

# Recurrent Property Tax International Overview

**MVV182K Property-related Taxation: Issues and  
Trends**

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**29 September 2015**

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# Introduction

- Definitions
- Comparative reviews
- Tax bases
  - Options and trends
- Valuation
  - Options and trends
- Tax rates
  - Options and trends
- Tax administration
- Reform

# Relevant Definitions

## “Property tax”

A recurrent tax imposed by government on the ownership or occupation of *immovable* property

## “Rates”

A term used in many countries (especially those with a British colonial heritage) to refer to a property tax levied at the local government level

# Property Tax by Other Names

- Building tax
- Communal fee
- **Council tax**
- Holdings tax
- House tax
- Land tax
  
- Land and house tax
- Landownership tax
- Land use charge
- **Rates or property rates**
  
- Real estate tax
- Tenement rates
- Towns property tax
- **Uniform business rate**

- Romania
- Croatia
- **Great Britain**
- Bangladesh
- Dominica, Trinidad & Tabago
- Australia, Jamaica, New Zealand, Romania, Vanuatu
- St Lucia, St Kitts & Nevis
- Cameroon
- Lagos State, Nigeria
- Australia, Botswana, Fiji, Ghana, Hong Kong, Kenya, Malaysia, Sierra Leone, South Africa, Sri Lanka
  
- Egypt, Liberia
- Nigeria
- Belize
- **United Kingdom**

# Comparative Reviews

- International best practice
- Lessons
- Regional or international trends
- Dangers
  - Terminology
  - Law versus reality
  - Historic development (e.g. colonial heritage)
  - Political, social, economic and institutional issues
  - Country/region-specific realities
    - Land tenure
    - Property markets
    - Reliable data

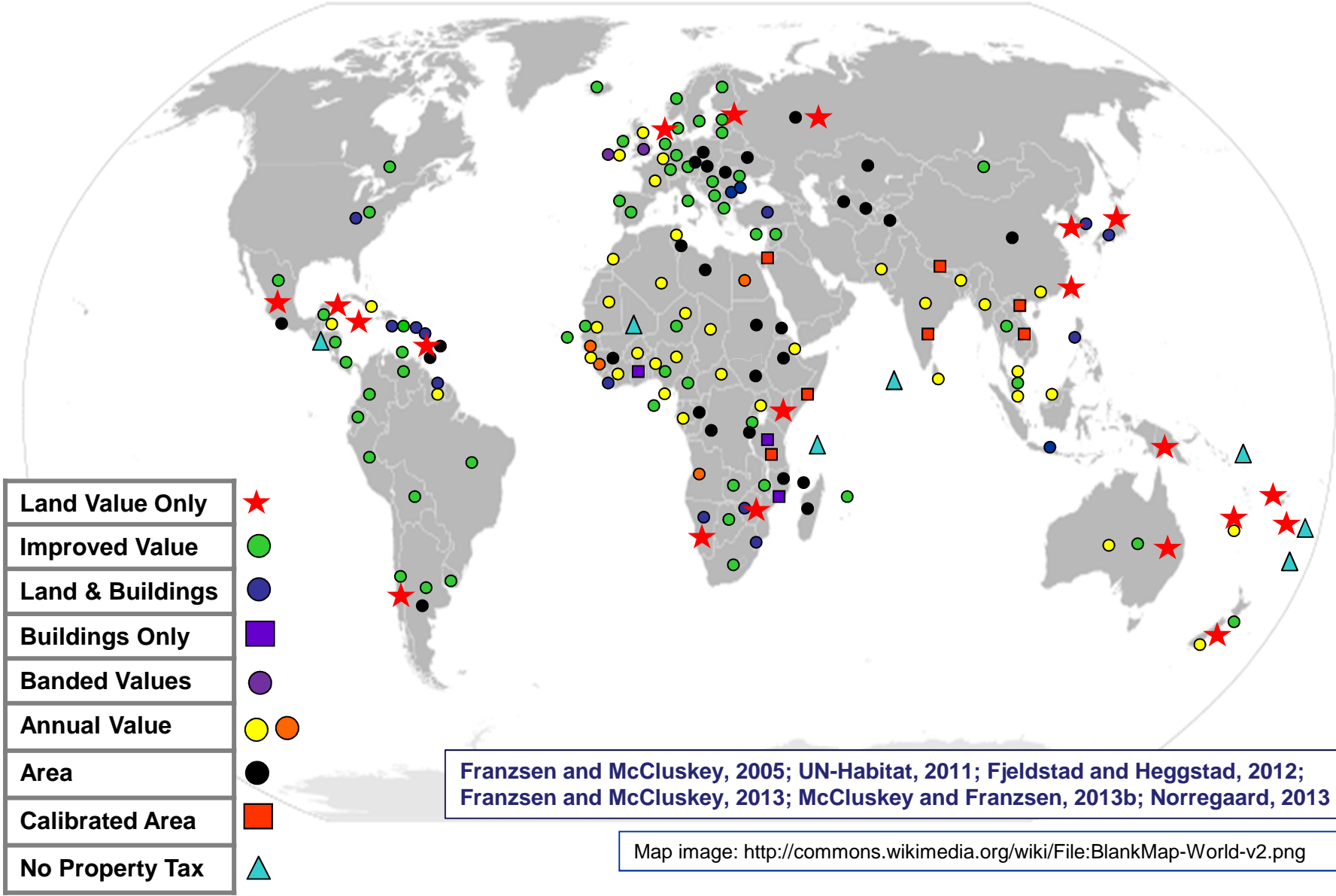
## Recent Comparative Studies

- **Youngman, J.M. and Malme, J.H. 1994.** *An International Survey of Taxes on Land and Buildings*, Kluwer: Boston
- **Rosengard, J.K. 1997.** *Property Tax Reform in Developing Countries*, Kluwer Academic Publisher: Boston
- **McCluskey, W.J. (ed.) 1999.** *Property Tax: An International Comparative Review*, Ashgate: Aldershot
- **Youngman, J.M. and Malme, J.H. 2001.** *The Development of Property Taxation in Economies in Transition: Case Studies*, Lincoln Institute of Land Policy
- **Brown, P.K. and Hepworth, M.A. 2002.** *A Study of European Land Tax Systems*, Lincoln Institute of Land Policy
- **Dos Santos, P. and Bain, L. 2004.** 'Survey of the Caribbean Tax Systems', A Report of the Caribbean Organisation of Tax Administrators (COTA) on behalf of the Caribbean Community Secretariat (CARICOM)
- **Bird, R.M. and Slack, E. (eds.) 2004.** *International Handbook of Land and Property Taxation*, Edward Elgar Publishing Company
- **Franzsen, R.C.D. and McCluskey, W.J. 2005.** *An Exploratory Overview of Property Taxation in the Commonwealth of Nations*, Working Paper WP05RF1, Lincoln Institute of Land Policy
- **De Cesare, C. 2012.** *Improving the Performance of the Property Tax Systems in Latin America*, Policy Focus Report, Lincoln Institute of Land Policy
- **McCluskey, W.J., Cornia, G.C. and Walters, L.C. (eds.) 2013.** *A Primer on Property Tax: Administration and Policy*, Wiley-Blackwell.

