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Boosting tax revenue of Zambian cities with technology

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- The Government of Zambia has stressed the need for urban councils to strengthen their own-source revenues – particularly through recurrent property tax, also known as property rate. Despite its historic underutilisation, recurrent property tax holds significant potential to help finance productive urbanisation.
- Efficient property identification and valuation practices are a pre-requisite to realise this potential. But the high fixed costs of administering surveys to create tax maps and update valuation rolls constitute major barriers to bringing in more property tax revenues in Zambia.
- Remotely sensed imagery, such as high-resolution satellite imagery, can be used to produce digital base maps and – particularly when integrated with Geographical Information Systems (GIS) – can make this process faster and cheaper.
- A digital base map of Lusaka, created with satellite imagery from 2017, identified over 256,000 properties, including almost 136,000 in planned townships. Although not all are rateable, the comparison with the city’s main valuation roll of 2019, which includes around 82,000 properties, points to non-negligible forgone revenues in both planned and unplanned areas of the city.

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1. Urbanisation and the need to strengthen collection of recurrent property tax

Urbanisation in Zambia is happening at a fast pace, but it has not yet been conducive to sustained improvements in living standards.

From 1990 to 2020, the urban population in Zambia has increased almost threefold, rising from 3.2 million to an estimated 8.3 million. Projections suggest that by 2050 the urban population will escalate to 25.6 million, marking an eightfold increase compared to the 1990 figures. This means that, in the future, **there will be more residents in urban areas than there are people in the entire country today.**¹

This presents both challenges and opportunities. Urbanisation provides the clearest path from poverty to prosperity, being crucial to national objectives of greater economic diversification and growth. However, to reap productivity benefits of agglomeration, local authorities need to plan ahead, and ensure that the downsides of density – such as congestion, contagion, and pollution – are addressed.

To do so, Zambian cities require considerable public investment in physical infrastructure and service delivery – yet they are lacking the finances required to enact this. This contributes to an urbanisation process that has not led to significant improvements in productivity and incomes, with **around 70% of urban residents living in unserved, unplanned settlements.**²

Raising own source-revenue is crucial to improve service delivery in urban areas, as well as delivering on decentralisation efforts.

In light of increasing demand for services in cities, as well as decentralisation objectives at the national level, the Government of Zambia has stressed the need for urban councils to mobilise own-source revenue (OSR) more effectively and efficiently to complement resources from central-government transfers.³ OSRs include recurrent property tax; fees and charges; licenses/permits; levies; commercial ventures; and other income.⁴

The current revenue gap – or the difference between estimated potential and actual OSR – is substantial. A study conducted on the Central and Muchinga provinces estimated that **the overall gap is more than 50% for the 18 district councils assessed, with some councils being as high as 90%.**⁵ The study also found that **the overall cost of collection as a percentage of total OSR**

¹ Lamson-Hall (2021).

² UN-Habitat (2023).

³ Jibao (2016).

⁴ USAID (2021).

⁵ USAID (2021).

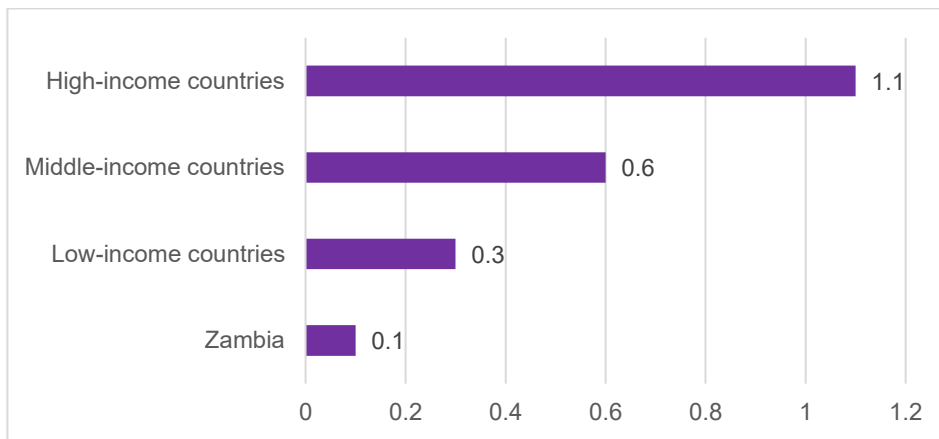
raised was on average 17.4%. This is in comparison with 4-7% in Kenyan counties, and 0.3-1.7% in OECD countries.⁶

Recurrent property tax represents the largest source of untapped municipal revenue, but it has been historically underutilised in Zambia.

