

# Valuation and Assessment

**MVV182K**

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

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Brno, Czech Republic**

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# What will be covered

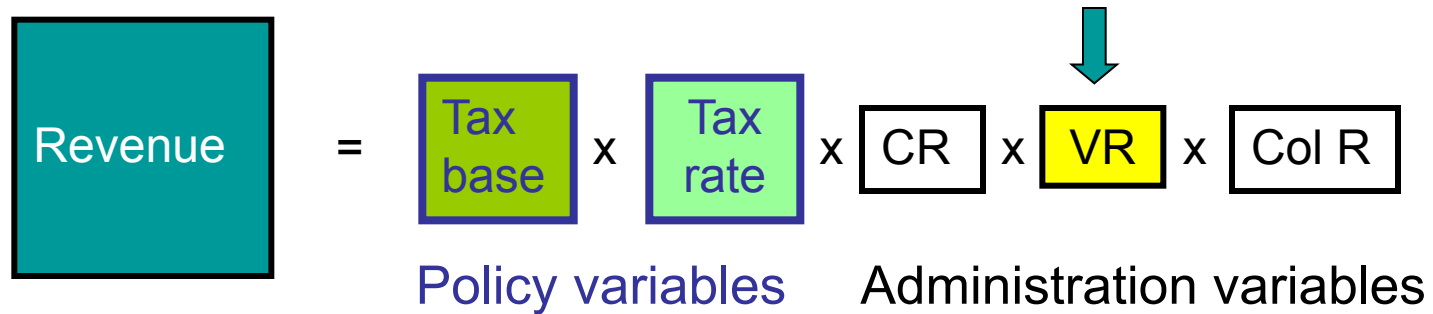
- Valuation of real property
- **Valuation methods**
- Traditional and 'new' methodologies
- Data issues/GIS

# Elements to consider

- Tax base and property discovery
- Taxpayer
- **Valuation and/or assessment**
- Tax rates
- Tax relief
- Billing
- Collection
- Enforcement
- Taxpayer communication
- Overall system management



# Revenue Mobilization Model



CR: Coverage ratio

VR: Valuation ratio

Col R: Collection ratio

Source: Kelly (2000)

# Introduction

- **Value-based systems**
  - Why use value as tax base?
  - What property value must be used?
- **Who is responsible for property valuations?**
  - Land only; buildings only; land and buildings (separately/collectively)?
  - National government; municipalities; agency; private sector; taxpayer?
  - Advantages and disadvantages regarding the above
- **What methods/techniques are used to value property?**
  - Land? Buildings? 'Banded' values?
  - CAMA and GIS?
- **Valuation**
  - How often are properties valued? Prescribed cycles? During cycles?
  - External quality control?
- **Objection and appeal processes**

# What is assessment basis?

- Should the property be assessed on:
  - Property unit (i.e., each property regardless of size or location would pay an equal proportion of the tax burden)(Ireland)
  - Property size (i.e., each property regardless of location would pay an equal per sq. m. rate)
  - Property value (i.e., each property would pay the tax based on their relative property value)

# Value

- **Advantages:**

- Relatively good proxy for ability to pay
- Relationship between value and public services
- Data sharing in respect of other property-related taxes

- **Disadvantages:**

- Requires skills and good market data
- Could be complex
- Requires credible objection and appeal processes
- Costly to implement and to maintain

- **E.g. Australia, Singapore and Zambia**

# Capital value v rental value?

- Capital value:
  - Developed capital market
  - **E.g. Canada, Lithuania, New Zealand, Northern Ireland, South Africa, United States**
- Annual (i.e. rental) value:
  - Sufficient rental evidence
  - **E.g. Egypt, France, Hong Kong, Singapore, Uganda, United Kingdom**



# Valuation

- Responsibility
- Qualification of valuers
- Nature and scope – what has to be determined?
- Methodologies?
- Objection and appeal process
  - Payment of tax while case is pending?
- External quality control
- Intellectual property of data

# Valuation Standard

## “Market value”

### Typical definition

“Subject to any other applicable provisions of this Act, the market value of a property is the amount the property would have realised if sold on the date of valuation in the open market by a willing seller to a willing buyer.”

