rates across regions are described in Table 2 below:

**Table 2: Tax Rates on Unimproved or Insufficiently Improved Land**

<b>Market Value (in CFAF)</b>	<b>Tax Rate</b>
<i>Communes of Dakar Region</i>	
<i>If the Market Value is between:</i>	
1,000,000 and 10,000,000	1%
10,000,000 and 20,000,000	2%
over 20,000,000	3%
<i>Saint-Louis</i>	
1,000,000 and 4,000,000	1%
4,000,000 and 10,000,000	2%
over 10,000,000	3%
<i>Diourbel, Kaolack, Louga, Thies and Ziguinchor</i>	
1,000,000 and 3,000,000	1%
3,000,000 and 5,000,000	2%
over 5,000,000	3%
<i>Fatick, Kolda, Tambacounda and Matam</i>	
500,000 and 2,000,000	1%
2,000,000 and 4,000,000	2%
over 4,000,000	3%

*Source: GTC art. 238; Law n° 2004-12 of February 6, 2004.*

## **6. Exemptions, Rebates, and Deductions**

The General Tax Code (GTC) allows some exemptions from the surtax on unimproved or insufficiently improved land. Such exemptions are: lands hit with an interdiction to build; and lands for which owners are temporarily deprived of their use for reasons beyond their control (GTC art. 237).

As mentioned in previous sections, the requirements regarding objections and appeals and all aspects of property tax administration including billing, collection, and enforcement as stipulated in the tax legislation are similar across types of property taxes levied in Senegal.

The next section analyses whether the comprehensive property tax legislation in place in Senegal and what is understood to be the current practice exhibit significant discrepancies.

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

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

### Property discovery/Valuation/Assessment

As prescribed in the legislation, the annual rental value of improved property is determined by means of the cadastral method or failing that, by means of comparison with other premises chosen in the same area for which rental values have been regularly established or are well-known. Similarly, the market value of unimproved property or of insufficiently improved land is determined by means of the cadastral method, on the basis of conveyances, or by comparison method. The cadastral method is conducted by cadastral technicians and experts.

De facto, the Cadastre in Senegal is not yet involved in property discovery and valuation and assessment of property. These functions are performed by the Office of Taxes and Domain in Senegal or “*Direction Générale des Impôts et Domaines*” or 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).

However, the coverage ratio remains very small in Senegal. According to Sylla (int. 2008), approximately 40 major cities and 36 communes are currently covered in the

fiscal cadastre, while coverage has not yet been extended to other smaller communes and rural properties. Various debilitating constraints and factors would explain this poor coverage ratio in Senegal:

- Insufficient physical and financial resources such maps, vehicles and gasoline, computers and other equipment, and skilled personnel
- Political and religious leaders tend to use their influence to exclude their properties from the fiscal cadastre
- Lack of enforcement in taxpayer-provided information; indeed taxpayers are often reluctant to provide detailed information about their property necessary in the discovery and the valuation process. This is especially true in suburb areas, where the collection ratio is less than 10 percent (Sylla 2008 *int.*).
- Difficulty to identify owners of unimproved property and unimproved or insufficiently improved land.

Fortunately, 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.

### Collection and Enforcement

Compared to the tax on unimproved property and the surtax on unimproved or insufficiently improved land, the tax on buildings has the highest collection ratio in Senegal. 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.*).

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

## **Importance of Annual Property Taxes Source of Revenue in Senegal**

As discussed in the second section, sub-national governments receive two types of governmental transfers from the state: first, the *Fonds de Dotation de la Décentralisation* or FDD (Decentralization Fund) which was established by the Decentralization Law of 1996 to provide regional governments with resources to finance the entirety of their budgets and to provide communes and rural communities with sufficient funds to supplement their own sources of revenue. Second, in addition to the FDD, there is the Local Government Capital Fund or the “*Fonds d’Equipement des Collectivités Locales*” or FECL which is set up to finance capital investment at the local level. Trends in the FDD and FECL are presented in Table 3 below:

