

Need to Know Series

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Salient Provisions in the Land Use Charge Law 2020

ARTICLE

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INTRODUCTION

The Lagos State Commissioner for Finance, **Dr. Rabiul Olowo**, on 5th August, 2020, informed the general public of the Lagos State Government downward review of the Land Use Charge ("LUC") rates by reversing the rates to the Pre-2018 rates via a new Land Use Charge law of 2020.

The Land Use Charge reform is considered very necessary to resolve the concerns of Lagosians and reduce the financial burden on citizens as it relates to Land Use and the cost implications. This is consequent to the development in 2018, where there was an increase in Land Use Charge rates as well as the method of valuation of properties. This dual shock had an erratic increase in Land Use Charge payable by property owners and drastically affected the process of Land Use activities. Hence, the most recent downward review is viewed as a welcome and most satisfactory development.

In view of the aforementioned, the current administration decided to review the Land Use Charge law by reversing the rate of Land Use Charge to pre-2018 while upholding the 2018 method of valuation. The reform also considered multiple Land Use Charge payment channels and efficient customer service management by setting up a call centre (0700 LAGOS LUC) in order to ensure prompt issue resolution.

- 1. Expanded Definition of the word 'Pensioner'**. The definition of Pensioner has been expanded to include "**all** retirees from private and public institutions in the state or any person that has attained the age of Sixty (60) years and has ceased to be actively engaged in any activity or business for remuneration".
- 2. Outright Exclusion of Pensioners from Payment of Land Use Charge.** Property owned and occupied by a pensioner is exempted from paying LUC.
- 3. Introduction of a 10% and 20% special relief for vacant properties and**



open empty land respectively.

4. Inclusion of Private Libraries, Profit Oriented Cemeteries and Burial Grounds in the Payment of Land Use Charge:

Profit oriented Cemeteries and Burial Grounds are no longer exempted from payment of Land Use Charge as was the position prior to the current Law.

5. Decrease in Annual Charge Rates for the Agricultural Sector:

The Agricultural sector has been favourably considered in the new law, with a clear reduction in annual rates from 0.076% to 0.01%. This is an 87% reduction from the old rate.

6. Reduction on Penalties on the Obstruction of Officials & Inciting a Person to not Pay Tax:

The penalty for obstruction of officials and damage to property identification plaque and inciting a person to refuse paying tax has been reduced from **N250,000** to **N100,000** respectively for both penalties.

7. Reduce on Percentage Cost for Penalties.

The percentage (%) increase in penalties for defaults in paying LUC has been reduced as follows:

Days	Outstanding	Before	Now
45-75	days	25%	10%
75-105	days	50%	20%
105-135	days	100%	50%

8. Reduction in Annual Charge Rates:

There is also a 48% reduction in the Annual Charge Rates as follows:

S/N	Definition	Areas	Before	Now
1.	Owner-Occupied Property	Residential	0.076%	0.0394%
2.	Industrial Premises of Manufacturing Concerns	Commercial	0.256%	0.132%
3.	Residential Property/Private School (Owner & 3rd Party)	Residential/Commercial	0.256%	0.132%
	Properties Used for Business Purposes	Commercial	0.76%	0.394%
4.	Vacant Properties and open empty Land		0.076%	0.0394%

9. Waiver on Penalties for the Year 2017, 2018, 2019: There is a welcome relief on waiver in penalties for the past Three (3) years. This is largely in consideration of the current pandemic and its impact on the general public.

10. Discount of 25% as Incentive for Early Payment before Due Date: As previously provided for prior to 2018, there is a reintroduction of the 15% early payment discount, an additional COVID 19 incentive of 10% will be granted on the total amount payable. This makes the total discount for



10. early payment 25% if payment is made before the due date.

11. Reduction of the Number of Default Notices Issued: The right of enforcement has been reduced from notification of Three (3) default notices to Two (2) default notices.

12. Empowerment of the Commissioner to appoint any Person of its Choice, as an Agent for Collection of Tax: The Law makes it possible for the Commissioner to appoint any person including an occupier of a chargeable property to be an agent of the owner for the purpose of collecting Land Use Charge.

Also, as a welcome administrative development, the Land Use Charge payment can now be made Online via <https://Lagos.ebs-rcm.com> Payment can also be made using USSD Code to any of designated banks with the appropriate

Land Use Charge Compliant can now be made through these Emailaddresses: luc@lagosstate.gov.ng, citizensgate@lagosstate.gov.ng and Phone call :08058584486, 09086786001

In conclusion, the downward review in Land Use Charge rates and other provisions listed above, is a welcome development and are of great benefit to the general public. It should be noted that the commencement period of the new rates and the timeline of the application of incentives such as the 10% COVID-19 early payment incentive is not clearly stated, but, it is expected that the State Government will issue additional clarification on this in due course. Further to subsequent developments, we will keep up in highlighting salient developments as they occur.