While the central government levies a *property transfer tax* on immovable property, currently at 5%, policy experts have flagged the underutilisation of a *recurrent property tax* (also known as property rate), levied by local authorities, as a noteworthy concern.⁷ See Appendix for more information on this and other property-related tax in Zambia.

It is estimated that **recurrent property tax constitutes about 0.1% of GDP**, which is below the average of 0.3% of low-income countries, 0.6% of middle-income countries, and substantially below that of 1.1% of higher-income countries.⁸

FIGURE 1: Property tax as % of GDP



Source: Kelly et al (2020) and Jibao (2016).

Among the various ways through which local authorities can raise revenue, property tax stands out as a prime opportunity to enhance their finances, while simultaneously addressing issues of equity and economic distortions associated with taxation.⁹ First, property tax has the potential to be significant in terms of revenue mobilisation. In Kigali, Rwanda, estimates suggest that a 1% value-based tax could increase revenues to almost USD 20 million per year – or over 10 times of what is currently collected.¹⁰ Second, property tax is inherently fairer and more efficient compared to other forms of taxation. It has limited negative effects on urban investment (given the fixed supply of land), and enables governments to capture the value appreciation of land and properties resulting from public investments, such as road upgrading. Consequently, those who benefit more from public services and population growth can be taxed for the benefit of the wider community.¹¹

⁶ USAID (2021).

⁷ USAID (2021).

⁸ Kelly et al (2020) and Jibao (2016).

⁹ Collier et al (2018).

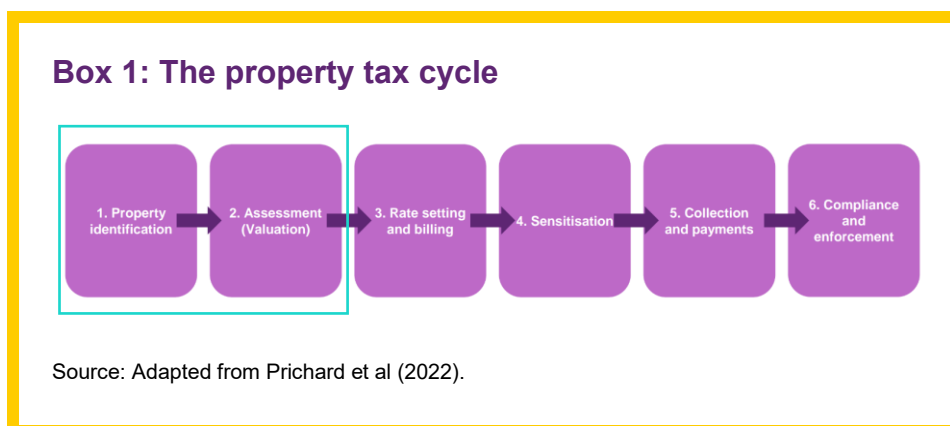
¹⁰ Ali et al (2020).

¹¹ Collier et al (2018).

The Government of Zambia has conveyed its intent for a recurrent property tax that generates the necessary revenues, is simple and transparent, and restricts exemptions and other special regimes.¹² Challenges to realising some of these objectives have been identified as weak capacity of councils to administer property tax, partly due to outdated cadastres and poor recording keeping.¹³

Ensuring good coverage on tax maps and up-to-date property valuations preclude the effectiveness of taxation systems.

