

## **A Compendium of Countries with an Area-Based Property Tax**

Bing Yuan, Katrina Connolly, and Michael E. Bell

© 2009 Lincoln Institute of Land Policy

**Lincoln Institute of Land Policy  
Working Paper**

The findings and conclusions of this Working Paper reflect the views of the author(s) and have not been subject to a detailed review by the staff of the Lincoln Institute of Land Policy.

Contact the Lincoln Institute with questions or requests for permission to reprint this paper. [help@lincolninst.edu](mailto:help@lincolninst.edu)

**Lincoln Institute Product Code: WP09BY1**

## **Abstract**

The property tax constitutes an important source of own-revenues for autonomous subnational governments in developed countries. Although property taxes have not yet generated significant revenues for local governments in most transition economies and many developing countries, they will become a more important source of local finance as fiscal decentralization progresses and real estate markets develop in such countries. This compendium provides an overview of the countries that currently implement some form of area-based property taxation or that allow for the local option of an area-based property tax. The countries covered in the appendix include transition economies in Central and Eastern Europe, former Soviet Union countries, developing countries in Africa, and the Caribbean and Latin America. For each country, elements of its area-based system such as taxpayers, tax base, tax rates, exemptions, tax collection, and appeal procedures are discussed to the extent that information is available from both primary and secondary sources.

## **About the Authors**

Bing Yuan is a PhD candidate at the Trachtenberg School of Public Policy and Public Administration at The George Washington University.

Katrina Connolly is a PhD candidate at the Trachtenberg School of Public Policy and Public Administration at The George Washington University. Research focus is Urban Policy with interests in urban development in developing countries.  
Kdconnol@gwmail.gwu.edu

Michael E. Bell

## Table of Contents

Chapter 1: Introduction .....	1
Chapter 2: Albania .....	4
Introduction.....	4
Taxpayers.....	4
Tax Base .....	4
Tax Rates .....	4
Table 1: Indicative Tax Levels on Buildings (ALL/m <sup>2</sup> ).....	5
Table 2 Indicative Tax Levels on Agricultural Land (ALL/ ha).....	5
Exemptions .....	6
Tax Collection.....	6
Appeal Procedures .....	6
References.....	7
Chapter 3: Azerbaijan.....	8
Introduction.....	8
Taxpayers.....	8
Tax Base .....	8
Tax Rates .....	8
Table 1. Tax Rates for Non-Agricultural Land.....	9
Exemptions .....	9
Tax Collection.....	9
References.....	11
Chapter 4: Belarus.....	12
Introduction.....	12
Taxpayers.....	12
Tax Base .....	12
Tax Rates .....	13
Agricultural Lands.....	13
Lands of Population Centers.....	14
Lands of Industrial, Transport, Communication, Defense, and Other .....	14
Forestry Lands.....	14
Water Lands .....	14
Exemptions .....	15
Tax Collection.....	16
Appeal Procedures.....	16
References.....	18
Chapter 5: Bulgaria .....	19
Introduction.....	19
Taxpayers.....	19
Tax Base .....	19
Land.....	20
Buildings.....	20
Table 1: Structure Type Codes.....	21
Table 2: The Base Tax Value in Bulgarian Lev per square meter .....	21
Table 3: The Coefficient of Location for Buildings.....	22
Table 4: Coefficient of Location for Manufacturing and Farm Buildings .....	22

Agricultural Land .....	23
Building Right, Right of Use, and Right of Ownership .....	23
Tax Rates .....	24
Exemptions .....	24
Tax Collection.....	25
Appeal Procedures .....	25
References.....	27
Chapter 6: Burundi.....	28
Introduction.....	28
Taxpayers.....	28
Tax Base .....	28
Developed Land .....	28
Undeveloped Land .....	29
Tax Rates .....	29
Developed property .....	29
Undeveloped property .....	29
Exemptions .....	29
Tax Collection.....	30
References.....	31
Chapter 7: Cameroon .....	32
Introduction.....	32
Taxpayers.....	33
Tax Base .....	33
Tax Rates .....	33
Table 1: Tax on Developed Property.....	33
Table 2: Tax on Undeveloped Property.....	33
Exemptions .....	34
Tax Collection.....	34
Appeal Procedures .....	34
References.....	35
Chapter 8: Chile .....	36
Introduction.....	36
Taxpayers.....	36
Tax Base .....	36
Tax Rates .....	37
Exemptions .....	37
Tax Collection.....	37
Appeal Procedures .....	37
References.....	38
Chapter 9: Croatia .....	39
Introduction.....	39
Vacation House Tax .....	39
Taxpayers.....	40
Tax Base .....	40
Tax Rates .....	40
Exemptions .....	40

