

**REPORT OF THE COMMITTEE ON ESTIMATES ON THE PROPERTY TRANSFER TAX (AMENDMENT) BILL, N.A.B NO. 20 OF 2015, FOR THE FIFTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY APPOINTED ON WEDNESDAY, 23<sup>RD</sup> SEPTEMBER, 2015**

Consisting of:

Mr H H Hamududu, MP (Chairperson); Mr E M Sing'ombe, MP; Mrs I M Mphande, MP; Mr R L Mpundu, MP; Mr G K Mwamba, MP; Mr B M Ntundu, MP; Mr R P Mtolo, MP; Mr P Phiri, MP; and Dr G L Scott, MP.

The composition of the Committee changed following the appointment of Mr R L Mpundu, MP, to a ministerial position and he was replaced by Mr J Shuma, MP.

The Honourable Mr Speaker  
National Assembly  
Parliament Buildings  
**LUSAKA**

Sir,

Your Committee has the honour to present its Report on the Property Transfer Tax (Amendment) Bill, N.A.B No. 20 of 2015, referred to it by the House on 5<sup>th</sup> November, 2015.

**Functions of the Committee**

2. In addition to any other duties conferred upon it by the Honourable Mr Speaker, or any other order of the House, your Committee is mandated to consider any Bills that may be referred to it by the House.

**Meetings of the Committee**

3. Your Committee held seven (7) meetings to consider the Property Transfer Tax (Amendment) Bill, N.A.B No. 20 of 2015, referred to it by the House.

**Procedure adopted by the Committee**

4. In order to acquaint itself with the Bill, your Committee requested written and oral submissions from various relevant stakeholders.

## **Object of the Property Transfer Tax (Amendment) Bill, N.A.B No. 20 of 2015**

5. The object of the Bill is to amend the *Property Transfer Tax Act* so as to:

- (a) *revise the rates of tax applicable on transfer of property; and*
- (b) *provide for matters connected with, or incidental to, the forgoing.*

### **Background**

6. The *Property Transfer Tax Act*, Chapter 340 of the Laws of Zambia was revised in 2014, to increase the property transfer tax rate from five percent to ten percent with the aim of enhancing Government revenues. The *Property Transfer Tax Act*, provides that whenever property is transferred, Property Transfer Tax (PTT) is charged upon and collected from, the person transferring the property (transferor) on the realisable value (i.e. open market value or contract price, whichever is higher). The Zambia Revenue Authority (ZRA) assesses if the value of the property is correctly stated in the deed of assignment and then it will produce a clearance certificate which is valid for six months. The tax is payable by the transferor.

However, it has been observed that the increase in the rate from five to ten percent has caused the number of property transfer transactions to reduce. The reduction in the number of property transactions has adversely impacted revenue collection. It is the reduction trend in property transfer transactions and revenues collected that has necessitated revising the current rates from ten to five percent. It is anticipated that the reduction in rates will encourage people to complete property transactions and promote transparency in the property market.

### **Salient Provisions of the Bill**

7. The salient provisions of the Property Transfer Tax (Amendment) Bill, N.A.B No. 20 of 2015, are as set out hereunder.

#### **Clause 2- Amendment of Section 2**

Clause 2 seeks to amend the *Property Transfer Act* deleting “*Mines and Minerals Development Act, 2008*” wherever it appears and substituting it with the “*Mines and Minerals Development Act, 2015.*”

#### **Clause 3- Amendment of Section 3**

Clause 3 seeks to amend the *Property Transfer Tax Act* by deleting “*Direct Taxes*” and substituting it with the words “*Domestic Taxes*” to refer to the current Division as reflected in the current Zambia Revenue Authority organisational structure.

#### **Clause 4- Amendment of Section 4**

Clause 4 seeks to reduce the rate tax applicable on the transfer of land and shares from ten percent to five percent in order to encourage compliance.

## **Clause 5- Amendment of Section 6**

Clause 5, amendment of Section 6 is meant to remove the specific reference to “*charitable organisation*” in the *Property Transfer Tax Act* and instead make reference to “*public benefit organisation.*” This will align the provision to the *Income Tax Act* where they are now referred to as “*Public Benefit Organisations.*”

## **Submissions by Stakeholders**

8. The stakeholders who appeared before your Committee submitted as detailed below.

Stakeholders noted the reduction of property transfer tax rate on land and shares from ten percent to five percent. They submitted that the measure will spur positive growth in the property market and that the reduction will increase activity in the property and share market from Zambians. They argued that a high property tax rate is prohibitive as it discourages people from completing property transfers transactions. They further submitted that the measure will increase the revenue collection by the Government. For example, in 2013, when the rate was at five percent, the Government managed to collect K172.2 million, but in 2013, when the rate was increased to ten percent, the collections reduced to K159.1 million.

