

Lagos State Government reduces land transaction charges

January 2015

In brief

The Lagos State Government has issued an Executive Order reducing the fees and charges payable for the purpose of processing Governor's Consent in respect of land transactions required under the Land Use Act where consent is required. This Order reduces the approved charges for subleases, assignments and Powers of Attorney to 3% (previously about 15%) of the value of property. The Order is effective from 5 January 2015.

In detail

Background

The charges on land transactions in Lagos State have been reduced by Executive Order (No. EO/BFR/001 of 2015) that was issued on 5 January 2015 by the Governor.

A commitment to improving the ease of doing business in Lagos State, the desire to stimulate private investment in real estate development and the creation of an enabling environment for the provision of residential housing were identified as reasons for the reduction in transaction costs.

The Lagos State Government (LASG) has also adopted fair market value as the basis for determining transaction costs.

The fair market value assessed by professionals will be adopted by the LASG and published in the official gazette periodically.

Land transactions were previously valued based on the size of land at the LASG approved assessment rate.

Reduced Approved Charges

The Order significantly reduces the approved charges from about 15% (24% where the Statutory Right of Occupancy has run for less than 10 years) to 3% as itemised below –

- | | |
|----------------------|------|
| 1. Consent Fees | 1.5% |
| 2. Capital Gains Tax | 0.5% |
| 3. Stamp Duty | 0.5% |
| 4. Registration Fees | 0.5% |

Consent fees for mortgages have also been reduced from 2% to 0.25% of the loan amount, unless otherwise directed by the Governor.

The takeaway

It is expected that the reduction of the rates would result in reduced charges and may

encourage more property transactions to be captured by government.

However, the reduction of the rates for charges on land transactions may not necessarily result in lower tax and charges. This is because the use of fair market value as a basis for assessment may result in significantly higher property values than the previous method of valuation that was adopted by the LASG. Therefore, a lower tax will only be paid where the rate of increase in property value is less than the ratio of decrease in the applicable tax rates.

To achieve noticeable results, non-tax issues affecting land transactions in the state should be addressed in order to encourage property development and related investments.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

PwC Nigeria - Tax and Regulatory Services Unit

Taiwo Oyedele

+234 1 271 1700 Ext 6103

taiwo.oyedele@ng.pwc.com

Dafe Akpeneye

+234 1 271 1700 Ext 6108

dafe.akpeneye@ng.pwc.com