

**Francophone Southern Africa Appendix 4:  
Lesotho**

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## Lesotho

### Contextual Data

| <i>Basic Country Information</i>           |   |                 |                            |
|--|---|-----------------|----------------------------|
| Geographic size                            | 30,355 km <sup>2</sup>  | Population      | Est. 2.3 million           |
| Capital city                               | Maseru  | Urbanisation    | 17%                        |
| Secondary cities/towns                     | Mafeteng; Leribe; Maputsoe; Qacha's Nek; and Quthing  | GDP per Capital | Est. US\$1385 <sup>1</sup> |
| System of government                       | Parliamentary constitutional monarch, with the King as Head of State.   |                 |                            |
| Independence                               | 4 October 1966  |                 |                            |
| <i>Government Structures</i>               |   |                 |                            |
| Levels/Tiers of government                 | Central Government and a three-tier local government: Community Councils, Urban/Municipal Councils and District Councils. There are 128 Community Councils, 10 District Councils and one municipality council being Maseru <sup>2</sup> .                     |                 |                            |
| Traditional authorities or chiefdoms       | In recognition of the importance of traditional leaders in local governance, two positions are reserved for them in the community and urban councils and three in the municipal council; members to be elected/nominated by their peers .i.e. by other chiefs |                 |                            |
| <i>Land Issues and the Property Market</i> |   |                 |                            |
| Land tenure                                | Customary and leasehold. All lands belong the community and is held in trust by the King. The King has the constitutional power to allocate land, a power that has traditionally been delegated to the chiefs <sup>3</sup> .                                  |                 |                            |
| Land titling/registration                  | Deeds Registry Office, one of the Departments of the Ministry of Local Government, registers titles to land and keeps national records.   |                 |                            |
| Land rent                                  | A fee for payment or use/right to occupy land. Charged according to area of land and location. M0.05-0.10 a year per square meter for residential land;<br>M0.25-0.30 a year per square meter for commercial land;<br>Levy of 5% for late payment.            |                 |                            |
| Property market                            | Not well developed, as majority (about 70%) of urban lands for settlement are still obtained by bypassing formal land acquisition procedures.   |                 |                            |
| <i>Taxes</i>                               |   |                 |                            |
| National                                   | Taxes on net income and profit; Taxes on individuals; Taxes on Goods and Services of which are VAT, Excise, Petroleum levy; Taxes on international trade i.e. Customs duties  |                 |                            |
| Sub-national                               | Property Tax; Charges   |                 |                            |
| <i>Property-related Taxes: National</i>    |   |                 |                            |
| Property Transfer Tax                      | A duty of 3% on the first M10.000 of value and 4% on the excess value   |                 |                            |
| Estate Duty                                | Three-ten thousandths M2 for every M200 or part thereof, subject to a maximum rate of 0.67 per M2. A rebate of M600 is deducted from the amount of duty calculated.   |                 |                            |
| Succession duty                            | A rate of duty varying according to the degree of relationship of the successor from 3% to 12% of the dutiable amount. A 1% surcharge is levied on dutiable successions   |                 |                            |

<sup>1</sup> GDP per capital as at 2007 was US\$994.9 with an annual average growth of 21.5% (see Budget 2009/10). The above figure is an estimated GDP per capital for 2009.

<sup>2</sup> See Local Government Act 1997 and Local Government Amendment Act 2004.

<sup>3</sup> See Section 108(1) of the constitution of Lesotho.

|     |   |
|-----|---|
|     | exceeding M20.00.   |
| VAT | Imposed on every taxable supply in Lesotho and every import of goods and services. There are certain exemptions. <sup>4</sup> The rates are: Standard - 14%; Liquor - 15%; Telecommunications and electricity - 5%; Export - 0% |

| <i>Annual Property Tax</i>  |  |   |
|---|--|---|
| <b>Relevant Legislation: Local Government Act N0. 6 1997; Local Government Amended Act 2004; Valuation and Rating Act 1980; Legal Notice No. 10 of 1997</b> |  |   |
|   | <i>Legislation</i>   | <i>Practice</i>   |
| <b><i>Tax Base &amp; Taxpayer</i></b>   |  |   |
| Tax base  | Taxes on land and improvement based on capital value of property   | Only urban land and improvement   |
| Coverage of tax base  | Properties within a designated area, including land and improvements held by the state   | Effective only within Maseru, and in principle Teyateyaneng and Mafeteng. |
| Taxpayer  | Owner, defined as a person having the primary legal interest entitling him to possession of land, by way of lease or license.  |   |
| <b><i>Valuation &amp; Assessment</i></b>  |  |   |
| Valuation   | Land plus improvement. Improvements valued on basis of depreciated replacement value   |   |
| Responsibility for valuations   | Government and in-house valuers  |   |
| Valuation cycle   | 3 years, to be extended for a further 3 years given a maximum of 6 years   |   |
| Objection & appeal  | Right of appeal to the Land Tribunal   |   |
| Quality control measures  | None   |   |
| <b><i>Rate Setting and Tax Relief</i></b>   |  |   |
| Tax rates   | Annual rates subject to ministerial approval. As at end June 2008, the following differential rates holds: 0.25% on residential property, 2.0% on commercial property, and 2.75% on industrial property.   |   |
| Exemptions  | Property used for 'public benefit' i.e. All public lands and other improvements, properties owned by Churches, religious societies, foreign missions, educational institutions, charitable organizations and other organizations not used for profit making purposes | Government property is subject to a grant in lieu of tax                  |
| Tax relief measures   | Natural disasters and by reason of poverty   |   |
| <b><i>Tax Administration</i></b>  |  |   |
| Billing   | Bills are delivered by hand  |   |

<sup>4</sup> See VAT Act No. 9 of 2001 (as amended).

|  |  |  |
|--|--|--|
| Collection                                   | Payable in two half-yearly instalments by owner (or occupier if owner is not found)  |  |
| Enforcement                                  | Interest on arrears (10% per annual); Clearance certificate required before formal transfer and civil action in magistrate court |  |
| <i>Additional Comments</i>                   |  |  |
| Importance of property tax                   | Important; accounts for about 3% of total revenue of Maseru Municipal Council Revenue.   | About 90% of Maseru Municipal Council revenue is central government grant; the remaining 7% is from charges.   |
| Challenges in administration of property tax |  | <p>Low capacity of in-house valuers;</p> <p>Limited scope of councils for raising revenue with the result that councils depend financially on central government;</p> <p>Governance is still centralised and the centre government low interest in property tax administration</p> |