# Property Tax Base Options

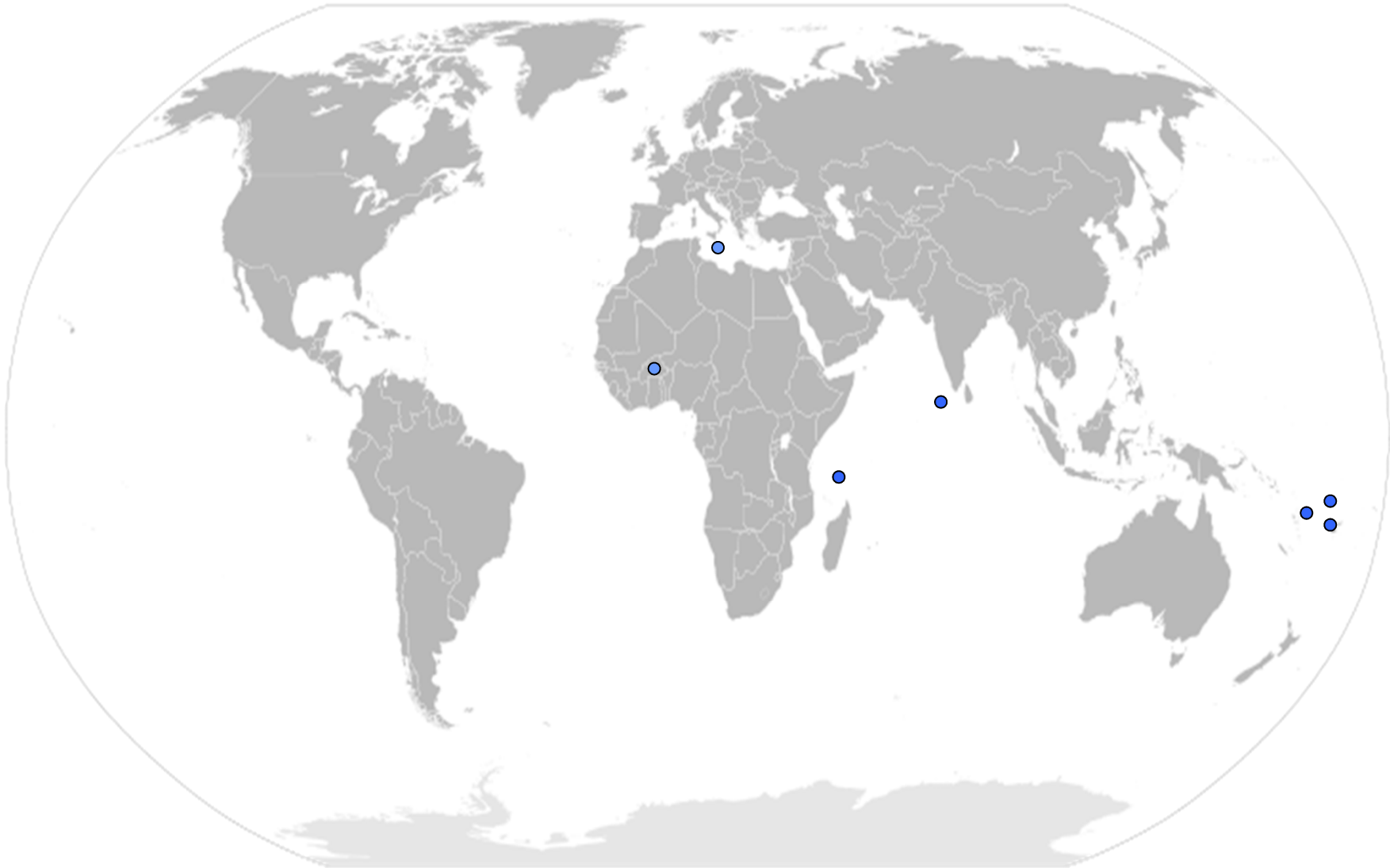
- **Simple per-unit “flat tax” systems**
- **Area-based systems**
  - Simple area (unadjusted)
  - “Calibrated” area systems (e.g., adjusted for location and/or use)
- **Capital value systems**
  - Land only
  - Land and buildings collectively
  - Land and buildings separately
  - Buildings only
  - Value-banding
- **Rental value systems**
  - Land and buildings collectively
  - Buildings only

# Property Tax Systems





# No Property Tax System



# Per Unit ('Flat') Tax System



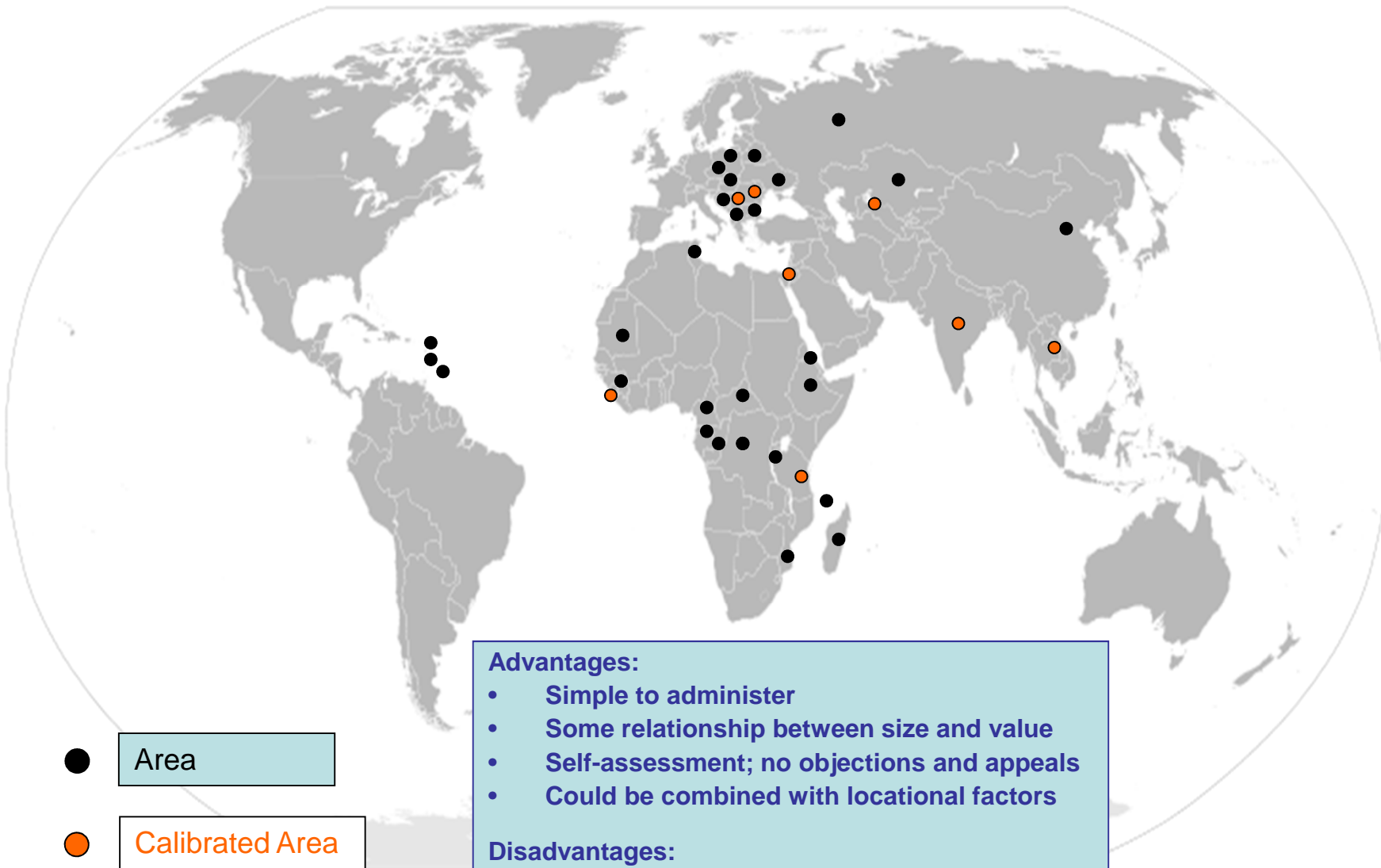
## Advantages:

