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Kathmandu, Nepal 14–16 November

REGIONAL CONFERENCE 2024

Climate Responsive Land Governance and Disaster Resilience: Safeguarding Land Rights



Land and Property Valuation and Taxation in Sri Lanka

[Funded by World Bank South Korea Office]

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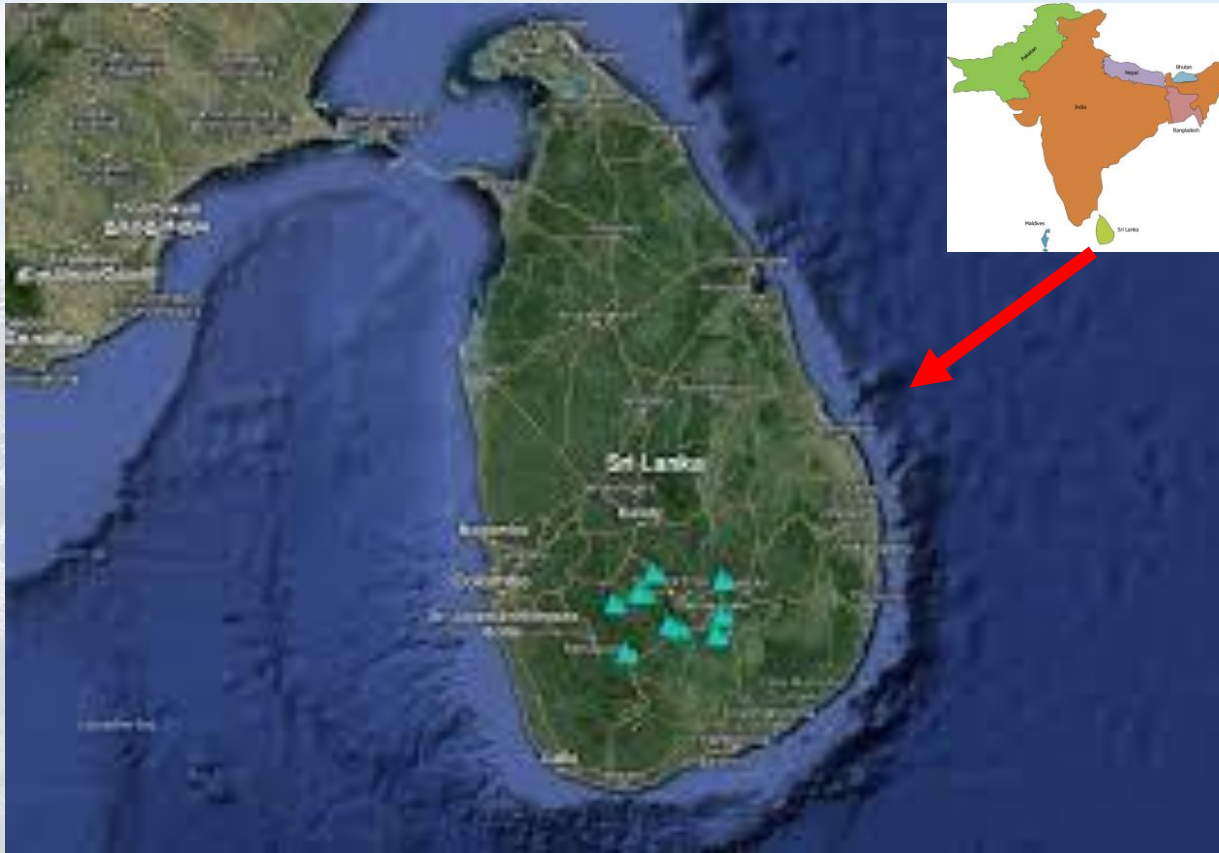
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Background

- 65612.69 Km²
- Population 22 million
- Urbanisation – 19% -45%
- Service Economy Centred around Colombo and Western Province
- 09 Provinces, 25 districts, 341 local authority areas
- State at national level - Owns 80% of land, retain the right to own, dispose, plan, control and protect the environment.
- State at Provincial level – Collect Revenue (Stamp Duty) from land