**South Africa’s Local Government: Municipal Property Rates Act, 2004, Section 46(1)**

# Valuation service providers

- Central or provincial/state government **Antigua, Australia, Botswana, Grenada, Hong Kong, Jamaica, Malawi, Slovenia, Uganda, United Kingdom, United States, Zambia**
- Government agency or corporation: **Canada (British Columbia, Ontario), Moldova, New Zealand**
- In-house (i.e. municipality itself): **Lesotho, Macedonia, Namibia, South Africa, Tanzania, Turkey, Zambia**
- Private sector: **Malawi, Namibia, New Zealand, South Africa, Tanzania**
- Self-assessment: **Georgia, India (some cities), Liberia, Romania, Rwanda**

# Valuation methods

- **Comparison method**
  - Direct method – comparing the actual sales prices/rentals of comparable properties (e.g. residential)
- **Income method**
  - Indirect method
  - Estimating the potential revenue stream (Hong Kong, **UK**)
- **Cost method**
  - Replacement construction cost
  - Depreciation to be considered
  - Cumbersome to determine (**Ghana**, Philippines, Indonesia, **Tanzania**)

# HOTELS



# New Technologies and methodologies

- **Computer-assisted Mass Appraisal (CAMA)**
- **Indexation**
- **Geographic Information Systems (GIS)**
- **Property banding**
- **Drones**

NON-VALUE BASED

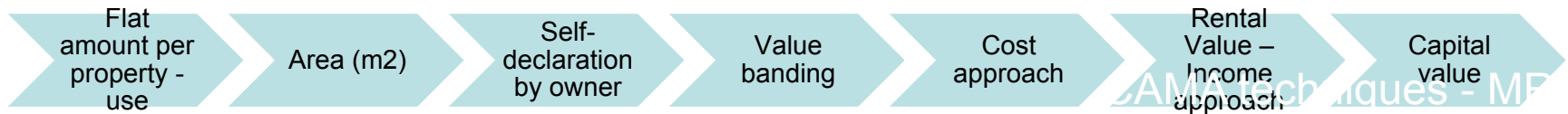
VALUE BASED



Degree of complexity



Data requirements



# Scale of the problem ..... 2

Hong Kong	2.4m	ANNUAL REVALUATIONS
Ontario, Canada	4.5m	Every 4 years
Kuala Lumpur	800,000	2014
Makati City	135,000	1993