- Simple to administer

## Disadvantages:

- Inequitable
- Lack of buoyancy
- Regressive

# Area-based Tax System



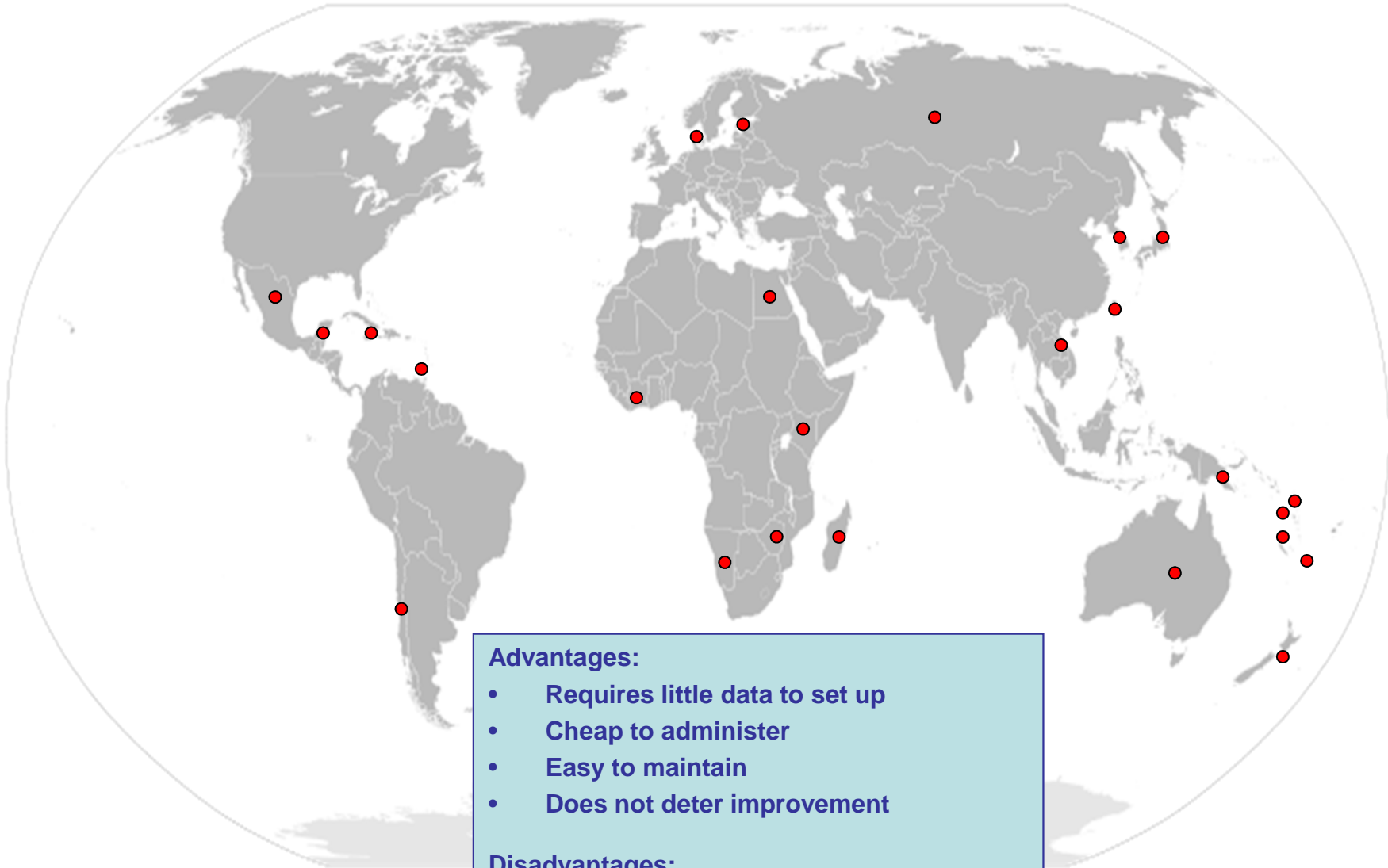
## Advantages:

- Simple to administer
- Some relationship between size and value
- Self-assessment; no objections and appeals
- Could be combined with locational factors

## Disadvantages:

- Lack of buoyancy
- Regressive

# Land Value Tax System



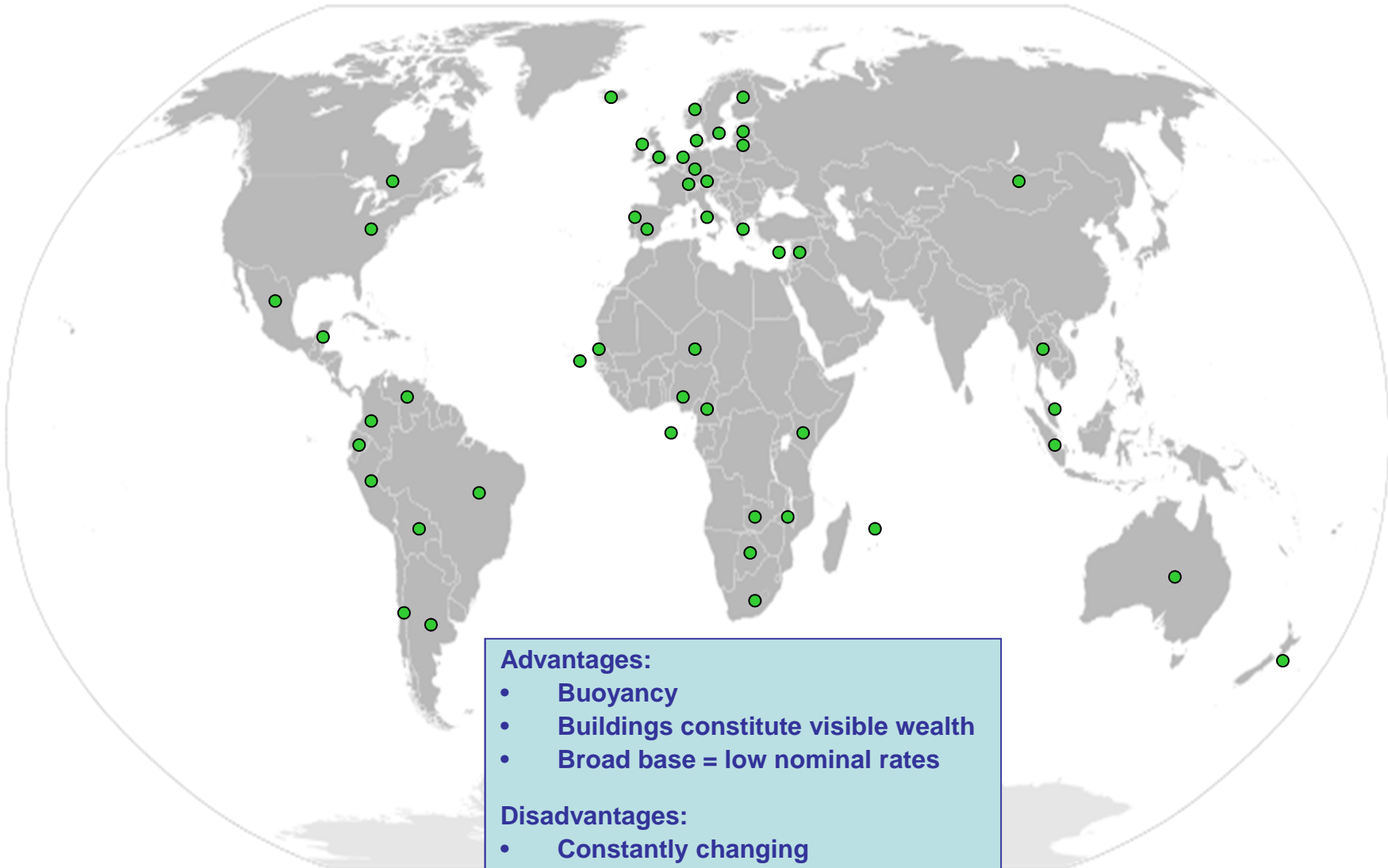
## Advantages:

- Requires little data to set up
- Cheap to administer
- Easy to maintain
- Does not deter improvement

