

**Lusophone Africa Appendix 3:
São Tomé and Príncipe**

Vasco Correia Nhabinde

© 2009 Lincoln Institute of Land Policy

**Lincoln Institute of Land Policy
Working Paper**

The findings and conclusions of this Working Paper reflect the views of the author(s)
and have not been subject to a detailed review by the staff of the
Lincoln Institute of Land Policy.

Contact the Lincoln Institute with questions or requests for permission
to reprint this paper. help@lincolninst.edu

Lincoln Institute Product Code: WP09LA9

Country: São Tomé and Príncipe

Contextual Data

<i>Basic Country Information</i>			
Geographic size	1,001 Km ²	Independence	1975
Capital city	São Tomé	Population	151,912 (by 2006)
System of government	Multi-party democracy	Urbanisation	
Sub-national government		GDP (per capita)	US\$424 (in 2005)
<i>Sub-national Government</i>			
Expenditure responsibility	Central Government is responsible for expenditures both at central and local government levels as stated by law no 10/92 of the 09 of September.		
Source of revenue	The sources of revenue at central government level are corporate income tax, personal income tax, property taxes (low weight). The sources of revenue at local government level comprise of 40 per cent from urban building contribution, stamp duty, entertainment, taxes on onerous transmission of properties, taxes on wine production and other taxes while 30 per cent comes from transfers from the Central Government. There are also other sources of revenue for local government such as revenue from rented buildings, local government bonds, loans, charges on municipal licenses, among other sources of revenue.		
Importance of property tax	The importance of property taxes in São Tomé and Príncipe has increased over time. From the data available, it can be seen that property taxes have increased from 0.0633 per cent of GDP in 2001 to 0.1776 per cent of GDP in 2005 and 0.1274 per cent of in 2006. As a share of total government revenue it increased from 0.2544 per cent to 0.4255 per cent.		
<i>Land Issues and the Property Market</i>			
Land tenure	As in most African countries after independence, in São Tomé and Príncipe land belongs to the state. However, how it is managed is not clear since our effort in obtaining the appropriate Land Laws had not been successful.		
Land titling	Land use in São Tomé and Príncipe is restricted to rented land only.		
Land rent	Although not possible to obtain the Laws informal discussions revealed that land can be rented for 50 years renewable for another 50 years (as in other Lusophone countries).		
Property Market	There is no property market in São Tomé and Príncipe to date.		
<i>Taxes</i>			
National	PIT, CIT, tax on consumption and property taxes		
Sub-national	Property taxes and other local taxes by the decision of municipal assembly but within the limits fixed by the law of local finances.		
<i>Property-related Taxes: National</i>			
National	Capital gains and customs duties.		
Sub-national	Taxes on municipal markets and other deemed to be relevant		

Property Transfer Tax (National/Sub-national)

Relevant Legislation: Law no 10/92 of the 09 of September on local government framework and 16/92 of the 31 of December on local finances.		
	<i>Legislation</i>	<i>Practice</i>
<i>Tax Base & Taxpayer</i>		
Tax base	Property taxes are collected from all buildings in the territory of São Tomé and Príncipe and based on the value or sellable value of the building. Transmission of buildings or other immovable goods as determined by regulation.	The authorities rely on the declared value and on information gathered by the inspection teams.
Coverage of tax base	The coverage of property taxes in São Tomé and Príncipe is still low compared to some other countries. However, government instability may also influence the implementation of some regulations.	The practice shows that there is no significant number of buildings covered, although the authority considers a more broad and relatively simple tax base.
Taxpayer	Property taxes are due by January and July only if the value of the tax is equal or more than Dbs 100,000.00 in both cases by the owner or user or those enjoying the utility of the building. In the case of free transmission the property is exempted from tax only if its value is below Dbs 30,000.00 when it is for descendant, ascendant, wife/husband and brothers.	
<i>Valuation & Assessment</i>		
Valuation	The valuation is only based on declaration from the taxpayer through the annual filing of a form of declaration approved by the Director of Taxes and distributed by the responsible o finances of the area where the taxpayer reside. The Commission of Valuation can do supplementary valuation by the request of the Director of Taxes or in the case of disagreement with the taxpayer.	
Responsibility	The valuation is done by a Permanent commission of valuation with three members, one nominated by the Director of Taxes, the second nominated by the Municipality and the last one acting as a secretary is nominated by the Chief of Department of Liquidation and Supervision.	
Valuation cycle	The legislation does not, clearly, specify the valuation cycle, but what is clear is that the taxpayer should file annually the form as required by the Director of Taxes and other requirement as recommended by law. Furthermore, any modification on buildings should be communicated to the Department of Liquidation and Supervision.	
Objection & appeal	All taxpayers are free to object the elements registered in the matrices which serve as base for valuation. The appeal is presented at the fiscal area where the	

