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# Property Discovery for Tax Purposes: Challenges and Opportunities in Zambia

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## Key Messages

1. Zambia requires properties to be formally planned and numbered before they can be taxed, leading to sizeable gaps in property tax coverage and revenue collection.
2. To address these gaps, Zambia could undertake a mass registration, planning, and property titling campaign. However, this approach tends to be expensive and to be prone to serious delays.
3. Alternatively, Zambia could amend national legislation to permit the taxation of all properties on state land, regardless of whether properties have been formally planned and numbered.
4. Regardless of how Zambia proceeds, improving property discovery is essential to strengthen property tax performance; the success of which will depend on political will and public support for reform.

## Introduction

Effective property discovery is the foundation of a well-functioning property tax system. When discovery is incomplete, some properties are excluded from the tax net, which has negative implications for both revenue potential and the overall fairness of property taxation. Across sub-Saharan Africa, ensuring that valuation rolls remain up to date and include all properties is a major and persistent challenge.

Zambia provides a useful case study from which to analyze the challenges of ensuring complete property discovery, as well as the potential solutions to expand coverage of the property tax system. This brief draws on the findings of a diagnostic assessment of the property tax system in three local councils: Livingstone, Mansa and Samfya, alongside a pilot exercise in Mansa

that tested the feasibility of an automated valuation model (AVM) approach to property assessment, and extensive interviews with national-level stakeholders in Lusaka. The project was funded by the Federal Ministry for Economic Cooperation and Development (BMZ), supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), within a joint effort with LoGRI.

LoGRI estimates that between 30 and 70 per cent of properties in Zambia are missing from valuation rolls, with significant variation between local councils. These gaps may occur because legislation excludes certain types of properties from the tax net or because inefficiencies in the discovery process lead to rateable properties being missed. Irrespective of the cause, gaps in property tax coverage inherently restrict revenue potential and create inequities within the overall tax system.

This brief summarizes Zambia's current approach to property discovery and its drawbacks. It then considers the trade-offs of registration-led versus taxation-led approaches to property discovery and suggests that Zambia may benefit from adopting components of the taxation-led approach.

## **Zambia's Approach and its Drawbacks**

In Zambia, the Rating Act 2018 provides the legal basis for property discovery and taxation. The Rating Act 2018 stipulates that only properties that have been issued a plot number from the Ministry of Lands and Natural Resources (MoLNR) and have been formally incorporated into local area plans are taxable. The Rating Act 2018 constitutes a relaxation of the previous 1997 version of the act, which stipulated that only properties with a formal certificate of title were taxable. The logic of this approach is grounded in the idea that since property owners are the main beneficiaries of increasing land values, property tax liabilities should be tied to ownership rather than to properties.

In practice, however, this approach results in a relatively high proportion of properties missing from valuation rolls, which, consequently, do not pay property taxes. There are three main types of omitted properties: (1) those in unplanned areas; (2) those situated on customary land; and (3) those in planned areas that have not been effectively captured in valuation rolls.

Despite the requirement that properties must be formally planned and numbered to be taxed, many residents live in unplanned areas, have not received a plot number from the MoLNR and do not have formal titles for their properties.<sup>1</sup> Planning processes can be slow and expensive – and in some cases may face resistance from residents. Only about 200,000 properties were in the official land registry in 2018<sup>2</sup>, out of an estimated population of over 4 million households.<sup>3</sup> As a result, current legislation effectively exempts large swathes of urban areas from taxation.

Zambia also operates a dual land tenure system in which land is designated as either state or customary land. Customary land, which is typically located in rural areas, is exempt from all forms of property taxation and is administered by traditional chiefs according to

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<sup>1</sup> USAID. (2017). *Zambia. LandLinks*. (accessed August 4, 2024).

<sup>2</sup> Tembo, E., Minango, J., & Sommerville, M. (2018). *Zambia's national land titling programme—Challenges and opportunities*. [Paper presented at Annual World Bank Land and Poverty Conference. Washington, DC. 19-23 March.

<sup>3</sup> ZamStats. (2022). *2022 census of population and housing - Preliminary report*.

local customs. However, as urbanized areas in Zambia expand rapidly, they approach and sometimes overlap with customary land holdings. As a result, some properties are taxed while their neighbours in similar properties – but on customary land – are exempt. There are also reports of some businesses intentionally building large and valuable properties on peri-urban customary land to avoid taxation. To become taxable, customary land must first be converted into state land. Although such conversions can bring public services to the community, the authority and legitimacy of chiefs come from their land holdings, making some reluctant to cede land parcels to local councils.<sup>4</sup> While estimates vary, surveys suggest that customary land constitutes around 60-80 per cent of the national territory in Zambia.<sup>5</sup>

In addition to properties in unplanned and customary areas, some formally planned properties on state land are not effectively captured in valuation rolls. Properties may be excluded from valuation rolls because they have been subdivided – sometimes many times – without notifying the local council. Even when subdivisions are reported to a government agency, poor coordination and information sharing between the MoLNR and local councils leads to discrepancies in plot numbering and ownership records. In some cases, this lack of coordination also contributes to the double numbering and double allocation of properties to different owners, making it difficult to know which information should be used for tax purposes. As a result, many local area plans bear little resemblance to the real distribution of properties on the ground. These challenges mean that even when an area has been appropriately planned, properties that should be legally taxable are sometimes excluded during the discovery process.