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OBJECTIVE

Understand Land and Property valuation and taxation system in Sri Lanka, identify gaps, and propose improvements

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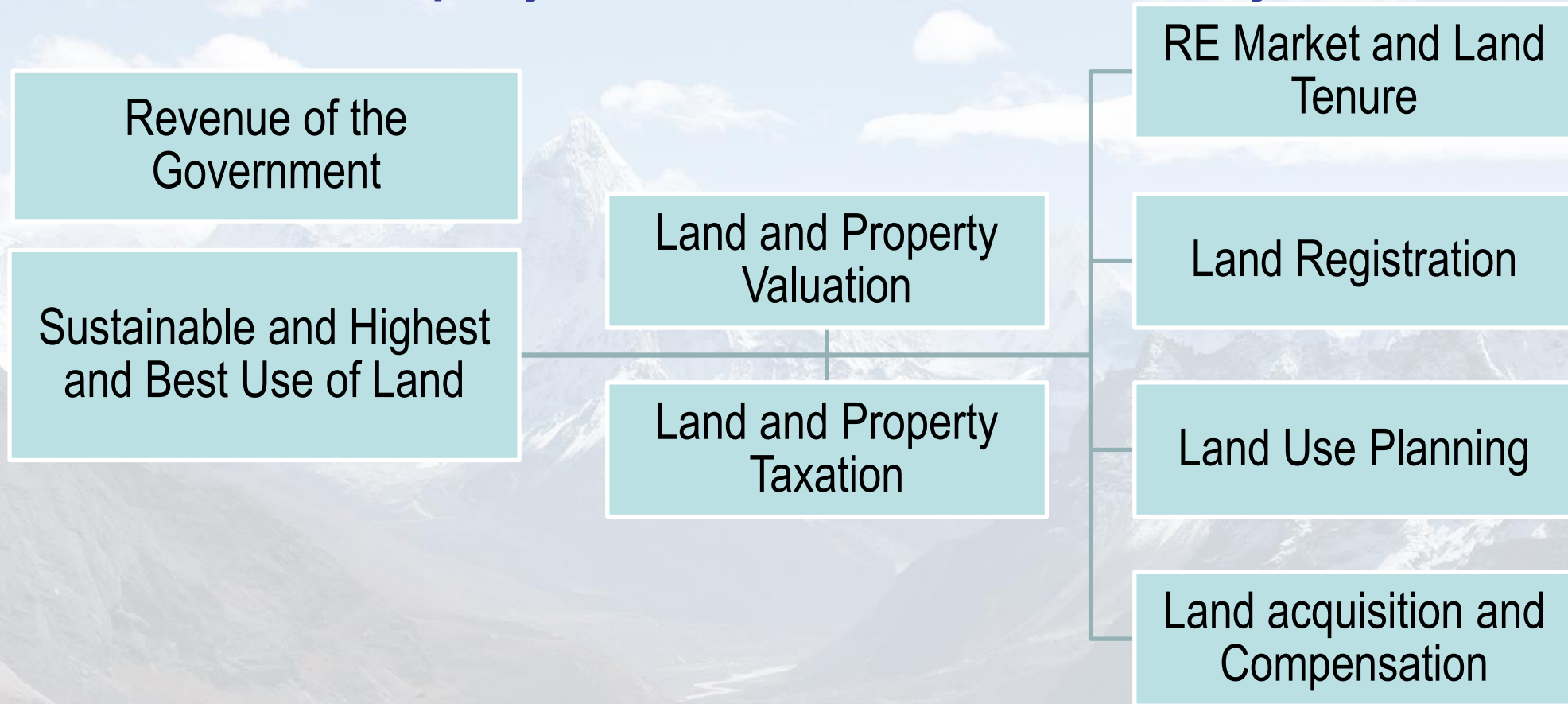


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Land and Property Valuation and Taxation as a System





METHODS

- Oct – Nov 2023: Preliminary discussions with key agencies/desk research
- Dec 2023 – Mar 2024: Conduct in-depth interviews with key informants
- Dec 2023 – Mar 2024: Review relevant documents and materials
- Mar – Apr 2024: Finalize report and send to key agencies for validation and feedback