# Some countries that actively use CAMA

Australia  
Denmark

Finland

**Lithuania**

Netherlands  
South Africa  
United Kingdom  
United States

**Slovenia**

Hong Kong  
Brazil

Canada  
Egypt

**Latvia**

Mauritius

**Russia**

Sweden  
Northern Ireland  
Canada

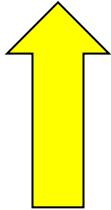
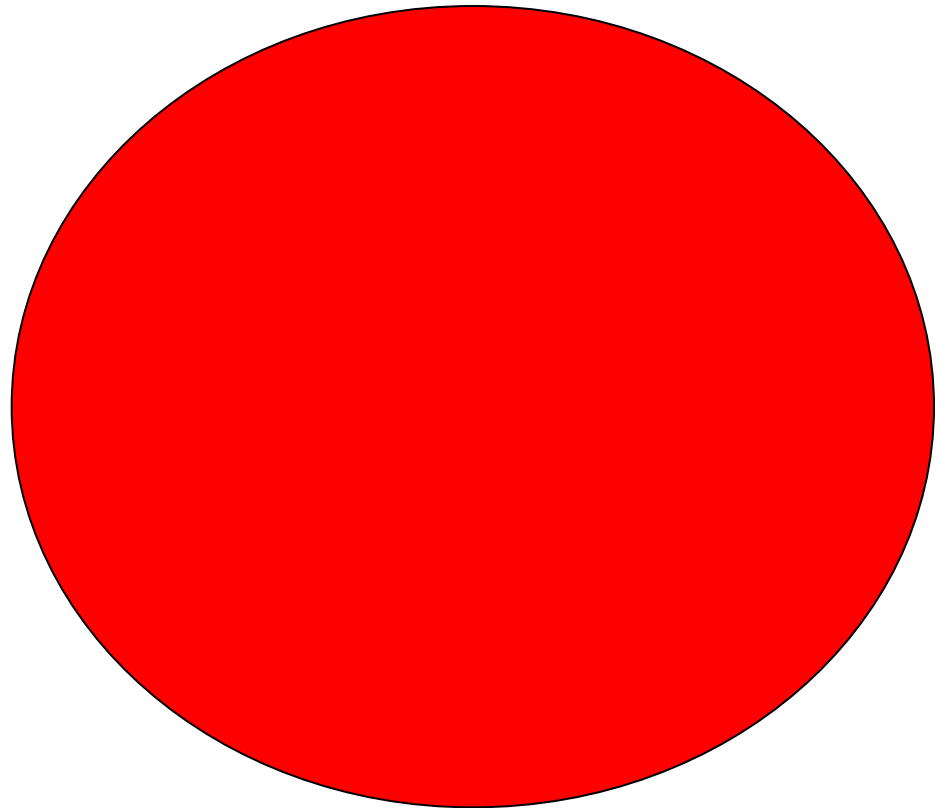
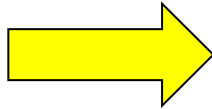
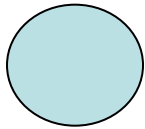
**Moldova**

Thailand  
Columbia

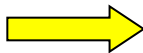
# The Challenge!!