## Disadvantages:

- Lack of buoyancy
- Narrow base = high nominal tax rates

# Capital Improved Value System



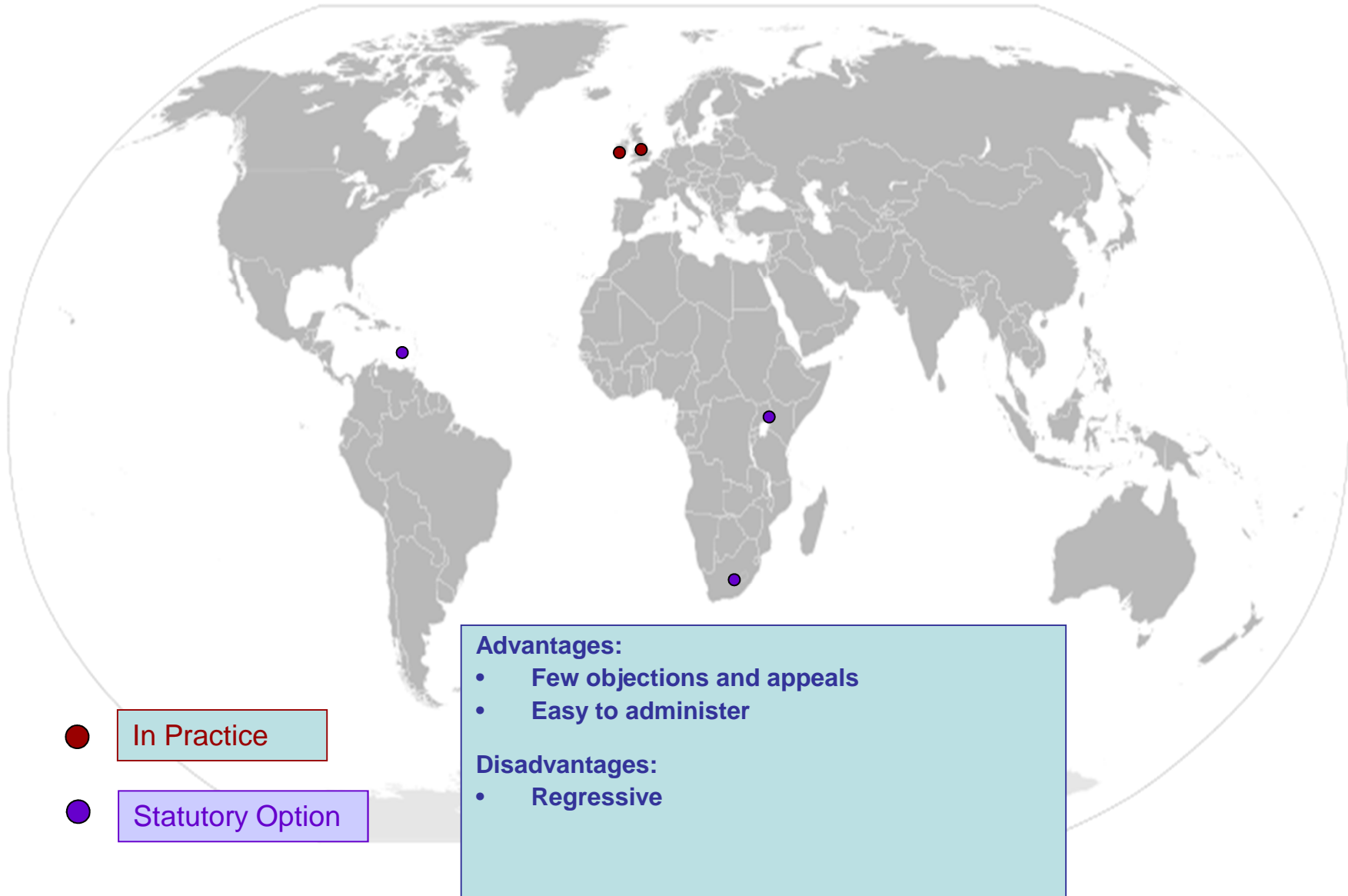
## Advantages:

- Buoyancy
- Buildings constitute visible wealth
- Broad base = low nominal rates

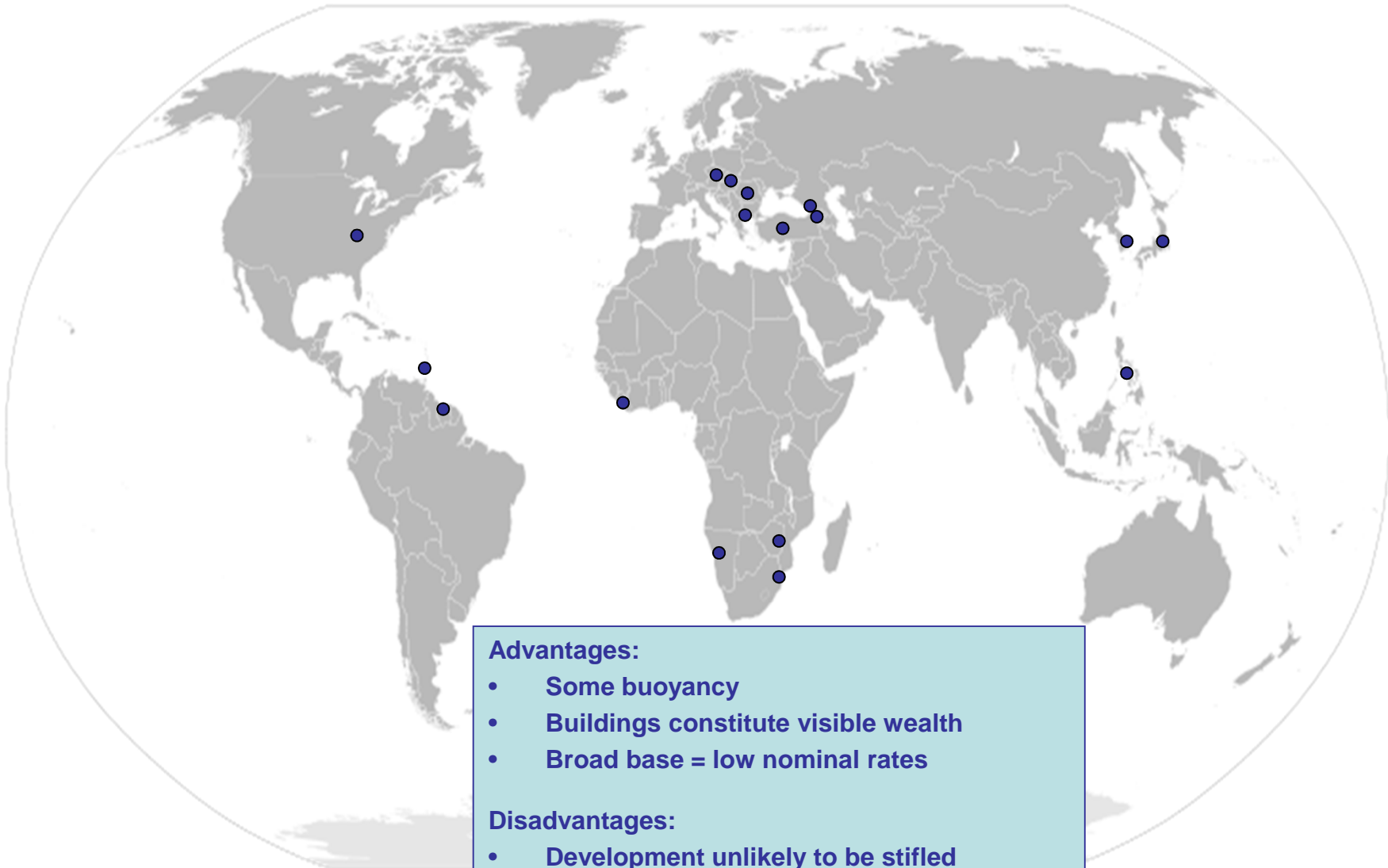
## Disadvantages:

- Constantly changing
- Costly to maintain
- Could stifle development

# Banded Capital Value System



# Land and Buildings Separately



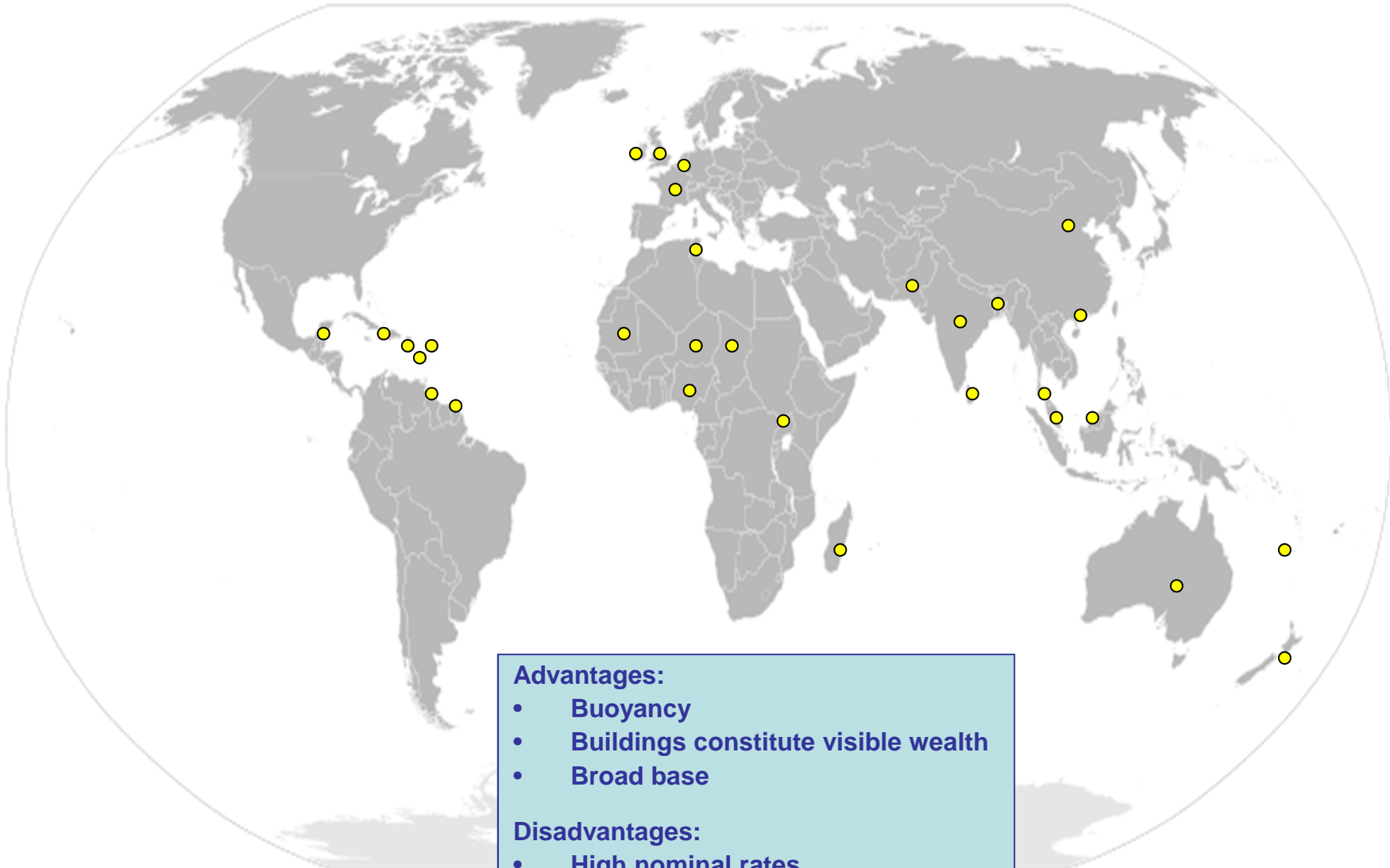
## Advantages:

- Some buoyancy
- Buildings constitute visible wealth
- Broad base = low nominal rates

## Disadvantages:

- Development unlikely to be stifled
- Constantly changing
- Costly to maintain (require various values)

# Annual (Rental) Value System



## Advantages:

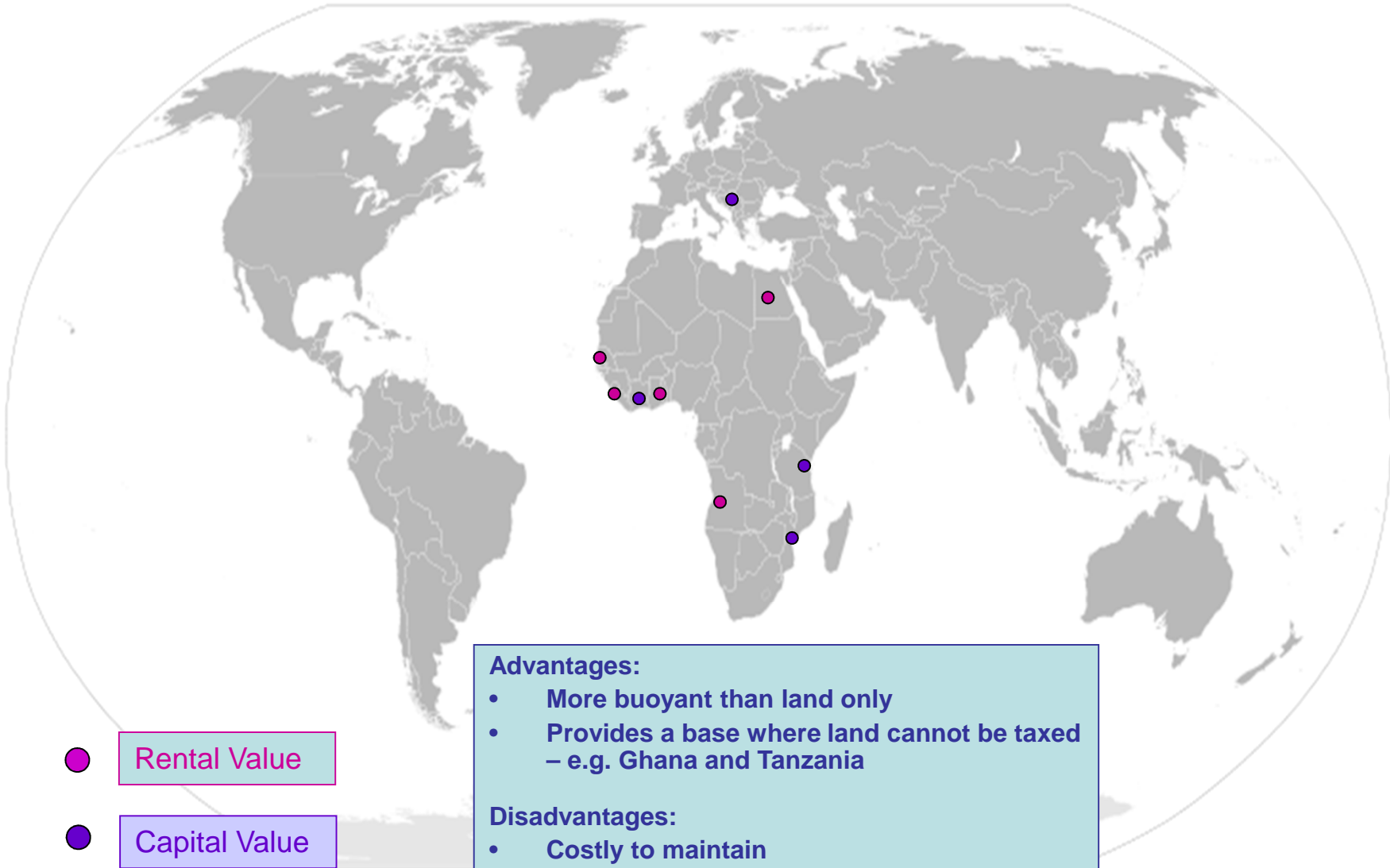
- Buoyancy
- Buildings constitute visible wealth
- Broad base