Taken together, these requirements create large gaps in property tax coverage. LoGRI's diagnostic assessment in three Zambian districts suggests that about 30 per cent of all properties on state land in Livingstone are omitted from the valuation roll, while in Mansa and Samfya, this figure rises to about 50 per cent and 70 per cent respectively. When a large proportion of properties is omitted from valuation rolls, it not only limits the tax base but also creates inequities and fosters perceptions that the tax system is unfair – leading to taxpayer disillusionment and lower voluntary compliance.

## Solutions for Improved Property Identification

Zambia is not unique in the challenges it faces to ensure that all properties are effectively discovered for tax purposes. The potential solutions to ineffective property discovery can be classified into one of two broad strategies: registration- or taxation-led approaches.

### — The Registration-Led Approach

A registration-led approach to property discovery means that properties and owners must be formally registered with the state to be taxed. However, the imperfect application of this approach can lead to substantial tax coverage gaps, as seen in Zambia. To address these gaps through a registration-led approach, governments could initiate a comprehensive, nationwide property identification and registration campaign.

<sup>4</sup> *Srivasta S.I. [Forthcoming]. Whose social contract is it anyway: A comparative study of property taxation on customary lands in Zambia and Sierra Leone. [Ph.D. dissertation, University of Cambridge].*

<sup>5</sup> *Adams, M. & Sommerville, M. (2018). [Statutory recognition of customary land rights in Zambia: Lessons from southern Africa](#). U.S. Agency for International Development. (accessed August 5, 2024).*

The trade-offs of this approach are best illustrated by the case of Rwanda. Rwanda has leaned heavily into the formalization of property titles and requires all properties to be registered before they can be taxed. In 2004, Rwanda enacted a series of land regularization reforms that abolished its dual land tenure system and demarcated, digitized and registered 10.3 million parcels of land using aerial photography and ground-truthing. According to the African Development Bank, the land regularization process resulted in a ‘noticeable element of increased efficiency, transparency, citizen participation and development of viable land governance institutions’ in Rwanda.<sup>6</sup>

While this program is widely seen as an administrative success, registration-led exercises have encountered major challenges almost everywhere else in sub-Saharan Africa. Rwanda’s success with this model is thus relatively unique. The implementation of a massive mapping and registration program – comparable to what was achieved in Rwanda – is a costly exercise requiring highly efficient and effective administration. These preconditions can be difficult to replicate and sustain in countries with lower administrative and fiscal capacity. The system also suffers from a negative incentive problem, as residents may not seek out a formal title – or may even resist registration efforts – because they would then be subject to property taxation.<sup>7</sup> For example, estimates from Rwanda suggest that only about 40 per cent of properties are actually included in the tax net<sup>8</sup>, despite nearly all properties being registered in the cadastre (a public register of legal rights and physical status of real estate).<sup>9</sup>

### — The Taxation-Led Approach

In contrast, taxation-led approaches to property discovery prioritize the need for local governments to raise tax revenue quickly over a national-level drive to register land ownership. Taxation-led approaches allow local governments to issue tax bills to properties – provided they can be identified and assessed – even if formal registration or ownership documentation has not been recorded by the state.

Another way to understand the taxation-led approach to discovery is that it aims to register **buildings** for taxation, rather than **property owners**. That is, tax bills can be addressed to the legal owner where that information is known, but otherwise, tax bills are generically addressed to ‘The Owner’ and invite taxpayers to add their names to the property registry if they desire.<sup>10</sup> However, knowing the name of the legal owner is not required for taxation –

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<sup>6</sup> Shipley, T. (2020). *Land administration reforms in Rwanda*. In R. Banji and B. Myers (Eds.), *Enhancing government effectiveness and transparency: The fight against corruption (English) [Report No. 152968]* (pp.158-161). World Bank Group.

<sup>7</sup> Ansoms, A. et al. (2018). [The Rwandan agrarian and land sector modernisation: Confronting macro performance with lived experiences on the ground](#). *Review of African Political Economy*, 45(157): 408-31. (accessed August 5, 2024).