Other stakeholders were of the view that the reduction of Property Tax on shares will encourage the secondary market in shares on the Lusaka Stock Exchange. They argued further that this will deepen the financial markets which is good for economic development. Furthermore, they argued that the reduction in Property Tax on land will make mortgages affordable as properties will be priced less by five percent on the market.

## **Committee’s Observations and Recommendations**

9. Your Committee supports the reduction of rates of taxes applicable on the transfer of property and is of the view that this will encourage investment in land, buildings, capital markets and other related sectors such as real estate, construction, agriculture and tourism.

Your Committee, however, observes that the measure may not spur investment in land transfers because most of the land is not on title. It is of the view that the only way transactions can be captured will be to implement a deliberate policy to capture most the land on the Land Information System and issue titles deeds. Your Committee recommends that the Government should hasten the formalisation of land ownership by issuing ownership documents to individuals. Your Committee further recommends the creation of a land agency to handle all land matters efficiently.

## **Conclusion**

10. Sir, your Committee concluded its deliberations within its terms of reference. To do this, your Committee had invited a number of stakeholders from whom it sought comments and reactions to the Bill. Your Committee is grateful to the stakeholders who made both oral and written submissions.

Your Committee Sir also wishes to thank you, Mr Speaker, for affording it the opportunity to consider the Bill. Your Committee further thanks the Office of the Clerk of the National Assembly for its assistance and advice throughout its deliberations.

Your Committee has the honour to present its Report on the Property Transfer Tax (Amendment) Bill, N.A.B No. 20 of 2015, referred to it by the House on 5th November, 2015.

Mr H H Hamududu, MP  
**Chairperson**

Mr E M Sing'ombe, MP  
**Member**

Mrs I M Mphande, MP  
**Member**

Mr J Shuma, MP  
**Member**

Mr R P Mtolo, MP  
**Member**

Mr G K Mwamba, MP  
**Member**

Mr B M Ntundu, MP  
**Member**

Mr P Phiri, MP  
**Member**

Dr G L Scott, MP  
**Member**

## **APPENDIX I**

### **List of Officials**

Mr S C Kawimbe, Principal Clerk of Committees  
Ms M K Sampa, Deputy Principal Clerk of Committees  
Mr F Nabulyato, Committee Clerk (SC)  
Mr M F Kateshi, Budget Analyst (Expenditure)  
Mr S Mtambo, Budget Analyst (Microeconomics)  
Mr C Chishimba, Assistant Committee Clerk  
Mrs D Mukwankwa, Assistant Committee Clerk  
Mr A Chilambwe, Assistant Committee Clerk  
Mr F Chikambwe, Assistant Committee Clerk  
Ms K Lufuma, Intern  
Ms S Kayawa, Stenographer  
Mr R Mumba, Committee Assistant  
Mr M Chikome, Parliamentary Messenger

## **APPENDIX II**

### **Ministry of Justice (MoJ)**

Mr A Nkunika, Acting Chief Parliamentary Counsel  
Mr M Chola, Acting Deputy Chief Parliamentary Counsel  
Ms D Kafunga, Acting Senior Parliamentary Counsel

### **Zambia Revenue Authority (ZRA)**

Mr B Msiska, Commissioner-General  
Mr D Banda, Commissioner-Customs  
Ms P Banda, Commissioner-Domestic Tax  
Ms M Mudenda, Commissioner-Corporate  
Ms D Goramota, Legal Counsel  
Mr E Phiri, Director-Research  
Mr L Simbeye, Executive Assistant  
Mr S Sifuniso, Senior Collector

### **Civil Society for Poverty Reduction (CSPR)**

Mr M Nkhoma, Programmes Officer  
Mr E Musosa, Programmes Officer

### **Zambia Institute of Chartered Accountants (ZICA)**

Mr C Chiteba, Acting Chief Executive Officer  
Mr M Phiri, Committee Member

### **Zambia Association of Chambers of Commerce and Industry (ZACCI)**

Mr M Nyirenda, Board Member  
Mr C Sakala, Officer - Business

### **Bankers Association of Zambia (BAZ)**

Mr L Mwanza, Chief Executive Officer  
Mr C Simatyamba, Chairman  
Ms D Tembwe, Member

### **Real Estate Investment of Zambia (REIZ) PLC**

Mr S E Popota, Acting Chief Executive Officer

**National Economic Advisory Council (NEAC)**

Mr W Wake, Executive Secretary  
Dr O K Mungule, Principal Policy Analyst

**Ministry of Finance (MoF)**

Mrs P Kabamba, Permanent Secretary  
Ms M Mukubesa, Acting Director-Budget  
Ms M Chikuba, Principal Analyst  
Ms P Chitulangoma, Principal Analyst  
Mr K Chimfwembe, Acting Chief Analyst