Population

Sales Sample

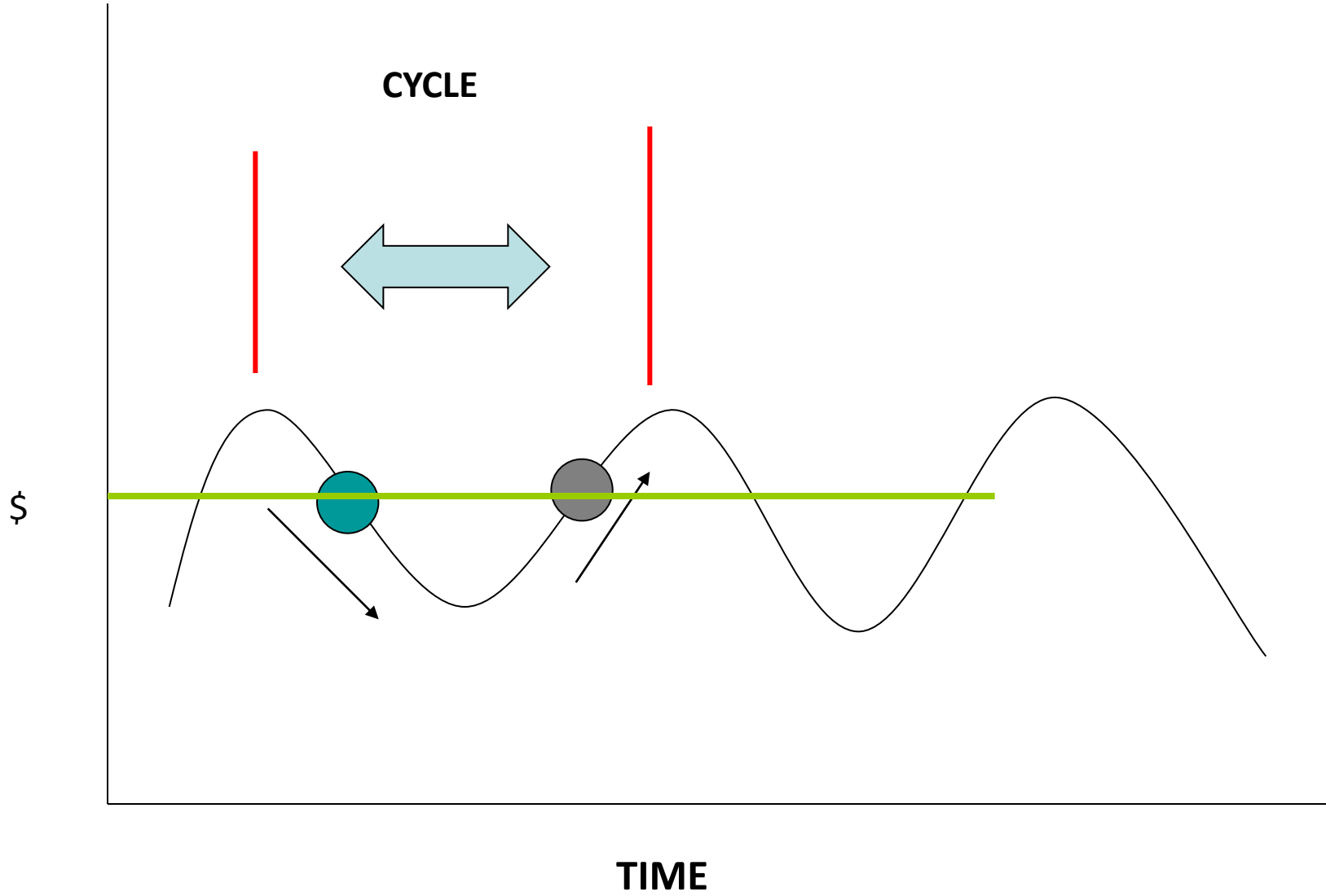


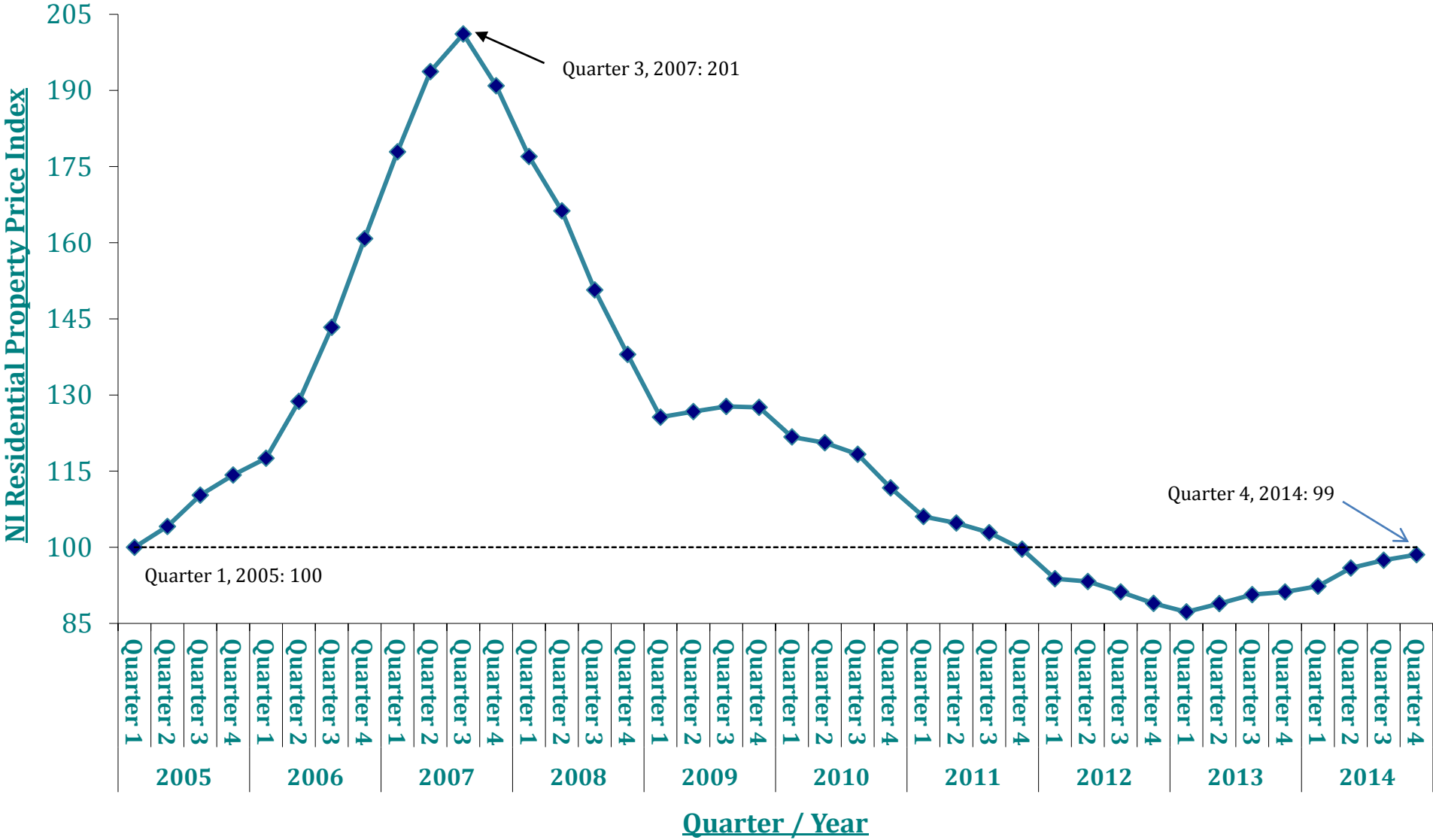
Model developed on sales



Model applied to all properties

# Timing of Revaluation????





# Sample 1 foot resolution



# Sample 6 inch resolution





# Sample neighborhood oblique



# Property tax valuation concepts

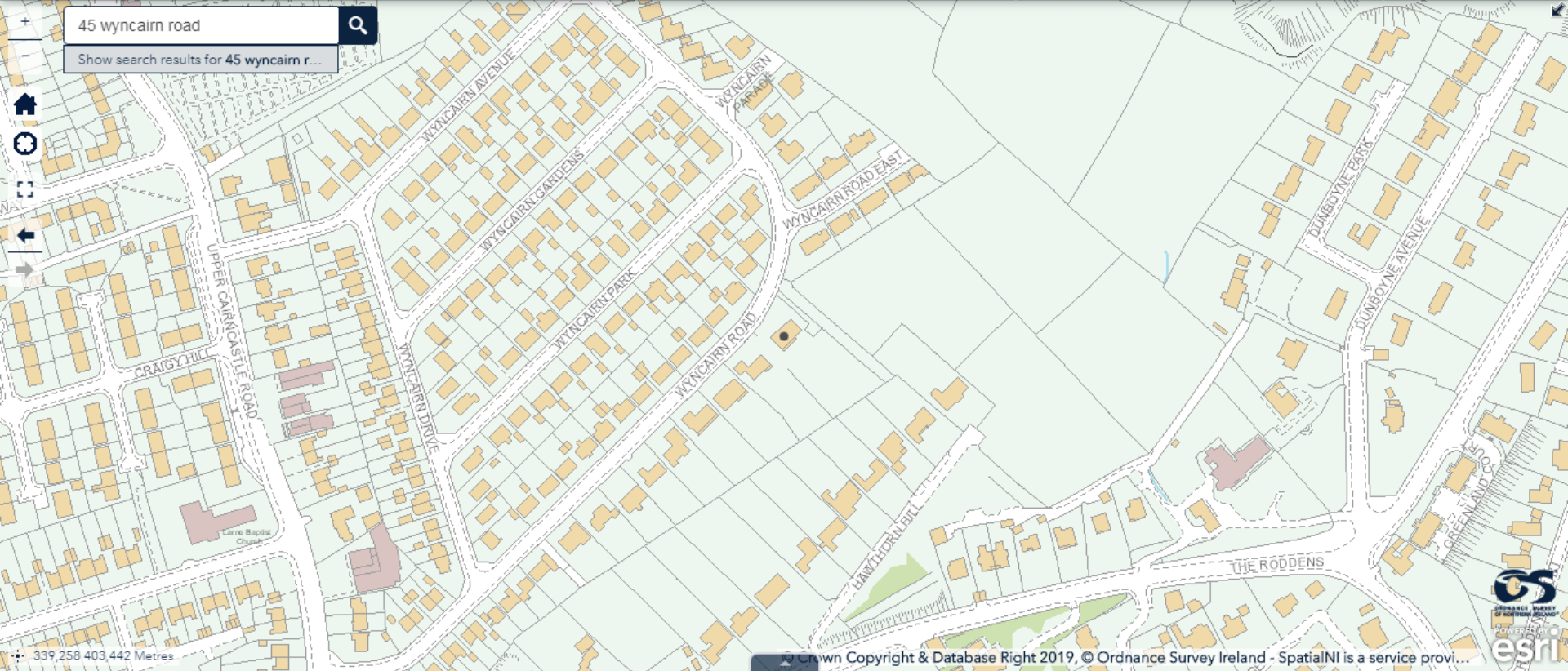
- **Date of valuation**
  - All properties are valued with reference to the same date - equity
- **Effective date**
  - The date the valuation roll becomes operational
- **Valuation cycle**
  - Annually; 3-yearly; 5-yearly; 10-yearly?
  - Extensions of the roll?
  - Indexation?
- **Issues**
  - Capacity?
  - Objection and appeal