The first step in the property tax cycle, as schematised in Box 1, is ensuring that all rateable properties are included in the tax map, and all land and property improvements are accounted for in valuations. While an indispensable asset, the prevalence of outdated cadastres and valuation rolls has long been highlighted as a major barrier to property taxation across lower-income countries, and Zambia is no exception.¹⁴ Challenges include the prohibitive costs and time intensity of administering surveys, compounded by rapid urbanisation which quickly makes them obsolete.



In Zambia, a weak tax base coverage is still the norm in all rating authority areas, with **many tax maps encompassing only a fraction of the rateable properties that should be included**.¹⁵ The issue became more evident with the broadening of the tax base under the 2018 Rating Act.¹⁶ Furthermore, revaluing properties approximately every five years through a market-based approach is often perceived as cumbersome, particularly for smaller district councils.¹⁷ See Box 2 for some of the trade-offs associated with the main valuation methods.

Box 2: Property valuation methods and their trade-offs

An effective valuation model needs to (1) guarantee that properties are assigned a taxable value corresponding to the revenue requirements of the local authority, (2) ensure that

¹² 2020 Budget Address by the Minister of Finance to the National Assembly.

¹³ Jibao (2016).

¹⁴ Jibao (2016).

¹⁵ USAID (2021).

¹⁶ Jibao (2016).

¹⁷ USAID (2021).

comparable properties are assessed at equivalent values, and (3) ensure that more valuable properties are assessed at a higher level than less valuable properties.

There are three main valuation approaches:

- **Market-based approach:** The price is determined based on recent sale prices of similar properties or pieces of land (when available). Alternatively, attempts are made to establish the annual rental value of a property, given that such information might be easier to obtain.
 - ✓ More precise estimation of property values, and tax assessments increase as property values also increase.
 - ✗ Data intensive, time-consuming, costly, and can be considered opaque, given that reliable transaction data is rarely available publicly or at all.
- **Area-based approach:** The price is determined based solely on a direct or proxy measurement of the property size (e.g., land area, building footprint, roofline, overall floor area, number of rooms).
 - ✓ Low data requirements, quicker to assess due to limited estimation capacity requirements, transparent, easier to verify.
 - ✗ The omission of qualitative aspects of buildings undermines its fairness, potentially leading to regressive property tax rates – especially in areas outside of large cities, where older and unimproved properties tend to occupy extensive space. Moreover, valuations must be manually adjusted upwards over time, which can be politically sensitive.
- **Hybrid approach:** Given the challenges of the previous approaches, there has been an increased interest in implementing simplified, hybrid methods – those which are designed to be both practically feasible and equitable – such as points-based valuation.
 - ✓ Accounts for the limitations of area-based methods by assigning points, which act as proxy for market values: additional points are awarded for positive features and deducted for negative features of the property (e.g., location, construction material, access to services). Combine feasibility, simplicity and greater equity.
 - ✗ Requires some level of market data to calibrate the points assigned, and some estimation capacity.

Source: Adapted from Collier et al (2018), Bergeron et al (2023), and Prichard (2022).

Technology, together with wider digitalisation efforts, can offer cost-effective solutions to property identification and valuation.

Although property tax has many desirable attributes, one of its main limitations is that it is a data-hungry tax. This means that more efficient and fairer property tax

administration depends on data that is accurate, timely, and economical to maintain.¹⁸ Against this backdrop, readily available technologies that make new fine-grained information available, such as remotely sensed imagery, can be leveraged. These include orthophotos (aerial images that are corrected to account for perspective and that are georeferenced), and satellite and drone images.¹⁹

One of their applications is the creation of digital base maps, which have a multitude of use cases that allow for better targeting of investments in critical infrastructure and services.²⁰ This includes developing tax maps, as exemplified in Section 3 of this policy brief, with an application in Lusaka.

Beyond property identification – and where there is provision in local laws – the information generated can also play a role in property valuation. For example, built area measurements may be directly used in locations where an area-based approach (i.e. a value per square meter) is employed. As highlighted in Box 2, this approach has the advantage of administrative simplicity, with no need for costly collection and revaluations, although at the expense of greater equity. This is particularly relevant for smaller municipal and district councils, as well as informal settlement areas.

