

**Lusophone Africa Appendix 1:
Cape Verde**

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Working Paper**

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Country: Cape Verde

Contextual Data

<i>Basic Country Information</i>			
Geographic size	4,033 Km ²	Independence	1975
Capital city	Praia	Population	496,319 (projection for 2007)
System of government	Multi-party democracy	Urbanisation	No data
Sub-national government	17 administrative districts.	GDP (per capita)	US\$2,091
<i>Sub-national Government</i>			
Expenditure responsibility	Expenditures at municipal level are entirely the financial responsibility of a particular municipality, except when the finances required are in excess of the municipality's financial capacity, as well as expenditures due to government projects like bringing all municipalities into the national integrated system of accounts. In this case the central government will fund all expenditures on needed equipment, information systems as well as capacity building through training programs. Such expenditures will then reflect in the National Public Accounts system. Other forms of central government intervention include public disasters, the establishment of new local governments, expenditures due to new tasks assigned to municipalities, serious problems affecting basic sanitation, civil protection, public transport, energy and water supply. Central government will also intervene by means of interest relief in the case of abnormal situations that compromise municipal budgets such as nature disasters (see paragraph 8, article 8 of Law no 79/VI/2005 of 5 September, 2005). In addition, interventions may occur as stipulated in specific contractual agreements between national government and municipalities.		
Source of revenue	The main source of revenue for municipalities in Cape Verde is government transfers. In addition municipal budgets have to reflect losses from tax exemptions or reductions in the previous year the unique tax on property (IUP), municipal tax on vehicles, other taxes to be created, fines from the violation of municipal regulations (such fines should no be less than three thousand escudos and not more than 300,000 escudos for individuals or 4,000,000 escudos for companies). Municipalities may resort to credit and issue municipal bonds under article 8 of Law 79/VI/2005 of 05 of September 2005. It can also engage in financial contracts to finance municipal investments.		
Importance of property tax	Property taxes are the most important source of revenue for local governments in Cape Verde, amounting to between 18.5 per cent to 49.8 per cent of direct taxes and 1 per cent to 8.2 per cent of total revenue in municipalities where data were available.		
<i>Land Issues and the Property Market</i>			
Land tenure	Land policy still has to be defined but Legislative-Decree no 2/2007 states that there are private and public rights to land. Article 8 of the Legislative-Decree no 2/2007 states that all public and private individuals or companies may own land in Cape Verde for use as indicated in applicable legislation.		
Land titling	In Cape Verde, land can be rented, sold on public auction, granted for free and through licencing. The right to land is granted for a period of at least 50 years (as in Mozambique) but pending on the type of building or activity during that period, the capital invested has to be repaid and the activity has to be profitable.		
Land rent	The land in Cape Verde can be rented or transferred through a contract fixing the value of the rent		
Property Market	There is no property market in Cape Verde to date.		
<i>Taxes</i>			
National	VAT, Personal Income Tax, Corporate Income Tax		

Sub-national	Property taxes and other taxes to be considered by municipal assembly.
Property-related Taxes: National	
National	VAT, capital gains tax
Sub-national	UIP (i.e. Unique Tax on Properties).

Property Transfer Tax (National/Sub-national)		
Relevant Legislation: Decree-Law no 18/99 of 26 of April		
	Legislation	Practice
Tax Base & Taxpayer		
Tax base	All buildings located within the municipal territory are divided according to rustic and urban constructions.	The authorities rely on the declared value of the property and on information gathered by the inspection teams.
Coverage of tax base	There are no data on coverage of the tax base.	The practice shows that a significant number of buildings are covered.
Taxpayer	The unique tax on properties is due by all owners of buildings by 31 st of December each year.	
Valuation & Assessment		
Valuation	The valuation is only based on declaration from the taxpayer through the annual filing of a form of declaration approved by the responsible financial office within the area where the taxpayer resides.	
Responsibility	Tax responsibility lies within the area or region where the taxpayer resides.	
Valuation cycle	The legislation does not specify the valuation cycle clearly, but what is clear is that taxpayers have to submit the required forms annually at the office of the responsible financial officer of the area where the taxpayer resides.	
Objection & appeal	All taxpayers are free to object to the numbers which serve as base for valuation. They can also resort to legal protection as guarantees established in the general fiscal code. The appeal will be heard within the fiscal area where the taxpayer filed his/her valuation.	
Quality control measures	The Decree-Law no 18/99 of 26 April 1999, states that municipalities are responsible for the monitoring of the submission of IUP (unique tax on properties). Other public entities or those acting as public entities in the act of transmission, registration or conflict of rights on buildings should request the presentation of documents proving the registration of the building in the valuation roll or if omitted they should request the declaration for registration. Companies supplying water, energy and	