# OSNI Spatial NI - Map Viewer



45 wyncairn road  
Show search results for 45 wyncairn r...





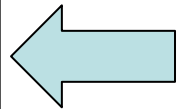
# Date of valuation and effective date

**Valuation Date**

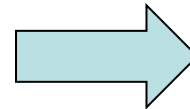
**1 July 2018**

**Effective Date**

**1 July 2020**



**2 YEARS**



**OBJECTIONS**

**VALUATION ACTIVITY**



**PUBLISH ROLL**

# Valuation roll

- Valuation roll must list all properties in the municipality
- Following particulars must be reflected in respect of each property at date of valuation –
  - Unique description of the property (e.g. as in deeds register)
  - The relevant municipal property category
  - Name of the “owner” (as defined)
  - Physical address of property
  - Extent of the property (i.e. size)
  - Market value (if valued)
  - Any other prescribed particulars, use, exempt

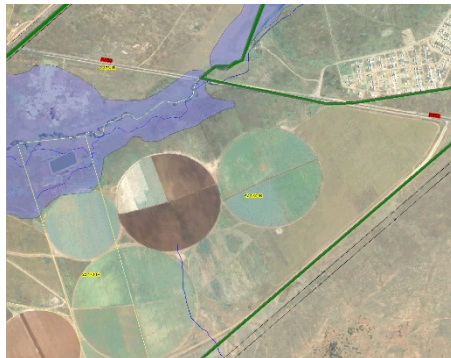
# Supplementary valuations

- Incorrectly omitted from the valuation roll
- Included in a municipality after the last general valuation
- **New property** – e.g. subdivided or consolidated
- Value has substantially increased or decreased for any reason after the last general valuation
- Substantially incorrectly valued during the last general valuation
- Revalued for any other exceptional reason (e.g. change in category)
- Clerical error



# General valuation process

- Process (for valuer)
  - Inventory
  - Data Collection
  - Market research
  - Modelling
  - Quality control



# Objections and appeals

- Advertising of valuation roll – minimum number of days
  - Official Gazette; local newspaper; web page
  - Individual notices?
  - Owners and other interested parties have right to inspect
- Objection – minimum number of days
  - Formal legal process
  - Possible changes to original value
  - Reasons
  - Costs?
- Appeal – minimum number of days
  - Relevant tribunal
- Payment whilst objection/appeal is pending?