Real Estate Market

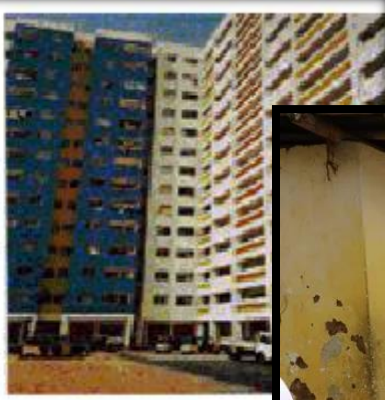
- 16% of GDP (2023)
 - Concentrated in Colombo City and the Western Province
 - Restrictive Laws on Foreign Ownership
 - Unregulated/Informal Sector
 - Lack of Accurate Market Information
- **Market Trend:** Property prices generally increase or remain stable, with minimal risk of negative equity
 - **Residential Sector:** Dominated by self-built housing, with mortgage rates typically in double digits
 - **Investment :** Reliant on traditional investments; foreign and innovative investment vehicles face challenges in establishment
 - **Recent Investment Areas:** Flagship projects, apartments/mixed-use developments, agriculture, and tourism

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Location :

- Centre Road Galle Face,
- Baladhaksha Mawatha,
- Justice Akbar Mawatha,
- Marine Drive



The Granbell

Rooms	: 292
Restaurants	: 2 Restaurants & Bar



Shangri-La

Rooms	: 500 guest rooms & suites and 41 serviced apartments
Restaurants	: 5 Restaurants & 2 Bars

Newest Additions

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Newest Additions

ITC Rathnadeepa

Opened for business: 2024



City of Dreams – Cinnamon Life Integrated Resort

Opened for business: 2024



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Land Tenure

State Lands
(Until 2024,
limited land
rights on sale)

80%

[CLO, SLO,
LDO etc.]

Private Lands
(**20%** including
~4% lands of
Vihara and
Dewalagam
and 5% Land
Reform
Commission)

[RD and
English Law]

LDO-
Agriculture and
residential

SLO-Commercial
(leasing for 30.50
and 99 years)

Transfer via
inheritance

Ancient tenurial
practices

Customary
Laws

Market
restrictive
residue laws

Absence
Land
Policy

Informal Occupation/Trading
and land alienation is mostly
for regularization

Absence of Proper Land
Inventorying/ identification
of physical boundary

Small
Market
Base

Multiple Tenure,
Institutions and
Laws

**Background**

- Deed reg. (1927) largely failed in Tenure Security
- Only 3% of land holdings have clear titles
- Prior to 2022, registering of deed wasnt mandatory
- Title registration (1998)
~.9million out of 16 milliom land parcels completed with title certificate

Recent Initiatives**Land Registration**

- Mandating Deed Registration
- Manding information for taxation
- E-Land registration
- Tax laws manding -stating the market value based on opinion of an Assessor
- Increase Budgetary allocations for TR

Prevailing Issues

- Still poor integration with tax and valuation agencies - prevailing process delays
- Lack of public trust
- incomplete digitization of paper records
- No initiative to register unregistered lands



Land Use Planning

Multiple Policies and Multiple agencies

LUPPD

Urban Development Authority/ National Physical Planning

SLTDA (Tourism Development Master Plans)

Mahaweli Authority (Sustainable Land Use management and in Mahaweli Region)

Regulatory Confusion for Investors and decision makers

Uncertainty for Valuation and Impact on Market Value





Compulsory Land Acquisition and Valuation System

Fragmented System & Legislative Reforms Needed

- The Land Acquisition Act (LAA) No. 09 of 1950 is outdated.
- Amendments till 1986; fails to meet modern resettlement standards.
- National Involuntary Resettlement Policy (NIRP) lacks a regulatory framework to ensure proper enforcement.

Issues with Compensation Assessment

- Inconsistent compensation assessments, even with 2008 regulations.
- Cabinet-approved alternative schemes fail to address core issues.

