

**Property Taxation in Anglophone East Africa:
Case Study of Seychelles**

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Abstract

The Lincoln Institute of Land Policy and the African Tax Institute (ATI), located at the University of Pretoria, South Africa through a joint partnership are awarding Research Fellowships to African Scholars to undertake research on property related taxation in all the 54 African countries. The goal is to collect relevant data regarding all forms of property taxation, property tax systems both as legislated and practiced, and their importance as sources of national and or municipal revenue. The project issues reports on the present status and future prospects of property-related taxes with a primary focus on land and building taxes and real property transfer taxes. Each report aims to provide concise, uniform and comparable information on property taxes within a specific country, considering the tax system as it is both legislated and practiced. This paper provides a detailed review of property taxation in Seychelles.

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Section A: Research Scope and Methodology

Introduction

This report presents a detailed discussion of the administration of property-related taxes in Seychelles.

Objectives

The prime objective of the research is to present a comprehensive review of the property-related taxes in Seychelles. Specifically, the research seeks to:

- Develop a comprehensive template to collect data regarding all forms of property taxation in Seychelles that can be updated and maintained with relative ease.
- Report on property tax systems as legislated and practiced in Seychelles.
- Establish the importance and extent of property taxes as sources of national and/or municipal revenues.
- Comment on the future role of property taxation in the country
- Highlight general trends in the application of property taxation in Seychelles

Methodology

Research methodology is usually shaped by a number of factors, including the nature of the problem to be investigated, and the type of information to be generated. Both primary and secondary data were obtained using a combination of data collection techniques.

Data Collection

The study recognized the fact that there are significant differences in how land and property are taxed across and within countries. It is often the case that the greater the degree of local discretion in establishing the tax base and setting the rates, the more diverse are property taxes within a country. The researcher spent a period of one week in January 2010 conducting interviews with officials in the Ministries of National Development, Finance and Community Development, as well as with officials of the Council of Victoria.

A desk survey was also undertaken during which relevant documents, reports and literature in relation to property-related taxation were reviewed. This provided the secondary data, some of which formed the background material to the report.

Scope of the Data

An attempt was made to obtain accurate and current data on at least the following key areas in Seychelles.

- A brief country description providing appropriate background statistics (e.g. geographic size, population, constitutional makeup, urbanization etc.)
- Property-related taxes: national and sub-national

- Property-related tax base provided by legislation and used in practice
- Valuation and assessment procedures and practices, including valuation cycles, objections and appeals
- Tax rates
- Exemptions and tax relief mechanisms
- Collection procedures and practices
- Enforcement procedures and practices

Data Analysis

The basic properties of the property tax systems in Seychelles were analyzed in the context of the following key areas or ratios:

- Coverage, i.e. the number of properties taxed as a percentage of the total number of properties
- Tax base, i.e. condition that gives rise to taxation.
- Assessment as stated in the various legislations. The number of registered valuers and responsibility for valuation rolls were also ascertained.

An analytical approach and deductive reasoning were applied because a detailed understanding of the complicated relations is required.

Structure of the Report

This report provides detailed and current information on property-related taxation in Seychelles. The report begins with background information on the country and follows with a discussion on the implementation of property-related taxes in the country.

Section B: Presentation of Research Findings

This section presents the research/study findings as per the objectives of this study and as supported by the data collected.

Basic Country Information on Seychelles Island

The Seychelles Island is a country off the East African Coast, within the Indian Ocean. Seychelles Island gained independence on June 29, 1976, from the British. ‘Seychelles’ was named in honor of Viscount Jean Moreau de Seychelles, Minister of Finance during the reign of Louis XV. The archipelago is made up of 115 islands, 41 of which are granite and 74 coral islands, spread over an area of 400,000sq.km in the heart of the Indian Ocean. It lies between 4 to 10 degrees latitude south and between 46 to 56 degrees longitude east of the Indian Ocean and north of Madagascar.

The Seychelles Island has only three distinct islands; these are Mahe, which is the main island, Praslin, and La Digue. The remaining islands are either privately owned or government owned, but are not officially inhabited by the locals. Mahe is the largest of the rock-like islands that

make up the Seychelles, and it covers a surface area of 152sq.km. It is 27 km in length and 8km wide, and inhabited by 90% of the entire Seychelles population. Praslin lies 40km to the north east of Mahe and covers an area of 38sq.km. La Digue is the 'pearl' of the Indian Ocean and the 3rd largest Island in Seychelles (5 x 3km). It lies 45km from Mahe and 6.5 km from Praslin. The 4th largest island is Alphonse, which lies 450km southwest of Mahe.