# Valuation - oversight

- To review the quality (accuracy, consistency, comprehensiveness, etc.) of the **total** valuation roll
- South Africa
  - “The Minister **may monitor**, and **from time to time investigate and issue a public report on**, the effectiveness, consistency, uniformity and application of municipal valuations for rating purposes.”
- Valuers General in Australia and New Zealand



# Valuation - data

## Valuation (ownership of data)

### South Africa's Local Government: Municipal Property Rates Act, 2004:

#### Copyright of valuation rolls and other data

**“Section 85 – Copyright of valuation rolls and other documents produced by municipal valuers, assistant municipal valuers or data-collectors in the performance of their functions, and data collected by municipal valuers, assistant municipal valuers or data-collectors for the purpose of preparing valuation rolls, vests in the municipality concerned.”**

New Zealand – councils own the data

# Data Collection

- One of most expensive activities
- Many diverse sources
- Government, utilities; all have constraints
- Two broad types of collection
  - Data capture (direct collection)
  - Data transfer

- ***Uniform & accurate valuation of property requires correct, complete and current property data.***

# Discernible trends?

## Recent changes in respect of valuation services

- Central government to in-house: **Lesotho**
- Government to local government: **Macedonia**
- Government to private sector: **Botswana, Malawi, Uganda**
- Increased utilisation of computer-assisted mass appraisal (CAMA): **Cameroon, Malaysia, Slovenia, South Africa**
- Increased consideration of self-assessment as an option: **Georgia, Liberia, Rwanda**

# Examples

- **British Columbia, Canada**
  - Crown agency (BC Assessment)
  - Annual valuations of all properties in the province
- **United Kingdom**
  - Valuation Office Agency (VOA – Great Britain; Northern Ireland)
  - Non-residential: annual value
  - Residential: capital value (England, Wales, Scotland = banded values; Northern Ireland = discrete capital values)
- **Western Australia**
  - Valuer General Office and Landgate
  - Urban property: 3 to 5 yearly valuation cycles (rental values)
  - Rural property: annual determination of unimproved land values
- **South Africa**
  - ‘Municipal valuers’
  - ‘Market value’ – prescribed valuation cycles (4 + 1 and 5 + 2)

# Conclusions

- Valuation is not an exact science
- Assessments are estimates of value and as such elements of subjectivity are difficult to remove completely
- Having sound and reliable assessments of value can contribute positively to equity and fairness of the property tax
- A credible objection and appeal process is an integral part of a modern value-based system

# Advertising

# Rights

# £1.85M RV



**Heathrow**  
**£319m RV**





An aerial photograph of the London skyline, featuring the Gherkin building (30 St Mary Axe) under construction. The building's distinctive diamond-patterned glass facade is partially completed. A tall construction crane is visible to the right of the Gherkin. The surrounding area includes various other office buildings and residential structures. The sky is blue with scattered white clouds.

**Gherkin –**

**30 St Mary Axe**

**£16.7M RV**



**LONDON  
EYE  
£4.37m  
RV**



**HMS Belfast**

**£112,500 RV**

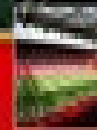


£7.62m RV



MANCHESTER UNITED

OLD TRAFFORD







**Wembley  
Stadium**

**£6.2m RV**

An aerial photograph of Twickenham Stadium, a large, modern, oval-shaped sports arena with a grey, ribbed roof and a dark green pitch. The stadium is surrounded by a dense residential area with many houses and trees. In the foreground, there are some smaller buildings and parking areas. The text 'Twickenham' is overlaid in red at the top, and '£4.4m' and 'RV' are overlaid in red at the bottom.

**Twickenham**

**£4.4m**

**RV**

An aerial photograph of the Wimbledon tennis stadium and its surrounding grounds. The stadium is a large, circular structure with a green roof and a central court area. It is surrounded by a large, green lawn area. In the background, there are several tall, grey apartment buildings and a residential area with houses and trees. The overall scene is a mix of urban and green spaces.

**Wimbledon**

**£6.22m RV**





**WENTWORTH GOLF CLUB - £750,000**





SILVERSTONE RACE TRACK -  
£2,650,000





SHANGRI LA HOTEL - £4,135,000

# TOWER OF LONDON - £1.79m



# HOUSES OF PARLIAMENT - £14.7m





# BUCKINGHAM PALACE - £1.3m



# STONEHENGE – £700,000