The data generated can also feed into Computer-Aided Mass Valuation (CAMA) models, which automate valuation assessments using information on property characteristics and sale/rental values for a sample of properties.²¹ See Box 3 for two examples of where these techniques have been applied and how property tax administration can benefit from it.

Box 3: Automating property valuation in African cities using remotely sensed imagery

Case study 1: Rwanda

In Kigali, researchers showed that satellite imagery can be used to check the completeness of tax maps and, if data on land values are available, also run valuation models at a fraction of the time and resources required by more traditional methods.

Researchers used satellite data to estimate building footprints and heights to get an estimate of building volumes. This was complemented with census data, as well information on nearby schools and roads. The information was then included in a CAMA model to predict land and property values in the city. According to results, a 1% property tax would be significantly more progressive than the lease fee system employed at the time, and increase revenues tenfold to about USD 19.3 million. The cost of undertaking this data collection and processing for the 340 km² study area that covered most of urban Kigali was approximately USD 40,000 (\$34 per km² for imagery, and \$112 for processing of footprints and building heights, with ample scope for further cost reduction). This represented around 2% of average annual collection.

Source: Ali et al (2020).

¹⁸ Kaputula (2018).

¹⁹ Knebelmann (2022).

²⁰ Ordnance Survey (2022)

²¹ Prichard et al (2022).

Case study 2: Senegal

In Dakar, researchers found that algorithms trained with satellite imagery and property characteristics can help reduce tax regressivity by minimising discretion in valuation assessments. In the context of the creation of the first digitised property tax register in Senegal, researchers randomly assigned neighbourhoods to valuation methods with different degrees of bureaucrat discretion, and compared registered property values against a benchmark of market values. Bureaucrats in full-discretion areas undervalued properties, particularly higher-value properties, resulting in regressive taxation. In contrast, in rule-based areas where an algorithm was employed (using information from satellite imagery and observable characteristics – not values – entered by bureaucrats), this tax gap significantly reduced. Researchers showed that this was due to bureaucrats' lack of knowledge about high-end properties and their fairness concerns, and not due to collusion.

Source: Knebelmann et al (2023).

Councils can make the most of this new fine-grained information when properly integrated with a Geographical Information System. By centralising and organising information spatially, GIS can support revenue planners and other city policymakers in gaining a comprehensive overview of present circumstances (including patterns, relationships, and geographical context), and more accurately assess future scenarios for the benefit of municipal budgets. Indeed, the main feature of recent digitalisation reforms for property taxation in lower-income countries has been the integration of GIS with the property tax register.²²

In Zambia, however, **the prevailing use of manual systems and hard copy maps for administering property** undermines councils' ability to maximise revenues from property tax.²³

2. Technology for property tax mobilisation

The cost, logistics, and human resources needed for greater technology uptake by councils should not be underestimated.

A digital system makes it possible to automatically store data collected in the field, and to integrate it with information generated from aerial imagery.²⁴ While there are opportunities in digitisation, the transition is often not straightforward. For example, while the costs of processing high-resolution satellite imagery and GIS solutions will ideally be recovered over time with the increase in property tax revenue, this may occur in the longer term, with upfront investments required.²⁵

Digital base maps produced as part of the on-going National Land Titling Programme (NLTP) should be useful to kick-start this process. However, most

²² Knebelmann (2022).

²³ Kaputula (2018) and USAID (2021).

²⁴ Knebelmann (2022).

²⁵ Knebelmann (2022).

local councils still run on manual systems and those that have achieved some form of digitalisation are operating in silos at department or section level. Other challenges include sensitising councils on the importance of reforms (resistance to change), lack of appropriate ICT infrastructure (such internet connectivity and storage space), and lack of trained personnel. These challenges are summarised as the “five A’s” for adopting new or more advanced technologies, namely: availability, affordability, awareness, accessibility, and ability.²⁶

In Malawi, for example, reforms in Lilongwe, Blantyre, Mzuzu and Zomba have not yet translated into significant improvements of OSR. Part of the explanation is that digitisation was not sufficiently embedded in an overarching ICT strategy, leaving important processes in their manual form.²⁷