The country is divided into 25 administrative regions, referred to as districts. Mahe has 22 districts, Praslin has two districts, and La Digue has one district. The administrative districts are as follows:

Greater Victoria-Bel Air, English River, Les Mamelles, Mont Fleuri, Plaisance, Roche Caiman, St. Louis; Rural Mahe – Anse Aux Pins, Anse Boileau, Anse Etoile, An Cap, Anse Royale, Baie Lazare, Beau Vallon, Bel Ombre, Cascade, Glacis, Grand Anse Mahe', Pointe La Rue, Port Glaud, Takamaka; Praslin-Baie Sainte Anne, Grand Anse Praslin; and La Digue-La Digue. The administrative districts have an average population of approximately 3000.

Seychelles Island covers an area of approximately 455sq.km. As of 2009, Seychelles Island population was estimated at 84,000 thousand. Considering the settlement pattern, it can be said that about 90 percent of the population is urban.

The capital city is Victoria. The other secondary urban centre is Anse Royale. The GDP at current price is estimated at USD 20,829.

The Government Structure in Seychelles

There are two tiers of government in Seychelles Island, the central government and the administrative regions/districts.

National Government

Seychelles's government is a multiparty Republic with three arms of government, namely executive, legislature and judiciary. It is a sovereign state with a constitution providing the supreme law of the Republic of Seychelles.

The executive authority of the Republic is vested in the Executive President, who is the Head of State and Head of the Government. As per the Constitution, the President must be democratically elected by universal adult suffrage. Elections are held every five years.

The legislative power of the Republic is vested in the Unicameral National Assembly which consists of a total of 34 seats, of which 25 seats are directly elected and representing the 25 administrative districts, and 9 seats are allocated on a proportional basis. Currently, the dominant political parties are Seychelles Peoples Progressive Front (SPPF), which is the ruling party, and two opposition parties: Seychelles National Party (SNP) and the Democratic Party (DP).

The judicial power of Seychelles is vested in the judiciary consisting of the Court of Appeal of Seychelles, the Supreme Court of Seychelles and such other subordinate counts or tribunals established under the constitution.

Local Government

Seychelles Island is a unitary sovereign state divided into 25 administrative districts. The administrative regions are linked to the Ministry of Community Development, formerly known as the Local Development/Government.

Land Use and Land Tenure System

In Seychelles Island, there are only two types of land tenure systems namely freehold tenure and leasehold tenure, and either government land or private land. There are two systems of registration: the deeds system of registration and registration of titles. Registration of titles is more dominant, particularly in Mahe where a project initiated in 1988 resulted in most of the land being surveyed and registered. The government of Seychelles does not sell land but rather grants leases to the potential investors. The lease period ranges from 60 years to 99 years.

There are mainly 60 years leaseholds granted for industrial purposes, and few 99 years for commercial purposes. Agricultural leases are normally for 5 years, while institutions such as hotels are granted leases for 10-15 years. Private residential development receives short-term leases.

Commercial and industrial lands are leased out at a rate of SR 30-SR 80 per square metre depending on the location of the land. In the Providence Industrial Estate (Industrial land), all the land is owned by the Government and only leased out to the potential investors. In the case of Seychellois (citizens), the price for leasing land is at a rate of SR 30 per square metre per year. A citizen interested in leasing the land applies for approval to the Ministry of National Development. Upon receiving a grant of approval, both parties (the government and the individual) sign the lease agreement and the lessee pays an initial premium equivalent to 1 year of rent.

For non-Seychellois, the process for approval is as follows:

- For leases of less than 2 years, the developer applies for approval to the Ministry of National Development.
- For leases of more than 2 years, the developer applies for approval to the Cabinet of Ministers. The processing fee is 1.5 percent of the annual rental value. Upon approval, the developer pays a Government Sanction fee of up to a maximum of 30 percent of the transfer value. This is in addition to other payments including Annual Grand Rent, Initial Premium, and Stamp Duty and Transfer Fee.

Overview of the Property Market in Seychelles.

The operation of the land and property markets is considered fairly formal but not so well developed. The property transactions take place within a formal registration process. Foreigners are actively involved in land transactions, particularly in the new upcoming fully packaged developments, such as the Eden Island, DesRoches and ZillPasyon. These developments are intended to target international investors, who must pay a Government Sanction fee. The package includes citizenship to those who purchase property in the areas. The property values are exorbitant, ranging from USD 300,000 for 2 bedroom apartments to USD 10,000,000 for luxury villas.

Overview of the Tax System in Seychelles.

National Tax Structure

The taxation system is highly centralized and is in the Department of Finance, President's office, under the Commissioner of Taxes. The main taxes levied include goods and services tax (G.S.T), the business tax, the provisional tax, custom and excise duty, and the tourism tax.

The provisional tax is paid monthly as an account of provisional annual profits.

The business tax may be levied to a maximum of 40 percent on profits over SRs 96,000, from which the provisional tax is already deducted. The first SRs 48,000 of final taxable profits is free.

