NAU CONGRESS 2013

NAU presentation to Ministry of Lands & Resettlement on Monday, October 7, 2013
Will also be presented to Ministry of Finance and Ministry of Agriculture, Water & Forestry

Purpose of submission
- To express the NAU’s opinion on land tax
- To discuss the present model of valuation and possible revision of regulations
- To discuss importance of commercial agricultural sector and ability to pay land tax
- To make recommendations on downward adjustment of the rate of land tax to make it more affordable for land owners

The NAU’s opinion on land tax is -
- The NAU took part in the 1991 Land Conference and confirmed the consensus resolution that land tax will be introduced on commercial agricultural land.
- However, land tax should be –
  - based on a transparent and sustainable model applicable to the Namibian situation
  - fair and
  - affordable

In terms of the Agricultural (Commercial) Land Reform Act of 1995, Act 6 of 1995, land tax is to be paid by agricultural land owners and failure thereof might result in a fine of N$20 000 or imprisonment for a term not exceeding 5 years, or both such fine and imprisonment.

This legislation is valid and stands until declared unlawful or unconstitutional by a High Court judgement or even a judgement of the Supreme Court in the case of an appeal.

The constitutional challenge of land tax is by individuals and DOES NOT have the support of the NAU as an institution.

Comments on current valuation model:
- Intrinsic flaw in valuation model result in skewed and justifiable values.
- Present Regulations (Gov Notice 120 of 03-07-07):
  - land prices not determined in open market
  - difficult to determine disregard (tourism potential, bush encroachment, etc) in selling prices
  - do not consider ability of land to generate funds for payment of land tax
  - difficult to align with carrying capacity and AEZ
  - improvements on farms differ and depreciation of improvements debateable
- Therefore: present model not sustainable
Recommendation:

Review Regulations and base land tax on different model more applicable to the Namibian situation for example, production value of agricultural land.

When determining land tax take into account –
- Importance of commercial agriculture (slides 13 – 15)
- Farming environment (slides 16 – 18)
- Ability of farmers to pay land tax (slides 19 – 23)

General comments on land tax:
- Increase in Land tax not in line with economic indicators or producer prices and is unaffordable by land owners.
- Land Tax has the potential to destroy the commercial agricultural sector in Namibia.
- Commercial agricultural land owners only group of taxpayers who pay income tax and land tax from Net Farm Profit.
- Unlike income tax the rate of land tax is fixed and does not take financial position of land owners in consideration.
- Taxes paid to Government can therefore increase from 35% on Net Farm Profit (max. income tax) to as high as 50% subject to the amount paid for land tax.
- Unjust and discriminatory to a certain group of tax payers.

Recommendations on tax rate:

Assumption:

Iso-map will be accepted with minor changes by Valuation Court

If present ISO value map is accepted, REDUCE tax rate to 0.35% which will generate tax of N$49 million i.e. an increase of 44% on present budgeted Land Tax Income.

(NAU Congress 2012 recommends 35%)