In Zambia, the Lusaka City Council (LCC) provides the best-case example of the importance of digital transformation in the councils, unlike the practice of digitisation only. Despite having a GIS unit in operation, it is not integrated as part of the daily business processes of the institution, meaning that analytical and visualisation utility of a GIS is not fully leveraged. Furthermore, GIS tools and applications cannot be extended to other departments to use intelligent maps and graphics, such as the Valuation Department. In terms of requirements, investment in latest technology and staff training have not been a priority. All the available software and hardware have been donated by strategic partners and very few staff members have the right skills and training as technicians or GIS specialists.

Modernising the property tax system goes beyond overcoming technical aspects and demands long-term political commitment.

The use of technology for property identification and valuation, as well as the transition from paper records, ledgers, and receipt books used throughout the property tax cycle takes time. Additionally, updating tax maps and improving the progressivity of valuation rolls may generate strong responses by taxpayers/voters.²⁸ As exemplified by recent property tax reforms in West Africa, implementing change necessitates strong political buy-in and policy consistency.²⁹ Support from the central government is also important to facilitate coordination, investment, and cross-city learning.

3. An application using a digital base map of Lusaka

As the capital city, Lusaka is expected to drive the most significant share of urbanisation in Zambia. **Between 2000 and 2020, the city expanded by 23,498 hectares and added 1,170,000 new residents – 854,000 (73%) of whom found residence in informal settlements.**³⁰ Figure 2 provides an example of the rapid urban expansion in the Northeastern part of the city.

²⁶ UNCTAD (2021).

²⁷ Lamson-Hall (2021).

²⁸ Knebelmann (2022).

²⁹ Kamara et al (2020).

³⁰ Lamson-Hall (2021).

FIGURE 2: Aerial view of Northeastern Lusaka in 2005 (left) and 2020 (right)



Source: Lamson-Hall (2021).

Recurrent property tax is one of the most important sources of revenue for the Lusaka City Council, **accounting for nearly one third of its annual revenues, and most of its OSR.**³¹ The process of property tax collection, however, is based on manual systems, which undermines the potential for revenue mobilisation.

“LCC does not apply any GIS tools in the process of rates collection. The entire process has no graphical or map visualisation and totally depends on the use of hard copy maps. The hardcopy maps are outdated, and they do not represent the actual scenario as it is on the ground. Apart from the outdated information, the maps used also have portions missing through wear and tear, or the maps have gone missing or misplaced. This leads to a failure to locate properties during the process of bill distribution and also to note which properties have undergone any change through subdivision or consolidation.”³²

Ordnance Survey (Great Britain’s national mapping agency), in collaboration with the Commonwealth Association of Architects and the International Growth Centre, utilised an automated process to generate a digital base map across 420 km² of Lusaka, as illustrated by Figure 3. Using aerial imagery from 2017 provided by the Zambia Survey Department in the Ministry of Lands and Natural Resources, computers were taught what to look for in images using training data. The technology then automatically created a map through a faster and more resource efficient process than traditional methods.³³

FIGURE 3: Digital base map of Lusaka as of 2017



Source: Ordnance Survey.

Note: Orange colours designate identified properties.

³¹ Kaputula (2018) and UN-Habitat (2012).

³² Kaputula (2018).

³³ Ordnance Survey (2022).

The project aimed at responding to a request from the Ministry of Local Government to better understand the location of informal settlements, but it also provided additional use cases for the city government – such as helping to estimate the revenue potential from recurrent property tax by facilitating property identification and valuation.

Currently, **LCC’s main valuation roll, completed in 2019, has 82,265 properties**, with use types and total rateable value displayed in Table 1.

TABLE 1: Main valuation roll for Lusaka as of 2019 – Number of properties and total rateable value by use type

Use type	Number of properties	Rateable value (In Kwacha)
Residential	76,149 (93%)	76,151,429,025 (60%)
Commercial	4,208 (5%)	35,042,008,574 (27%)
Industrial	744 (1%)	5,976,571,595 (5%)
Institutional	735 (1%)	10,565,609,581 (8%)
Agricultural	429 (1%)	60,950,000 (<0%)
Total	82,265 (100%)	127,796,568,775 (100%)

Source: Lusaka City Council – Department of Valuation and Real Estate Management.