## Disadvantages:

- High nominal rates
- Costly to maintain



# Building Value Systems



Rental Value



Capital Value

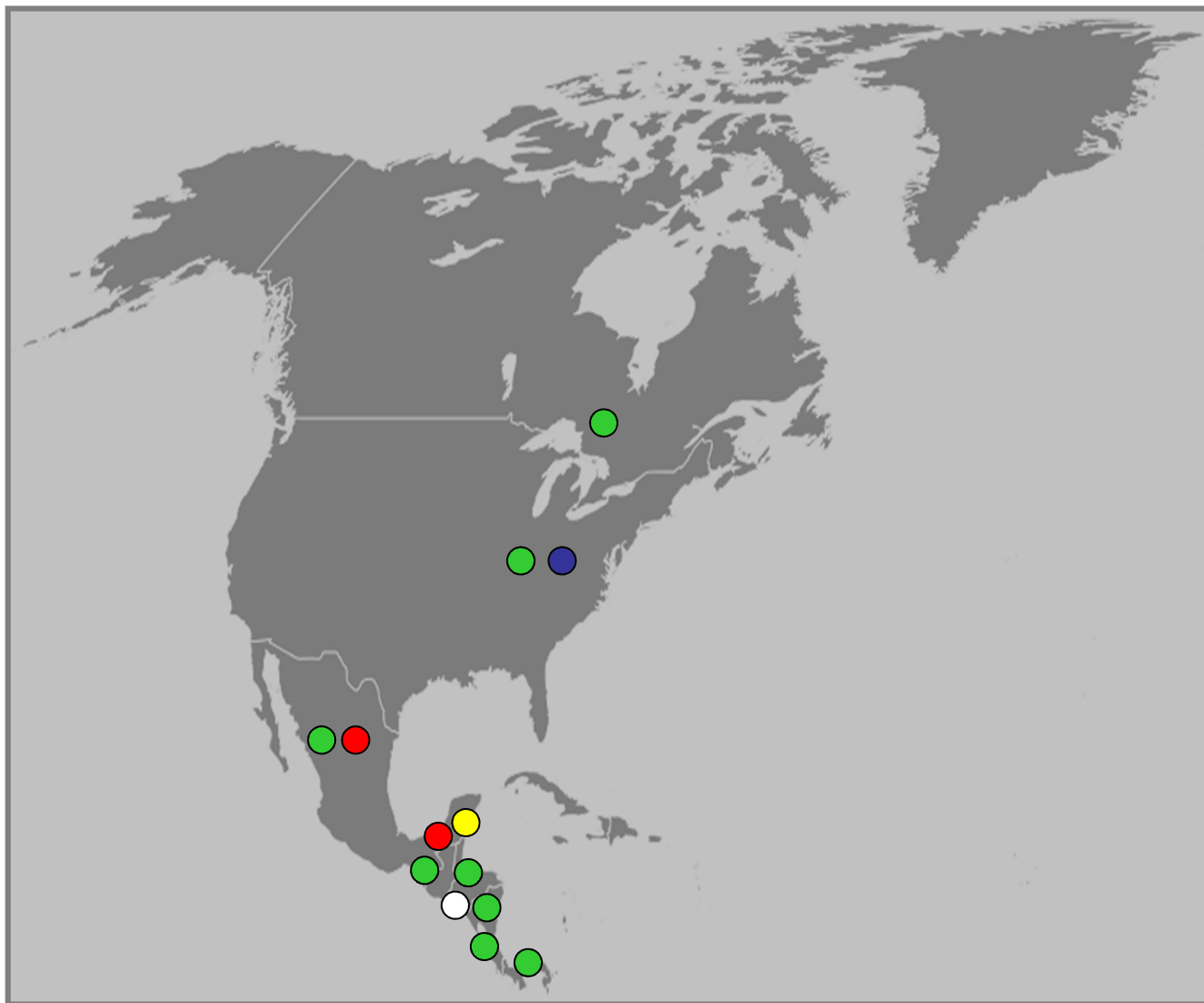
## Advantages:

- More buoyant than land only
- Provides a base where land cannot be taxed – e.g. Ghana and Tanzania

## Disadvantages:

- Costly to maintain
- Could stifle development

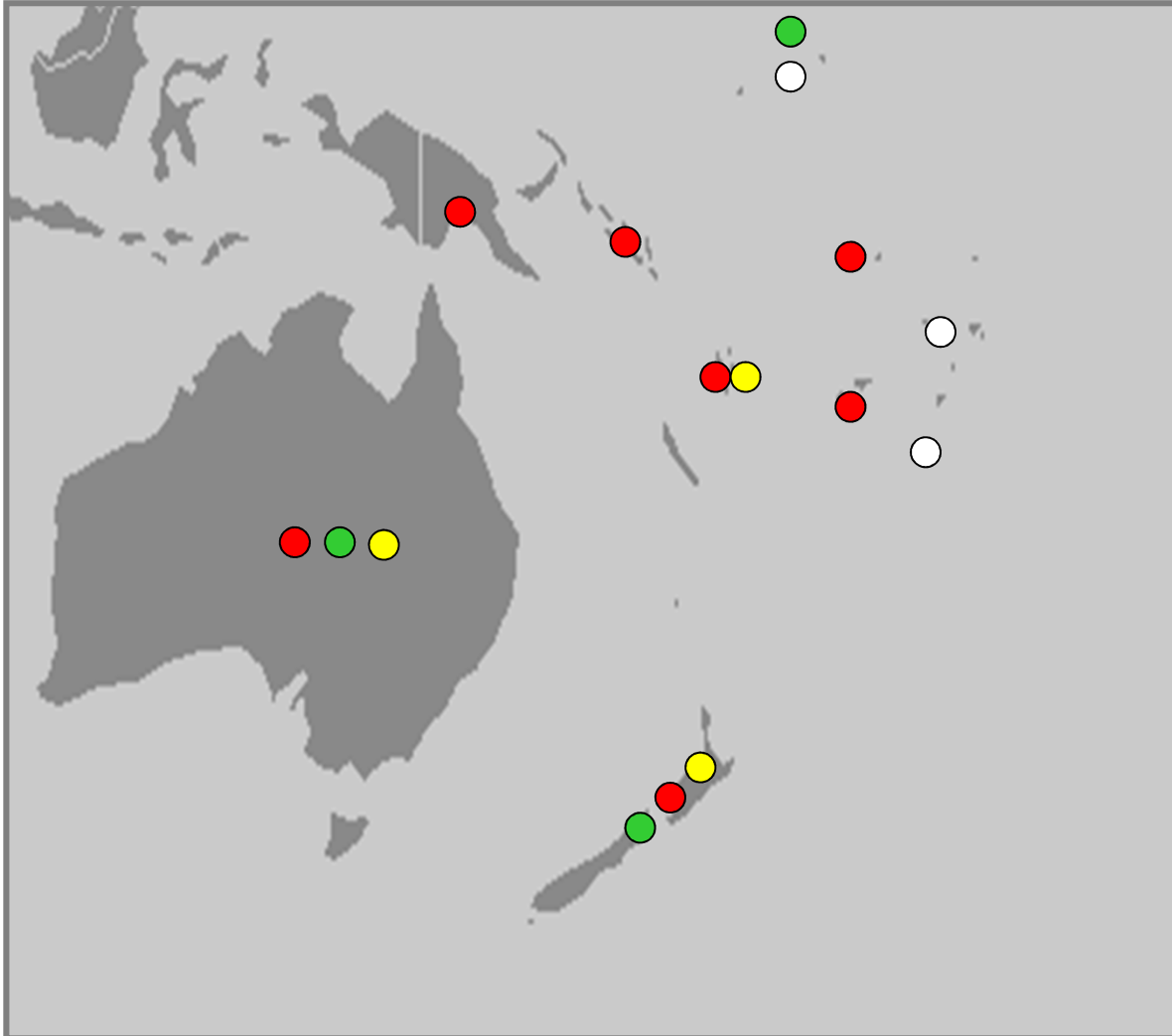
# North and Central America



- Belize ● ●
- Canada ●
- Costa Rica ●
- El Salvador ○
- Guatemala ●
- Honduras ●
- Mexico ● ●
- Nicaragua ●
- Panama ●
- United States ● ●