G.S.T (Goods and Services Tax) is a tax on many goods and services and is normally 7 percent of the prices.

Local Government taxes

All taxes are collected by the central government

Property-Related Taxes in Seychelles

Basically, there are no property rates, capital gains taxes, or inheritance taxes levied on property. However, property-related taxes administered in Seychelles include annual land rent, stamp duty, government sanction fee, GST on residential rent, and tax on commercial premises.

Annual Land Rent

In Seychelles, administration of annual land rent falls within the Ministry of National Development. Annual land rent is charged on all leased land. Long term land leases (99 years) can be purchased by investors through a one-time advance payment. For leases of less than 99 years, annual land rent is payable. Annual land rent is charged at 10 percent of the market value of the land. The rent is, however, subject to review only every five years and may not increase to more than 25 percent or not less than 10 percent of the current rent. Annual land rent varies as follows: SR 60 per square metre for industrial use, and between SR 400 and SR 450 per square metre for commercial land in Victoria.

Upon signing of a lease, an initial premium usually the equivalent of one year's rent must be paid, although the government grants a grace period of 18 to 24 months depending on the scale of development. At the end of the grace period, the annual ground rent will come due payable half yearly in advance to the Ministry of National Development.

GST on Residential Rent

Within the framework of the macroeconomic review undertaken by the Seychelles Government, income derived by persons renting out properties to be used as residential dwelling or houses is subjected to GST at 15 percent. This became effective as of January 1, 2009 and is made payable to Seychelles Revenue Commission. GST is applicable on any house, flat, apartment, bed sitter or any structure that is rented or leased as a residential dwelling. It is applicable on the gross

rental amount received in respect of such accommodation, including that provided by a Government, Public Entity or Organization. However, residential dwelling owners are not liable to pay business tax on profits from such rental income.

Tax on Commercial Premises

For purposes of tax levied on commercial premises, the landlord must register with Seychelles Revenue Authority. The tax is paid annually and the allowable expenses include utilities, repairs and maintenance, mortgage interests, office expenses and depreciation on building and furniture.

The tax is based on net income. The applicable rates are 25 percent for incomes at or below SR 1 million, and 33 percent for incomes greater than SR 1 million.

Stamp Duty

Stamp duty or property transfer tax is governed by the Stamp Duty Act, Cap 226 of the laws of Seychelles. It is payable upon property transfers and paid to the Land Registration Office within the Attorney General's Office.

The person who acquires the property (the buyer) is the taxpayer. The tax payable is based on the market value as declared by the purchaser and determined by a valuer. The registrar can exercise discretion to refer the matter of declared value to the Ministry of National Development for assessment if he or she is not satisfied with the value declared. It is not mandatory to engage the services of a valuer in the determination of market value of a property.

Currently, the tax rate is 5 percent of the market value of the property. The rate is set by the Ministry of Finance. When the seller is the Government, the Lands Division makes arrangements for the transfer with the Attorney General's office, which is responsible for transferring all state properties. When the seller is a private individual, the investor will contact a notary or attorney who will manage the transfer of ownership of the plot that will then be registered at the Registration Office. The cost of registration fee is SR 25 per parcel.

There are various exemptions on payment of the stamp duty depending on who acquires the property. For example, government purchase, transfer between family members, and transfers to non-governmental organizations (NGOs) and charitable organizations including churches are exempt. Authority to exempt payment of stamp duty lies with the Ministry of Finance.

Payment of stamp duty on properties that are not exempted is mandatory for any transfer to be executed. The issues of arrears therefore do not arise. On lodging of the papers, assessment is done, and payment must be made within 14 days.

As an enforcement mechanism, the stamp duty doubles if payment is not made within 14 days of lodging the documents. The collection is done at the Lands Registration Office.

Property Tax

No property tax is levied.

Valuation Practice

The Ministry of National Development is the Custodian of all government land. It administers and manages state land including negotiations for acquisition and purchase, transfers, leasing and valuation. In Seychelles, quantity surveyors undertake valuation work, mainly for mortgage and transfer purposes. In total there are only four valuers, two of whom are chartered surveyors (one in the government and one in the private sector who doubles as a government consultant). Of the remaining two, one is the Director of valuation, acquisition and sales, and the other is a valuer in the land valuation offices.

Reforming the Tax System

Discussions with government officials revealed that the possibility of introducing property taxation in Seychelles is still remote. The officials pointed out that the entire tax regime needs to be re-examined. For instance, there is no levy of income tax, although there are currently proposals for its introduction. There is no serious proposal for reforming property taxation, even in the future. This is particularly so if property tax is viewed as a source of local revenue, which is unnecessary and inapplicable in Seychelles where the existing districts are more for administrative convenience than local authorities in their own right.

References

Government of Seychelles, The Stamp Duty Act, Cap 226 (Revised Edition 1991), The Government Printer.