<sup>8</sup> Wild, M., Ali D.A., & Deiniger, K. (2018). [Using satellite imagery to revolutionize creation of tax maps and local revenue collection](#) [Policy Research Working Paper 8437]. World Bank Group. (accessed August 5, 2024); Knebelmann, J. (2022). *Digitalisation of property taxation in developing countries: Recent advances and remaining challenges (ODI Report)*. Overseas Development Institute.

<sup>9</sup> The reason for this discrepancy is that property taxation in Rwanda is restricted to owners with freehold property title. See: Franzsen, R. & McCluskey, W. (Eds.) (2017) *Property tax in Africa: Status, challenges, and prospects*. Lincoln Institute of Land Policy.

<sup>10</sup> Dom, R. & Prichard, W. (2022). *Taxing at the local level*. In R. Dom, A. Custers, S. Davenport and W. Prichard (Eds.), [Innovations in tax compliance: Building trust, navigating politics, and tailoring reform](#) (pp. 141-170). World Bank Group. (accessed August 3, 2024).

only identifying the taxable building is required.

As legal property ownership can be difficult to determine in sub-Saharan contexts, this strategy allows local councils to proceed with assessing properties, issuing tax bills and collecting revenue, while waiting to record legal ownership information as and if it becomes available.<sup>11</sup> The taxation-led approach can ameliorate negative incentives associated with property registration, as residents will receive tax bills irrespective of their registration status. It can also provide a wealth of data that is useful for subsequent drives to formally register property ownership.

A taxation-led approach to discovery helped to significantly increase coverage of the property tax base in Freetown, Sierra Leone. A major reform beginning in 2020 managed to almost double the number of properties on the tax roll from 57,000 to about 110,000.<sup>12</sup> This increase was facilitated by using property mapping via satellite imagery, followed by manual ground truthing to collect additional property data, rather than relying on potentially inconsistent or outdated information from the national property registry.

## Lessons Learnt and Policy Options for Zambia

As incomplete property discovery stifles local revenue generation in Zambia, reforming the current approach should be a key priority for the government. Broadly speaking, Zambia faces two potential paths forward: one in which the current legislation requiring that properties be planned and numbered before they are taxed is maintained; and another in which this requirement is relaxed to permit taxation regardless of planning status.

### — Policy Options if Current Legislation is Maintained

If the current version of the Rating Act 2018 is upheld and tax liabilities remain tied to planned and numbered properties only, then improving property discovery for tax purposes will rely primarily on efforts to streamline and expand local area plans and national-level land registries. Conducting a comprehensive property registration exercise, comparable to that of Rwanda, alongside the adoption of an enhanced information-sharing system between local and central governments could help to broaden tax coverage and improve the efficiency of land management. Taking a national-level approach can also have the benefit of improving tenure security and reducing displacements for those who receive formal titles for their properties.

The Zambian government has already recognized the need for improved land administration, launching the National Land Titling Programme (NLTP) in 2014.<sup>13</sup> The NLTP aims to speed up land registration for those without tenure by first mapping demarcated areas from satellite imagery, collecting ownership information and signatures with a digital application, and verifying land information through public community meetings. The benefit of this approach

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<sup>11</sup> Grieco, K., Kamara, A.B., Michel, J., Prichard, W., & Stewart-Wilson, G. (2019). [Simplifying property tax administration in Africa: piloting a points-based valuation in Freetown, Sierra Leone](#) [ICTD Summary Brief 19]. International Centre for Tax and Development. (accessed August 3, 2024).

<sup>12</sup> Okunogbe, O. & Santoro, F. (2023). [Increasing tax collection in African countries: The role of information technology](#). *Journal of African Economies*, 32(Supplement\_1), i57-83. (accessed August 3, 2024).

<sup>13</sup> Tembo, E., Minango, J., & Sommerville, M. (2018) *Zambia's national land titling programme – Challenges and opportunities*. LandLinks.

<sup>14</sup> MLG. (n.d.) [Acquire your title](#), Medici Land Governance. (accessed August 5, 2024).

is that it generates well-defined property maps that have been endorsed by residents and approved by the government. These consolidated property maps can provide a solid base for subsequent local area planning and property taxation efforts.

The drawback of a national-level approach, however, is that it can be relatively expensive, and the many steps required to verify property ownership slow down the process and limit subsequent tax collection efforts. The NLTP pilot in Lusaka, for instance, cost as much as US \$90 per land record.<sup>15</sup> This figure can be compared to the roughly US \$5 average cost of adding properties to the valuation roll during the pilot conducted by LoGRI in Mansa (adding properties to the valuation roll is not equivalent to issuing titles, but it does allow local councils to levy property taxes). The recent pace of the NLTP seems to be around 50,000 titles issued per year,<sup>16</sup> which if maintained would require many decades to reach full coverage of the country. To date, the NLTP has only focused its efforts on the main urban areas in Zambia, with expansion to other districts planned for 2024 and later.<sup>17</sup> As districts outside the main urban areas have more customary land and the boundaries between customary and state land are often unclear or disputed, the cost and time required to register properties may increase further.<sup>18</sup>

### — Policy Options if Current Legislation is Amended

Alternatively, amendments to the current version of the Rating Act 2018 could permit the taxation of all properties on state land, regardless of whether properties have been formally planned and assigned plot numbers, as in Freetown. While Freetown's taxation-led approach to property discovery unlocked a significant increase in the number of properties on the valuation roll and corresponding improvements in local tax collection, an expansion of the tax base must be paired with a corresponding expansion of public services if such gains are to be sustained.