Land Value	■
Improved Value	■
Land & Buildings	■
Annual Value	■

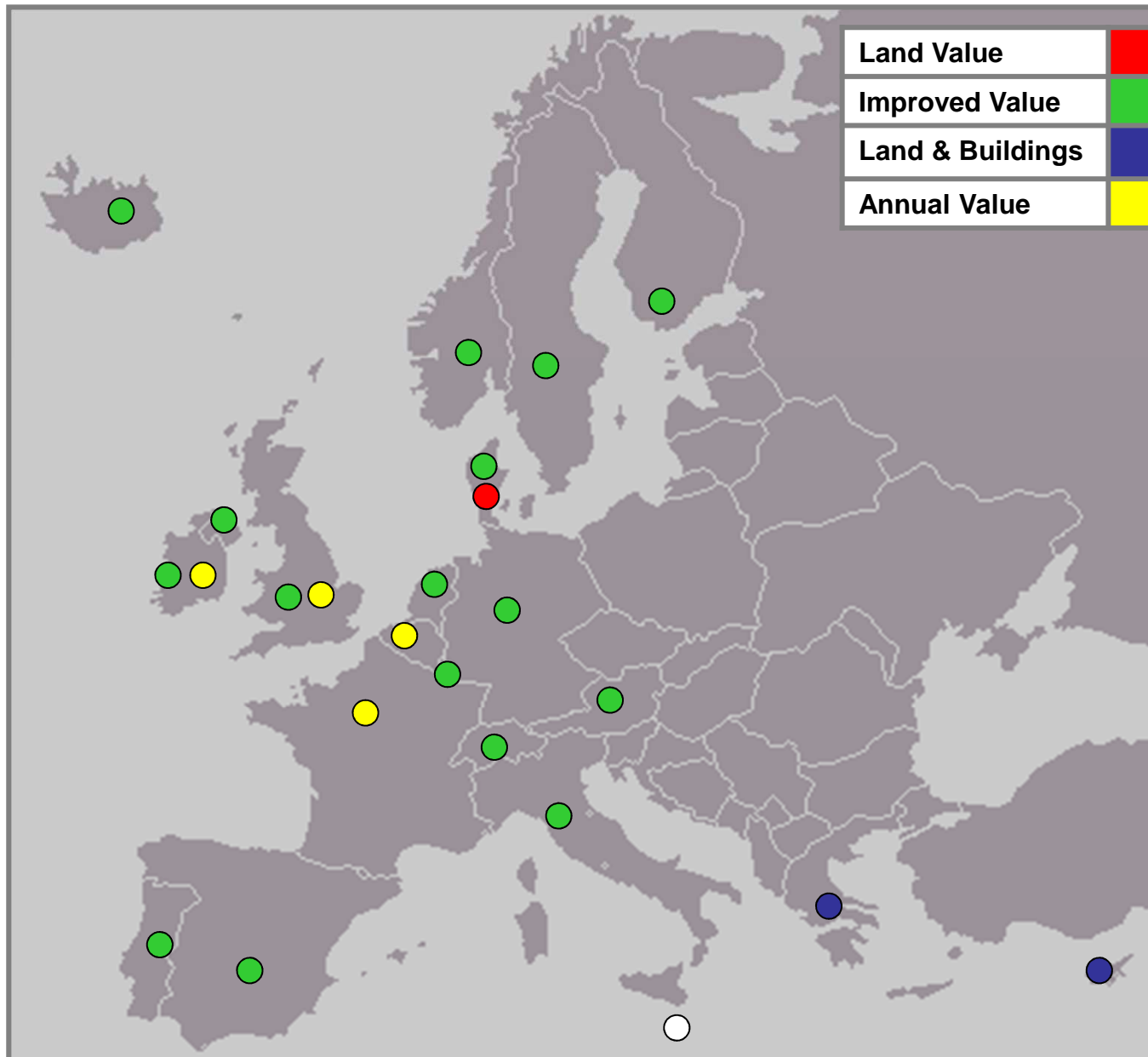
# Oceania



Australia	● ● ●
Fiji	●
Kiribati	●
Nauru	○
New Zealand	● ● ●
Papua New Guinea	●
Samoa	○
Solomon Islands	●
Tonga	○
Tuvalu	●
Vanuatu	● ●

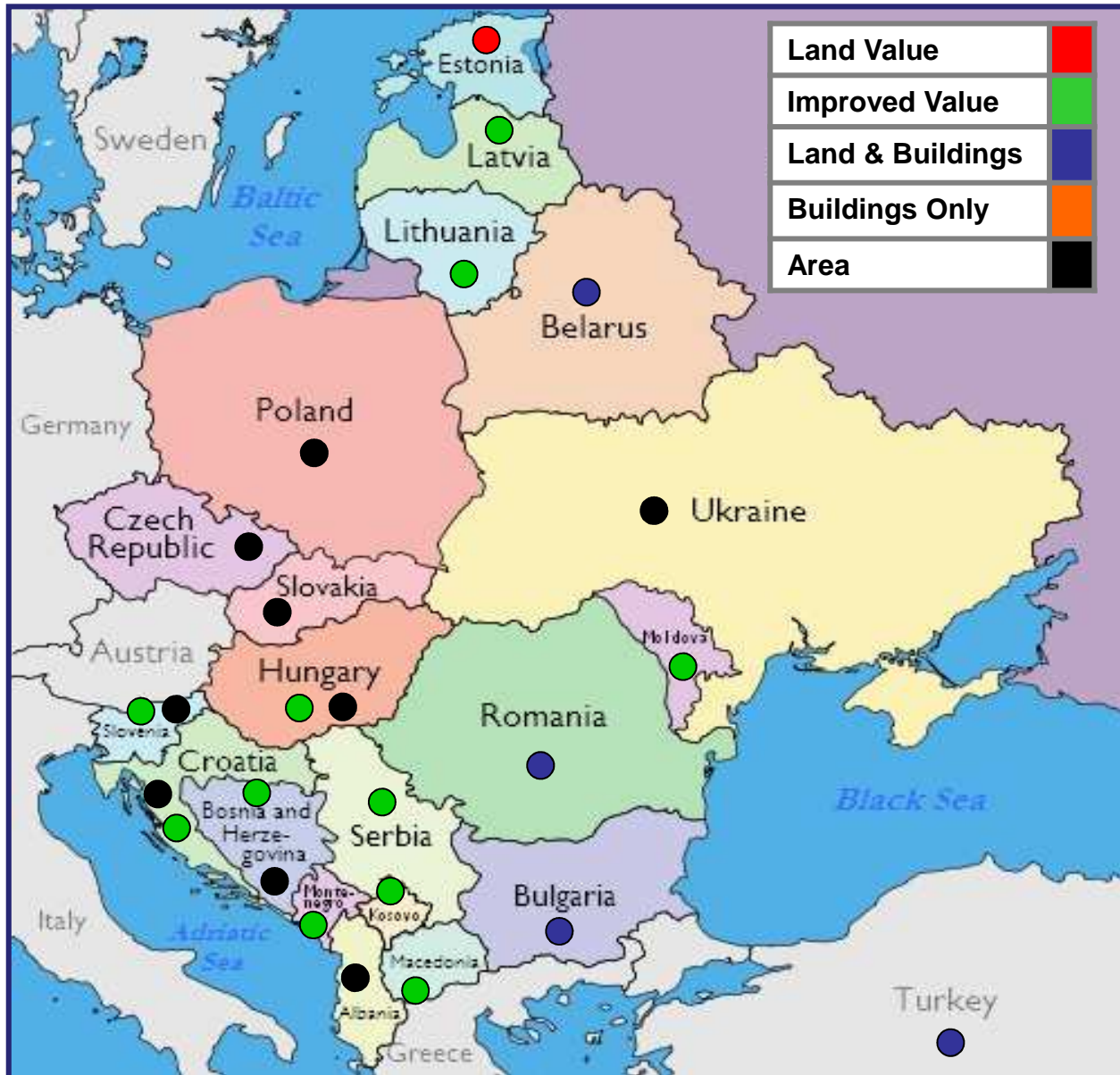
Land Value	■
Improved Value	■
Annual Value	■