**Table 3: Trends in FDD and FECL in Senegal from 1997 to 2008 (in 000’s of CFAF)**

<b>Year</b>	<b>FDD Amount</b>	<b>FECL Amount</b>
1997	4,889,537	3,500,000
1998	4,889,537	3,500,000
1999	5,889,537	3,500,000
2000	6,589,537	3,500,000
2001	NA	3,500,000
2002	7,289,537	4,000,000
2003	8,089,537	8,000,000
2004	9,089,537	4,000,000
2005	10,689,537	6,000,000
2006	12,369,537	7,000,000
2007	13,369,537	10,500,000
2008	16,600,000	11,500,000

*Source: Division Financière, Direction des Collectivités Locales(2008)*

Table 3 shows that the amount of total transfers remained roughly constant during the first three years following the fiscal decentralization in 1996; and it started to increase in 2000. According to Eyoh and Stren (eds. 2007), total FDD and FECL transfers in 2005 represented around 1.56 percent of the national budget. These transfers are not only low,



but also sluggish, and irregular to adequately finance functioning expenses and capital investments at the sub-national government level.

Regional governments in Senegal unlike communes and rural communities were not given the authority to raise their own regional taxes (“*impôts propres*”); they were “designed to depend entirely on central government transfers with no independent tax authority of their own” (Dickovick 2005). On the other hand, communes and rural communities are able to generate part of their own revenues from local taxes and other sources of revenues (AIIDS 2001, *Loi n° 96-06 art. 250*). Property taxes are an example of such local taxes. However, revenues derived from local taxes and especially property taxes are in general limited and far below their potential. Table 4 and Table 5 below present trends in some local taxes levied and collected in Senegal between 2001 and 2004.

**Table 4: 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 5: 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 4 and Table 5, 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.*).

In conclusion, based on the limited information we could obtain, we could infer that property tax is not an important own source of revenue in Senegal.<sup>15</sup> Evidently, transfers from the central government in the form of FDD (Decentralization Fund) and FECL (Local Government Capital Fund) remain a major source revenue for communes and rural municipalities in Senegal.

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<sup>15</sup> Unfortunately, specific current data to indicate the importance of property tax and the importance of property transfer tax as a percentage of total revenues at local government level or as a percentage of total revenue or GDP in Senegal are not available to the public.

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

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

In 2003, total tax revenues in communes represented around 3.94 percent of total government tax revenue and around 0.56 percent of GDP in nominal terms. Considering that property taxes collected accounted for about 15 percent of total local taxes in 2003, we could conclude that clearly, Senegal is underutilizing its property tax capacity. A variety of factors account for the ineffectiveness of property taxation in Senegal:

- Low coverage ratio

According to Sylla (int. 2008), approximately 40 major cities and 36 communes are currently covered in the fiscal cadastre, while coverage has not yet been extended to other smaller communes and rural properties. This could be explained by (1) insufficient physical and financial resources such maps, vehicles, gasoline, computers and other equipment, and skilled personnel; (2) political and religious leaders who tend to use their influence to exclude their properties from the fiscal cadastre; and (3) a difficulty to identify owners of unimproved property and unimproved or insufficiently improved land.

However, the Taxation Department (“*Service des Impôts*”) 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. Hence, 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.

In case the valuation is 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 (Kelly 2000).

- Tax ratio

In 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 sets property tax rates, with no discretion given to communes and rural communities, collects taxes and refunds them to local governments. So far, there is no evidence that the central government would be ready to devolve the tax administration aspect of property taxation to local governments. Table 6 below summarizes the property tax rate structure in Senegal.

**Table 6: 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	

Source: General Tax Code.

- Collection/Enforcement ratio

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 is simply 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.

As a result, there is tremendous potential for improving basic property tax administration through an increase in coverage, valuation, and collection ratios. If properly administered, property tax in Senegal has clearly the potential to become an important source of revenue.

## Conclusions

If the property tax system is somewhat effective only in the city of Dakar and communes in the Dakar region, taxation of rural properties is still impractical in Senegal.

According to Kelly (2000), the six major functions of a property tax system are related to four fundamental ratios:<sup>16</sup> coverage, valuation, tax, and collection. As the property tax system is currently practiced 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 Senegal; but the potential is enormous and can only be tapped into if the Taxation Department implements its tax administration reform and if this reform is synchronized with broader fiscal decentralization effort.

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<sup>16</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).

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