The total number of properties in both planned and unplanned townships identified in the digital base map from 2017 is 256,678, with 135,904 (53%) located in planned townships, as shown in Table 2. Although not all are rateable under Zambian law (e.g. some are informal properties without State recognition), this implies that many potentially rateable properties are still outside the tax net. Beyond raising equity concerns, this underscores problems with property identification and the procedures involved in assessing properties for rating purposes.

TABLE 2: Digital base map of Lusaka as of 2017 – Number of properties by township type

Township type	Number of properties
Planned	135,904 (53%)

Unplanned	109,121 (42.5%)
Unassigned	11,653 (4.5%)
Total	256,678 (100%)

Source: Ordnance Survey.

While high-wealth property owners hold a large share of the potential municipal revenue, the data also calls attention to the importance of land registration, including intermediate forms of land tenure, for bringing in more revenues from currently informal, non-rateable properties. **Around 70% of properties (almost 21,500,000 m² of building footprint) were categorised under informal settlement typologies of land use.** The National Land Titling Programme is making great strides in this direction by providing occupancy rights to residents in informal settlements, whose properties can now be added to the tax base.

4. Policy recommendations

Productive urbanisation needs to be a central pillar of a Zambia's growth strategy if the country is to unlock structural transformation and economic diversification. Recurrent property tax, or property rate, is uniquely positioned to generate the resources needed to provide the public services to meet this challenge.

While technology is not a silver bullet to improving all important functions of a local tax administration, more can be done to optimise the benefits derived from it.³⁴ Digital base maps and GIS technology can be used for quick and affordable identification and expansion of the tax register, while modelling digitised data can help in simpler and more cost-effective valuation.³⁵

Below are some policy recommendations for the central government to consider, in light of its efforts in supporting local authorities with the collection of recurrent property tax:

- a) **Urban councils, with the support of central government, could obtain relevant orthophotos and satellite imagery, or be allowed to use significantly cheaper drone technology, to improve tax base coverage.**

The current cadastre in Zambia is outdated and incomplete, and requires improvements that will position it in line with current international practice and technological advancements.³⁶ Adding properties that are in principle rateable to tax maps is essential to boost local revenues.

Councils should be able to leverage different means of improving property identification, numbering and recording, including through remote sensing technologies and the expansion of GIS capacities. Financial and technical

³⁴ Fleck et al (2023).

³⁵ Fleck et al (2023).

³⁶ Chileshe and Shamaoma (2014).

assistance by the central government, with streamlined inter-departmental coordination, is critical to kick-start this process.

Available support from development partners and partnerships with the private sector, as exemplified by the National Land Titling Programme, can also be leveraged. Councils are sitting at a point where important digital base maps are being created as part of the NLTP. These can be used as a foundation to build on in its pursuit to improve recurrent property tax collection. In the meantime, the government can continue to invest in the technology and capabilities needed to ensure that reforms are successful in the long term.

b) Consider the trade-offs of different valuation methods in light of councils' capacity constraints, as well as transparency to taxpayers.

Valuation models can also be evaluated by the extent to which they are aligned with administrative capacity of local authorities, and transparent to taxpayers. While hybrid valuation methods, including those supported by machine learning, are typically less costly than market-based valuations, the added benefits need to be weighed against the complexity and opacity of these models for local authorities to administer, and taxpayers to understand.³⁷ The latter is especially true if tax compliance is low.

For smaller municipal and district councils, which raise much less than city councils (around 30% of total revenues from recurrent property tax) and have much capacity challenges, it would be important to consider the advantages of an area-based approach, with notional determination of a value per square meter.³⁸ While a step back from 'gold standard' property tax practice, this method could be more easily handled by smaller councils in the short and medium term, and easier to be understood by citizens and therefore complied with.³⁹ Digital base maps can support in this effort by providing building footprints, as highlighted in Section 3 with the example of Lusaka.