Dispute Resolution Challenges

- Compensation disputes take 1+ years to resolve.
- Slow and prolonged processes lead to delays and frustrations.

Lack of Public Engagement Minimal involvement of affected parties in assessment processes.



Property Valuation Sector In Sri Lanka

- Government Valuation Department (**19 branches/25 Districts/457 qualified valuation staff**)
- Colombo Municipal Council (**qualified valuation staff**)
- Provincial Revenue Departments
- **Assessors – not necessarily qualified**
- State Banks **qualified valuation staff**
- Department of Surveying **Cadaster Maps and Survey Plans**
- Land Registry **Deed and Title Registration**

Private Sector

- Local firms
- Independent freelance valuers
- Subsidiaries of multinational firms
- Depend on Individually managed database

Professional Memberships

- Institute of Valuers Sri Lanka
- RICS (UK)

Education and Research

- B.Sc Honours In Real Estate Management and Valuation, USJ
- MSc in Real Estate Management and Valuation, USJ
- CPD training by Professional Institutes
- Centre for Real Estate Studies, USJ



Regulatory and Policy

Unregulated Service

GVD operates without a Valuation Act

Process

Lack of institutional integration to access data

Bureaucratic Delays

Human Resource

More than 3000 graduates and only 20% absorbed professional practice

Lack of transparency in the IVSL membership Process

Technological

Low adaptation and integration

Methods

High reliance on cost method

Lack of market evidence

Poor adaptation of local/international valuation standards

Gaps in the Sri Lankan Valuation Sector

Tax category	Government Tier in which the tax is levied	Tax administration institution/agency	Applicable Rate	Basis of Taxation
Capital Gain Tax	National level	Inland Revenue Department (IRD)	10% - 30% for investment assets	Gains on ownership transfer
Stamp Duty	Provincial level. Subsequently remitted to the respective local authorities	Provincial Departments under the Provincial Councils	Incremental under minimum maximum of 4% as decided by the respective Provincial Revenue Department.	Opinion of Value stated by the assessor
Local Authority Rates.	Local level	Assessors Department or Finance Departments of Local Governments	Usually range between 5% - 35%.	Annual Value of the property

Property Taxation in Sri Lanka

Property tax to GDP -0.07% | Property tax to GR -2.06%



Capital Gain Tax (All investment Assets including immovable property) growth (2018-2022)



