

# Provisional tenement rates to be introduced in the FCT



**The Abuja Municipal Area Council recently released new provisional valuation lists on tenement rates for commercial and residential buildings within the FCT.**

For a deeper discussion, please contact any member of our team below or your usual contact with PwC Nigeria:

**Esiri Agbeyi**

+234 1 271 1700 Ext 50006  
emuesiri.agbeyi@ng.pwc.com

**Folajimi Olamide Akinla**

+2341 2711700 Ext 52008  
folajimi.akinla@ng.pwc.com

**Olubukola Oyerinde**

+234 1 271 1700 Ext 51002  
olubukola.oyerinde@ng.pwc.com

## Background

The Nigerian Constitution empowers local governments to assess and levy tenement rates. However, during the last administration, the local authority – Abuja Municipal Area Council [AMAC] entered into a Memorandum of Understanding [MOU] ceding its powers to the FCT Inland Revenue Service (“FCTIRS”).

## Recent developments

Notwithstanding the MOU, the current administration of AMAC, has issued provisional rates for residential and commercial properties in the FCT. The rates vary from ₦200,000 to ₦8million depending on the type and location of the property. Certain properties such as the Presidential Villa, government agencies, ministries and foreign embassies are exempted.

Stakeholders have expressed concerns that the rates are arbitrary and excessive given the current economic climate. As provided by law, taxpayers can object to these rates by lodging their objections to the Assessment Appeal Tribunal within 21 days from publication of the list provided the taxpayer pays half of the assessed fee. In such instances, it is advisable for taxpayers to carry out independent assessments in support of their objections.

After hearing objections to the provisional rates, a reviewed list, based on the outcome of the appeals, will be forwarded to the National Assembly for passage into law.

## Procedure for setting tenement rates

The procedure for determining tenement rates is set out in the AMAC bye-law. Under the bye-law, an appraiser is expected to value the property with reference to gross value which is dependent on the actual rent of the tenement or rent within the vicinity.

In determining the rateable value an appraiser deducts all outgoings incurred to earn the gross value.

Where a tenement cannot be valued by reference to a direct rent by reason of the special nature of such property, an appraiser is permitted to use the “*depreciated replacement cost*” method or any other relevant method known to be in consonance with the training and practice of the estate valuation and surveying profession.

## Takeaway

The valuation list does not indicate whether the procedure for setting tenement rate was followed. Where the procedure was not followed, stakeholders can object within the 21-day period.

Furthermore, imposition of any rates or taxes should be balanced against the need to improve the ease of doing business and ease of paying taxes in Nigeria. While property taxes may be an attractive way to raise revenue for government, this must be carefully considered to avoid unintended consequences on poor people who may have to pay more in rent as a result.