

Land and Property Valuation and Taxation in Sri Lanka

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SUMMARY

Sri Lanka, with a population of 22.156 million as of 2021, is a multi-ethnic South Asian nation with a service-driven economy centred around the Western Province. The country's land valuation and taxation system are long-established, marked by key milestones such as the establishment of the Government Valuation Department in 1923, the bachelor's degree in Estate Management and Valuation in 1972, and the Institute of Valuers of Sri Lanka in 1975, alongside a framework of local property taxes (rating) and transfer-based taxes: stamp duty and capital gains tax. The country's recent initiatives on land valuation and taxation system particularly during the economic recovery in 2022 and thereabouts, have focused on legislative reforms, increasing the Government Valuation Department's staffing capacity, promoting private investments in state lands, and digital transformations.

However, Sri Lanka's land valuation and taxation system still faces significant deficiencies in terms of generating effective outcomes: contributing to enhance the government revenue and achieving sustainable and highest and best land use intended. The root causes are interconnected issues within land registration and the broader land management system: lack of a cohesive national land use policy, fragmented, ineffective, and uncoordinated policies, slow and uncoordinated digital transformations, lack of public trust, outdated compensation frameworks in the event of land acquisitions likewise. Additionally, the valuation and taxation system itself suffers from weaknesses such as valuation being an unregulated service, bureaucratic delays, failure to adopt local or international valuation standards that result in lack of transparency, accountability, and quality assurance, duplication of valuation efforts due to different tax bases, conservative valuation methodologies, weak database management systems, and compromised enforcement efforts in tax collection influenced by political considerations. Henceforth, improving the land valuation and taxation system in Sri Lanka would require changes in policy and regulatory framework,

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operational and enforcement efficiencies of the relevant institutions, capacity building of staff, and improving valuation as a regulated profession.

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