Introducing property taxation in communities that receive little meaningful public services from the government may be met with resistance and non-compliance if residents believe they do not receive benefits commensurate with the taxes levied. To generate public support for reform, a taxation-led approach to property discovery should be linked to broader planning efforts that bring highly visible and salient public services to areas that are newly asked to pay property taxes.

A benefit of the taxation-led approach is that it can help facilitate these broader planning and service-delivery goals by generating a wealth of new data on property types and locations, service access and tenure status. In addition to facilitating planning and service delivery efforts, these data can also support subsequent efforts to register properties and issue titles. Maps and property data compiled during a taxation-led discovery process could, for instance, feed into national-level titling campaigns like the NLTP to speed up the process of issuing titles to newly discovered properties.

Taxation-led property discovery could be delegated to local governments, or it could be

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<sup>15</sup> Tembo, E. et al. (2018). *Zambia's national land titling programme – Challenges and opportunities*. LandLinks.

<sup>16</sup> Mwiinga, M.K. (2023). *National land titling fails to reach target*. ZNBC News. (accessed October 6, 2023); Mofya, M. (2024, February 15). [We're reviewing contract with Medici in land titling project](#) – Lands PS. News Diggers!. (accessed August 14, 2024).

<sup>17</sup> MLG. (n.d.). [Titling areas](#). Medici Land Governance. (accessed October 6, 2023).

<sup>18</sup> Tembo, E. et al. (2018). *Zambia's national land titling programme – Challenges and opportunities*. LandLinks.

led by a central government agency such as the Ministry of Local Government and Rural Development (MLGRD). While the technical capacity required for taxation-led discovery is relatively simple, it does require staff competent with the use of Geographic Information System (GIS) software, satellite imagery, and data collection processes and software. Even if discovery responsibilities are delegated to local governments, close collaboration between the MLGRD and local planning departments will likely be necessary to mitigate the initial administrative burden, reduce costs and help ensure project sustainability.

## Conclusion

Improving property tax collection in Zambia – as in many sub-Saharan countries – rests on foundational efforts to ensure that all properties are identified and registered for tax purposes. On the one hand, the national government could lead a comprehensive process to update and streamline land registration and administration systems, which local councils could subsequently use to levy taxes on identified properties. Alternatively, Zambia could benefit from adopting a taxation-led approach to register properties, rather than property owners, thereby allowing for discovery and taxation even if plots have not been formally planned and numbered.

In theory, the registration-led approach provides a stronger base for taxation, as property maps have already been endorsed by owners and approved by the government. In practice, however, national land registration drives are often severely delayed due to some combination of their high costs, administrative complexity and capacity requirements. If councils need to wait for the completion of these activities before they can expand property taxation, then local revenue collection will stagnate and become more inequitable, and taxpayer perceptions of the fairness of the tax system will suffer.

Taxation-led approaches – especially those supported or led by the central government – can sidestep many of the costs and delays inherent to national land registration drives because they maintain a narrow focus on simple data collection to compile the information needed to identify properties and issue tax bills. Taxation-led approaches can also generate data to help facilitate and speed up subsequent national-level land registration and planning drives.

Regardless of how Zambia proceeds, the feasibility of reform efforts will be shaped by the broader political economy of the country. Generating public support is an essential component of any successful reform effort. Securing public support can be a difficult task – especially if residents believe that reform will yield higher tax bills for some property owners. Successful reform will therefore emphasize reciprocity and the benefits that residents are likely to receive – whether that is legal property ownership and greater security of tenure, or service delivery facilitated by improvements in local revenue collection.

## Further Reading

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## **About us**

Cities in the Global South need significant revenue to build infrastructure and provide local services. However, efforts to collect taxes, particularly on property, are often ineffective and inequitable. LoGRI supports governments to raise local revenue more fairly and in ways that promote trust, transparency and accountability.

We do this by:

- › Partnering with governments to provide hands-on support and advice
- › Conducting collaborative, applied research to inform reform projects
- › Developing operational tools, including technology solutions
- › Delivering skills training to develop local capacity

We also seek to share insights and shape policy by engaging with regional and international stakeholders on local public finance issues. LoGRI is based at the Munk School of Global Affairs & Public Policy and is an initiative of the International Centre for Tax and Development (ICTD).

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