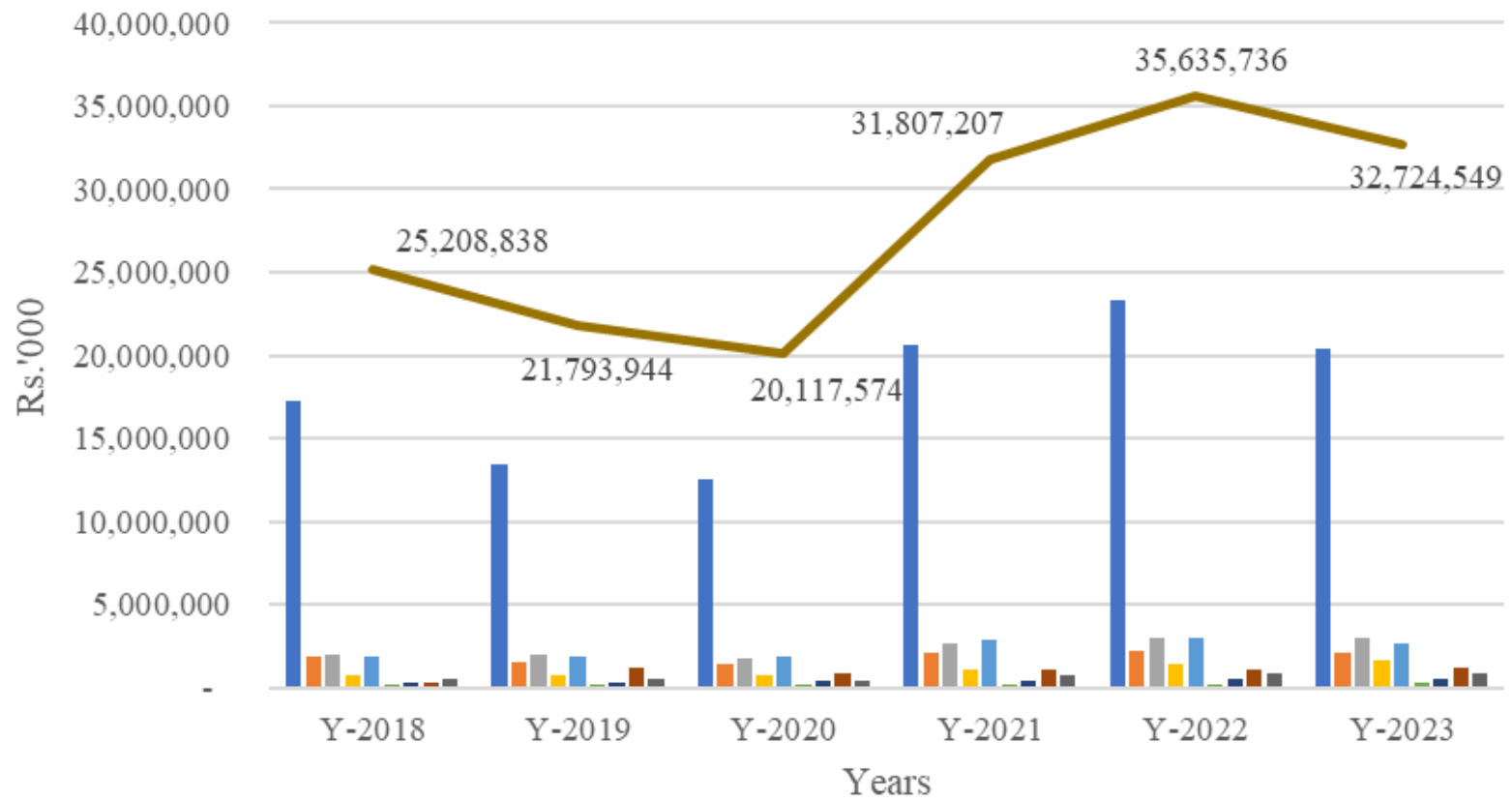
Year	2018	2019	2020	2021	2022
Revenue growth	0	478.4896437	-40.64227968	86.7693531	695.8644413

Source: Performance Reports of IRD





Stamp Duty Collected from Provincial Revenue Departments



Source: Finance Commission of Sri Lanka





GAPS IN TAX ADMINISTRATION

- Significant default rates
- Significant delays inter agency processes
- Loosely defined valuation requirements
- Duplication of valuation requirements
- Bureaucratic procedures between the Government Valuation Department and local authorities during valuation for rating taxes





KEY CHALLENGES

- Greater uncertainty on land (tenure and use)
- Ineffective and inefficient valuation system
- Suboptimal tax system with Substantial tax defaults





ACTION POINTS

Research

- On real estate investment and market expansion.
- Explore effective basis/process/guidelines for valuation for taxation
- Study revenue impacts of proposed property tax changes.
- Valuation Act

Policy and Laws

- National Land Policy
- National Land Use Policy enforceable
- Land Commission Act
- Amendments to tax legislations

Process Improvements

- Enhanced Deeds Registration, require survey plans for registration etc.
- Regulating and enhancing the governance in the valuation sector
- Adapting valuation standards
- Allow landowners to expedite title acquisition if desired

Digital Transformation

- Integrated parcel-based digital land information system
- Digital collaboration between IRD and Land Registry
- Capacity building of relevant staff



WAY FORWARD

KEY CHALLENGES

Greater uncertainty on land

Ineffective and inefficient valuation system

Suboptimal tax system with Substantial tax defaults

• PRIORITY AREAS

- Integrated parcel-based digital land information system
- **Land Commission Act and enforceable Land Use Policy and Land Policy ✓**
- Regularising and enhancing governance in the valuation system
- Avoid duplication of valuation requirement for taxation
- Amendments to tax legislations to streamline valuation requirements
- Improve Billing Process
- Enhance coordination between tax authorities, Government Valuation Department and Land Registry

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