# Western Europe



Austria	●
Belgium	●
Cyprus	●
Denmark	● ●
Finland	●
France	●
Germany	●
Greece	●
Iceland	●
Ireland	● ●
Italy	●
Luxembourg	●
Malta	○
Netherlands	●
Norway	●
Portugal	●
Spain	●
Sweden	●
Switzerland	●
United Kingdom	● ●

# Central, East & South-Eastern Europe



Albania	●
Belarus	●
Bosnia & Herzegovina	●
Bulgaria	●
Czech Republic	●
Croatia	● ●
Estonia	●
Hungary	● ●
Kosovo	●
Latvia	●
Lithuania	●
Macedonia	●
Moldova	●
Montenegro	●
Poland	●
Romania	● ●
Serbia	●
Slovakia	●
Slovenia	● ●
Srpska (B&H)	●
Turkey	●
Ukraine	●

# Discernible Trends: Tax Base

- Single, uniform tax base determined nationally (or at state/provincial level in federal countries)
  - **Brazil, Canada, Egypt, South Africa, Uganda**
- Multiple tax bases determined nationally (or at state/provincial level in federal countries), local government can choose preferred base
  - **Australia: South Australia, Victoria**
  - **Malaysia, New Zealand, South Africa (before 2005), United Kingdom**
- Move to capital (improved) value as preferred tax base
  - **Anguila, Cameroon, Kosovo, Lithuania, Mauritius, Mozambique, Nigeria (Lagos State), Northern Ireland, Rwanda, Saint Lucia, Slovenia, South Africa**
- Move to rental value as preferred tax base
  - **Gabon, New Zealand, Sierra Leone**

# Discernible Trends: Valuation

- Valuation service providers
  - Government or government agency: **Australia, Botswana, Canada, Hong Kong, Malawi, New Zealand, Slovenia, Uganda, United Kingdom, United States, Zambia**
  - In-house (i.e. municipality itself): **Lesotho, Namibia, South Africa, Tanzania, Zambia**
  - Private sector: **Malawi, Namibia, New Zealand, South Africa, Tanzania**
- Recent changes in respect of valuation services
  - Government to in-house: **Lesotho**
  - Government to private sector: **Botswana, Malawi, Uganda**
  - Self-assessment: **India (some cities), Liberia, Rwanda**
  - Increased utilisation of computer-assisted Mass Appraisal: **Cameroon, Malaysia, Slovenia, South Africa**

# Trends: Tax Rates

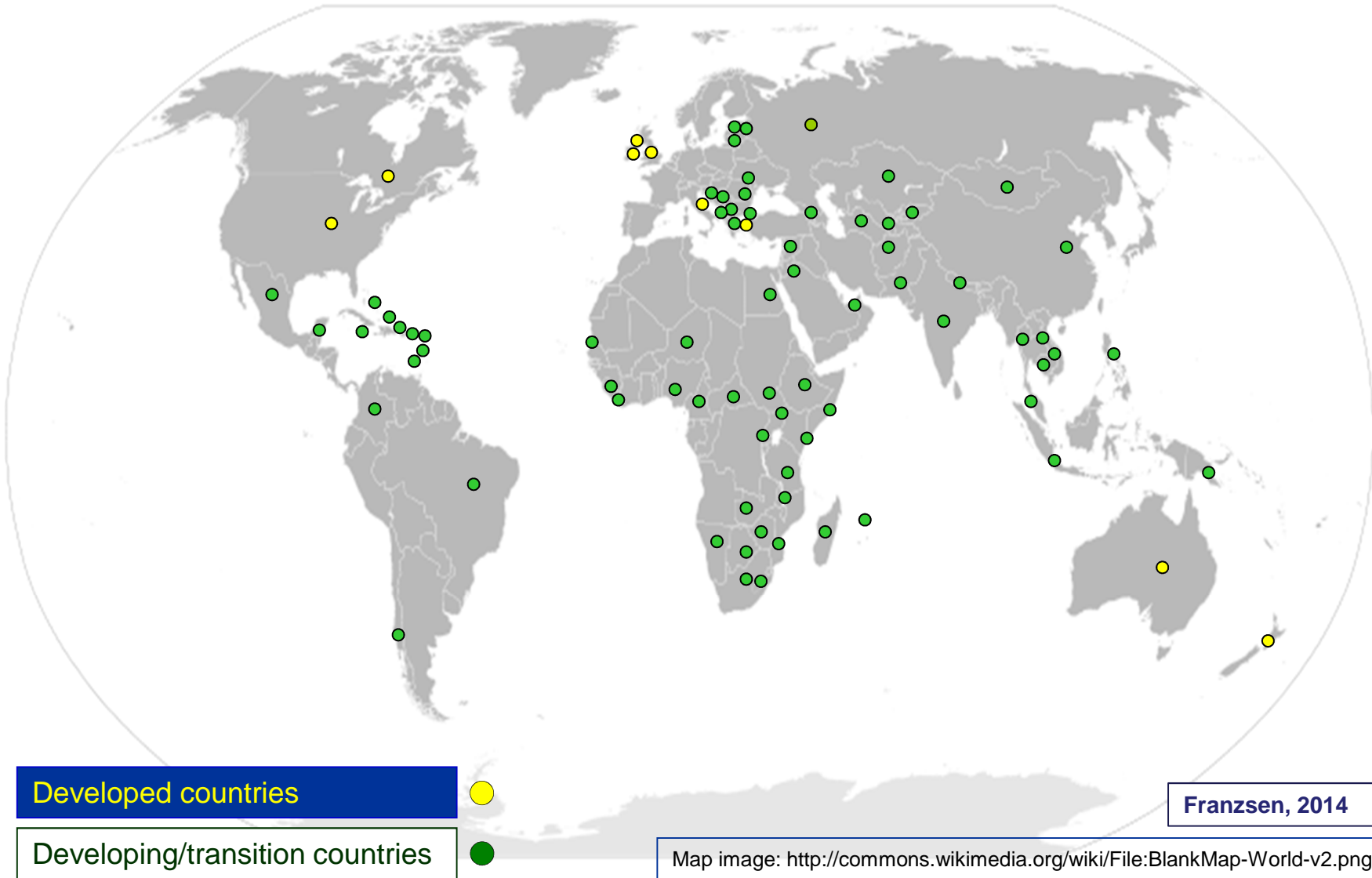
- Uniform versus differential tax rates
  - Many countries allow for differential rates (mostly on basis of use)
- Setting of tax rates
  - Tax rates determined nationally: **Cameroon, Egypt, Jamaica, Rwanda**
  - Limited scope to set rates locally within nationally-determined parameters: **Romania, Uganda**
  - Tax rates determined locally and usually annually: **Australia, Botswana, Canada, New Zealand, South Africa, Zambia**
- Oversight or control
  - Many countries provide for central (or state) approval of, or some oversight over locally-determined tax rates: **Botswana, Namibia, Zambia**
  - Possible rate-capping: **South Africa**



# Status - Tax Administration

- **Billing**
  - Problematic in many countries due to poor taxpayer data and/or poor postal services and lack of street addresses: **Malawi, Philippines, Sierra Leone, South Africa, Tanzania**
- **Collection**
  - Low or declining compliance due to poor or complete lack of service delivery: **Philippines, Nigeria, South Africa, Uganda**
  - Low due to poor enforcement: **Tanzania, Uganda**
  - Political interference: **Gabon, Senegal, Tanzania**
- **Enforcement**
  - Despite mechanisms in the law, generally weak due to lack of political and institutional support: **Rwanda, Thailand, Uganda**
  - Proper enforcement: **Australia, Canada, Hong Kong, New Zealand, Singapore, South Africa..., United States**

# Recent or Current Property Tax Reforms



# Conclusions

- “No one size fits all...” – diversity is the name of the game
- The “best” system is the one that generates sufficient revenue in an as equitable manner as possible
- Despite of (or because of) its political visibility, the property tax is an increasingly popular source of revenue at especially the local level of government
- **Bahl, R., Martinez-Vazquez, J., and Youngman, J.(eds.). 2008. *Making the Property Tax Work: Experiences in Developing and Transition Countries*, Lincoln Institute of Land Policy**