



Hidden charges in land transactions

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Often, it is easy for parties to a land transaction to focus on the purchase price and forget about other additional charges that may arise in the course of the transaction. This is because the purchase price usually is the larger sum compared to other charges arising from the transaction, which may seem negligible, but could sum up to a substantial amount. Here are the hidden charges to look out for in a land transaction:

1. Stamp duty (paid by the purchaser)

Stamp duty is a form of tax paid to the government and is determined by the current value of the property. It is usually charged at 4% for properties within municipalities and at 2% for properties situated outside municipalities. To avoid incurring excessive stamp duty, ensure that formal transfer of the property at the lands registry is completed promptly after the sale contract so as to avoid paying stamp duty based on a significantly appreciated value of property.

2. Legal fees (paid by each party to their advocate)

Legal fees is usually determined by the Advocates Remuneration Order or by agreement with your lawyer, and is usually dependent on the value of the property. Speak to your lawyer and ensure that you understand all the charges, including disbursements.

3. Registration fees (paid by the purchaser)

Registration fees is paid to the Lands Registry for purposes of making the entry into the registry and title printing costs.

4. Rates and rent (is apportioned between the parties)

The registered owner of the property at any given time is required to pay rates to the county



government where the land is situated. Rent is paid in relation to property that is held under a leasehold tenure from the government and is paid to the National Government. For a purchaser, it is important to ensure that the seller gives you the records of rates and rates payment that are up to date, to enable you deal appropriately with any future queries.

5. Bank charges (paid by either party)

When transferring large sums of money, it is important to consider the mode of payment. Where the purchase price is transferred through the bank, there will be charges for services such as Real Time Gross Settlement and Bank Transfers.



6. Obtaining consents and clearances (paid by the seller)

Depending on the tenure of the land certain consents may be required such as Land Control Board Consent or Consent to Transfer from the Lessor. Clearances may also be required such as Rates clearance certificates.

7. Capital gains tax (paid by the seller)

This was introduced by the Finance Act of 2014 and is payable on property acquired before the year 2015. Since land appreciates, capital gains tax is charged

at 5% on the difference between the current selling price and the initial purchase price and expenses on the property.

8. Survey charges (either party)

It is prudent for the Purchaser to engage the services of a surveyor prior to finalizing purchase of property so as to ascertain the precise dimensions of the property purchased. The seller may also engage the services of a surveyor so as to replace beacons that are missing with a view to accurately demarcating the land sold.