	<p>taxpayer filed his/her valuation. If the taxpayer is not happy with the requested valuation (what the regulation calls by Second Valuation) is free to resort (as the last resort) to the National Court of Taxes. If this resort is successful, the Court will recommend the constitution of another commission to do the new valuation.</p>	
Quality control measures	<p>The regulation according to Law no 40/96 of the 29 of October indicates that all public institutions, administrative authorities, public servants of any category, as well as any taxpayer may voluntarily declare the true value or rental value of the building of another taxpayer to the Director of Taxes. Therefore, and according to this regulation all citizens from São Tomé and Príncipe may participate in the control measures with regard to property taxes, in particular urban building contribution.</p>	
Tax rates	<p>The tax rate on urban building contribution is 0.1 per cent of the value of the building. For onerous transmission the tax rate is 10 per cent and in the case of exchange the tax rate of 5 per cent is paid equally by both contractors. Tax rates on succession and donation varies from 7 per cent and 30 per cent.</p>	
Exemptions	<ul style="list-style-type: none"> • All state buildings, local administrative institutions and public institutes; • Building for use of public health (as hospitals, clinics, etc), pities, asylums, other services for assistance and authorised public Charities and supervised by the state with only exception for buildings given for renting or given to other third parties; • Houses given for begging and to infant not protected but supervised by the state as well; • Churches; • Grass houses and other poor buildings with patrimonial value of less than Dbs 5,000,000.00 (USD\$504.93¹); • Building belonging to voluntary fireman only for that part occupied by their buildings; • Buildings where function official schools if such building were given to use freely; • The sport stadiums and buildings of sport associations but allowing to 	

¹ At exchange rate of Dbs 9902.3/USD in 2006

	<p>realisation of sport festivals and parades promoted by young and military units;</p> <ul style="list-style-type: none"> • The consuls and embassies belonging to the foreign states applying reciprocally the same treatment and buildings of international organisations; • During 10 years all building with use for particular institutes where is thought secondary school and built for more than Dbs 300,000,000.00 (USD\$30,295.99). 	
Tax Administration		
Tax relief measures	The law is not clear about measures on building for own use, except for case indicated in exemptions and those indicated for free donations and transmissions, which value, in the this case, is fixed to be Dbs 30,000.00 (USD\$ 3.03)	
Collection	Urban building tax contributions are due by January and July if the amount of the tax to be paid is equal to or exceeds Dbs 100,000.00 to each in the Department of Finances of the area where the building is located. This tax is payable only once if the value due is less than Dbs 100,000.00	
Enforcement	If the taxpayer does not complete the required documentation within the period established by law, as in article 19 and 21 of the regulation, will be applied the fine that varies from the amount due and the triple of the tax due. The fine will be of how many years as it is due but not exceeding five years and it will be calculated with reference to the building that the Permanent Commission of Valuation indicates. The fact that the building subject to fine can, temporarily be exempted, does not exclude the application of the fine which is independent to the registration of the building. Will be considered violation of the public servant statute in place in São Tomé and Príncipe if there is not fulfilment of the civil servant obligation imposed by the Regulation on Urban Building Contribution and the lack of supplying the Director of Taxes with the information required to investigate the value or the rental income of indicated buildings. In such cases the process to be instructed by the Director of Taxes to the immediate head of office where the employee is working. The enforcement measure in São Tomé and Príncipe include the loss of salaries b the time the	

	information has delayed.	
<i>Additional Comments</i>	<p>São Tomé and Príncipe have made significant progress with regard to regulation on property taxes, but the lack of government stability might have constrained the implementation of the regulation. A former Minister of Finance said, during my visit, that the first “resistance” on property taxes came from the members of government when he wanted to re-enforce urban building contribution. As in the majority of developing countries in Africa this attitude is detrimental to the successful implementation of laws and regulations.</p>	