	telecommunication services, should inform the financial administration of the municipality about services rendered.	
Tax rates	The unique tax on properties covers all legislation on properties taxes and therefore, the tax rate applicable to all property related transaction as well as the property taxes is 3 per cent.	
Exemptions	<ul style="list-style-type: none"> • State, municipal and local buildings, • building classified as national heritage or of public interest, • all other fiscal benefits fixed by special legislation as well as those that results from state accord and any legal public or private person and international convention according to legislation authorizing such exemption, • associations or municipal federations; • social security and providence institutions; • foreign states when buying urban buildings for exclusive use for embassies or consuls; • humanitarian associations and other institutions legally recognised as only pursuing non-profit activities. 	
<i>Tax Administration</i>		
Tax relief measures	Those property used for own or family residences.	
Collection	Each municipality's financial administration will collect the revenue from property tax payments. Property tax is payable in instalments on April and September if the amount of tax is more than 5,000.00 (five thousand escudos). If less than this amount the tax is payable only in April. The taxpayer is notified up to one month before the payment date.	
Enforcement	If taxpayers do not present their declarations of property values by July, they will receive penalties in terms of the General Fiscal Code.	
<i>Additional Comments</i>	The main problem with property taxes in Cape Verde is that most municipalities do not have enough expertise in property tax valuation, which may result in property tax revenues far below the potential level. Moreover, it is not clear how monitoring is done in the case of default. Also, it is important to note that no indication could be found of valuation cycles since properties values may change quite rapidly.	

Property Tax (National/Sub-national/Local)

Property taxes are the most important source of revenue in municipalities in Cape Verde. As in Mozambique property tax is part of the budgeting process rather than just complementing it. In this case, with no clear

valuation cycle to regularly update property values the revenue base seems to be very unstable. In addition, from the declaration form it is not clear whether inflation and other factor in the market that may affect the value of a property are being considered..		
Relevant Legislation: Decree-Law no 18/99 and Law no 79/VI/2005.		
	Legislation	Practice
Tax Base & Taxpayer		
Tax base	Value of buildings, determined according to regulation on fiscal valuation excluding maintenance expenditures.	
Coverage of tax base	All building within the municipal boundaries.	
Taxpayer	All individuals with property rights of a building by 31 st of December each collection year. Tax is due by the property owner. In the case of property transferred as a gift the taxpayer is the person buying the goods subject to taxation. In the case of value added the taxpayer will be the person who transmits the goods.	
Valuation & Assessment		
Valuation	There is no cyclical valuation.	
Responsibility	The government official responsible for the finances of the fiscal area where the taxpayer resides.	
Valuation cycle	The legislation does not specify the valuation cycle clearly, but taxpayers have to submit the required documentation annually to the financial offices within the the areas where they reside.	
Objection & appeal	Property tax payers have the option to consult or obtain documentation regarding items included in the valuation roll. They can object at any time against the content of the valuation roll.	
Quality control measures	All public entities involved in the conveyances should ask for documentation proving mapping and identification of the property into the municipal property matrix or in the absence of such documentation a request has to be submitted for the inclusion of the property into the municipal matrix. The suppliers of water, electricity and telecommunication are not allowed to supply services if the individual (singular or collective) does not present prove of incorporation of the property in the municipal matrix.	
Tax rates	The unique tax on properties consolidated all legislation on property taxes and therefore, the tax rate applicable to all property related transaction as well as the property taxes is 3 per cent. In the case of companies the tax rate is 25 per cent of the property value and 30 per cent on the	

	profit from the sale of buildings.	
Exemptions	<ul style="list-style-type: none"> • state and municipal and local buildings, • building classified as national heritage or of public interest, • all other fiscal benefits fixed by special legislation as well as those that results from state accord and any legal public or private person and international convention according to legislation authorizing such exemption, • associations or municipal federations; • social security and providence institutions; • foreign states when buying urban buildings for exclusive for embassy or consul; • humanitarian associations and other institutions legally recognised by pursuing non-profit activities; 	
<i>Tax Administration</i>		
Tax relief measures	Those property used for own or family residence.	
Billing and Collection	The municipal fiscal administration will send to each taxpayer a bill up to one month prior to the month when property tax is payable. The bill includes a description of the building with an indication of possible alternative use of the building. Lists with all elements relevant to the bill will be available at the municipal financial offices. Should a bill not be received it can be requested from the relevant municipal office.	
Enforcement	Should taxpayers not submit the necessary documentation before the deadline in July they get penalties according to the appropriate laws.	
<i>Additional Comments</i>	As is the case in Mozambique it is not clear who is responsible for monitoring tax collection. Also, tax relief options are not clearly specified in the relevant legislation. In addition to this the information available does not indicate how individuals can object and appeal to their tax assessments. Despite these problems property taxes are well established as a source of revenue in Cape Verde and, relatively speaking, well developed compared to many other developing countries such as for example Angola in which case tax laws are still based on 1970 legislation with only a few amendments.	