Area-based valuation methods are also very promising in light of the high number of properties in informal settlements that will soon be added to the tax base as part of the NLTP.

For city councils, a fruitful area for innovation could be rethinking ways through which main valuations and supplementary rolls may be less costly than the initial fieldwork – for example, through increased use of aerial imagery. Another strategy is to target revaluations towards specific areas or types of properties for which changes in values are likely to have been the largest.

c) Accompanying reforms on sensitisation, data infrastructure, and skills training are needed to fully leverage the potential of technology for property identification and valuation.

In order to harness the potential of remotely sensed imagery, digitisation (which focuses on converting and recoding data to digital formats) coupled with digitalisation (changing workflows to improve manual systems) are important to achieve organisational change. This is a critical step as it creates key digital linkages amongst council departments that are important in the process of generating a valuation roll, and subsequent property rates planning and

³⁷ Bergeron et al (2023).

³⁸ Jibao (2016).

³⁹ Jibao (2016).

collection. It also unlocks opportunities for enhancing and improving the way councils view revenue.

Piecemeal digitisation efforts are unlikely to yield significant improvements in the mobilisation of OSR, unless it is anchored on a coherent nationwide ICT strategy. Current government initiatives, including the SMART Zambia Transformation Agenda and the National Spatial Data Infrastructure, are good steps in this direction.

Moving forward, it will be important to double down on efforts related to sensitisation (e.g. promoting knowledge exchange sessions between bigger and smaller councils to facilitate cross-city learning), provision of appropriate data infrastructure (from hardware to broadband access), and relevant skills training.

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Box 4: Key facts about land and property tax in Zambia

- **All land belongs to the State**, and is vested in the President on behalf of the people of Zambia.
- **A dual system of land tenure applies and is divided in statutory in customary land – the latter is held in trust by the President through Zambia’s 288 traditional authorities (chiefs and chieftainesses)**. At independence in 1964, about 94% of land was customary land and the remaining 6% was statutory land. Although there is no updated map demarcating the extent of customary land, this is currently estimated to be around 80%.

With regards to statutory land:

- **The President may alienate land for a maximum of 99 years under leasehold tenure**. All leases may generally be renewed for a further 99 years. There are no private (freehold) titles.
- **An occupancy license is an intermediate form of tenure security which can be granted for 30 years for residents in informal settlements**. This license do not confer title to land, but occupancy rights, which can also be renewed. Similarly to dwellers with title deeds, tax responsibilities accrue to those holding occupancy licenses.
- **A recurrent property tax (or property rate) is levied by local authorities**. The basis for valuing property is the capital value of all land and improvement as if sold in the open market. Valuation rolls occur, in principle, every 5 years, although it may take longer. Supplementary rolls occur in between. The Government Valuation Department (GVD) prepares the valuation rolls for small towns and facilitates the contracting of private valuers in larger towns. Lusaka and other main cities have their own valuation departments, which may contract with private valuers or with the GVD to help with major valuation exercises. Local authorities determine the tax rates, known as poundage, upon resolution and approval by the Lands Tribunal. Local authorities may propose differential rates for residential zones, as well as differential rates for commercial and industrial zones. For example, Lusaka’s current residential property rates vary between 0.75% and 1%, whereas commercial properties attract 1.5%.

Other property-related taxation levied by central government on statutory land include:

- **A ground rent, levied by the Ministry of Lands and Natural Resources**. The ground rent starts accruing once a 99-year lease is granted. Tariffs are determined with reference to size, location, and use. For example, commercial properties in Lusaka have to pay more rent than similar properties in other jurisdictions. The Ministry may rely on councils to collect ground rents in exchange of councils retaining an agreed percentage of the total value collected (while a common practice, this is not explicitly listed in any act).
- **A property transfer tax, levied by the Zambian Revenue Authority**. This tax rate is currently set at 5%.

- **A withholding tax on rental income, levied by the Zambian Revenue Authority.**

This tax rate is currently set at 10%.

Source: Jibao (2016) and Sagashya & Tembo (2022).