Tax Collection.....	40
Uncultivated Agricultural Land Tax .....	40
Taxpayers.....	40
Tax Base .....	41
Tax Rates .....	41
Exemptions .....	41
Tax Collection.....	41
Unused Enterprise Real Estate Tax.....	41
Taxpayers.....	41
Tax Base .....	41
Tax Rates .....	42
Exemptions .....	42
Tax Collection.....	42
Unused Construction Land Tax .....	42
Taxpayers.....	42
Tax Base .....	42
Tax Rates .....	42
Tax Collection.....	43
Communal Fees.....	43
Communal Fee Payers .....	43
Calculation of Communal Fees.....	43
Exemptions .....	43
Fee Collection .....	44
Communal Charges.....	44
Communal Charge Payers .....	44
Calculation of Communal Charges .....	44
Distinctions Between Communal Fees and Charges.....	44
References.....	46
Chapter 10: Czech Republic .....	47
Introduction.....	47
Real Estate Property Tax—Buildings .....	47
Taxpayers.....	47
Tax Base .....	47
Tax Rates .....	48
Exemptions .....	48
Tax Collection.....	49
Appeal Procedures.....	50
Real Estate Property Tax—Land .....	50
Taxpayers.....	50
Tax Base .....	50
Tax Rates .....	51
Exemptions .....	51
Tax Collection.....	52
Appeal Procedures.....	52
References.....	53
Chapter 11: Dominica .....	54

Introduction.....	54
Taxpayers.....	54
Tax Base .....	54
Tax Rates .....	54
Exemptions .....	54
Tax Collection.....	54
Appeal Procedures .....	54
References.....	56
Chapter 12: Eritrea.....	57
Introduction.....	57
Taxpayers.....	58
Tax Base .....	58
Tax Rates .....	59
Tax on agricultural usufruct land .....	59
Municipalities.....	59
Rent on Leasehold.....	59
Exemptions .....	59
Tax Collection.....	59
Appeal Procedures .....	60
References.....	61
Chapter 13: Ethiopia .....	62
Introduction.....	62
Taxpayers.....	62
Tax Base .....	62
Tax Rates .....	63
Exemptions .....	63
Tax Collection.....	64
Appeal Procedures .....	64
References.....	65
Chapter 14: Georgia.....	67
Introduction.....	67
Taxpayers.....	67
Tax Base .....	67
Tax Rates .....	68
Agricultural.....	68
Table 1: For land outside a city (borough) administrative unit occupied by sown and perennial crops.....	69
Table 2: For use of natural haymaking meadows and pastures .....	70
Non-agricultural .....	70
Exemptions .....	70
Tax Collection.....	71
Appeal Procedures .....	71
References.....	74
Article 276. Tax Exemptions .....	75
Chapter 15: Hungary.....	78
Introduction.....	78

Tax on Buildings.....	78
Taxpayers.....	78
Tax Base .....	78
Tax Rates .....	79
Exemptions .....	79
Tax Collection.....	79
Appeal Procedures.....	79
Tax on Plots .....	79
Taxpayers.....	79
Tax Base .....	80
Tax Rates .....	80
Exemptions .....	80
Tax collection.....	80
Appeal Procedures.....	80
Tax on Tourism Property.....	80
References.....	81
Chapter 16: India.....	82
Introduction.....	82
Area-Based Property Tax in Delhi Municipal Corporation.....	83
Taxpayers.....	83
Tax Base .....	83
Tax Rates .....	83
Exemptions .....	84
Tax Collection.....	84
Appeal Procedures.....	84
References.....	85
Chapter 17: Israel.....	86
Introduction.....	86
Taxpayers.....	86
Tax Base .....	86
Tax Rates .....	87
Exemptions .....	88
Tax Collection.....	88
Appeal Procedures .....	88
References.....	90
Chapter 18: Kazakhstan.....	91
Introduction.....	91
Taxpayers.....	91
Tax Base .....	91
Tax Rates .....	91
Exemptions .....	93
Tax Collection.....	94
Appeal Procedures .....	94
References.....	96
Chapter 19: Kenya .....	97
Introduction.....	97

Taxpayers.....	97
Tax Base .....	98
Table 1: Registration of Status of Trust Land in Kenya.....	99
Table 2: Breakdown of Property Rating in Kenya (2001).....	99
Tax Rates .....	100
Table 3: Range of Tax Rates by Type of Local Authority, 2000.....	100
Exemptions .....	100
Tax Collection.....	101
Appeal Procedures .....	101
References.....	103
Chapter 20: Kyrgyz Republic .....	104
Introduction.....	104
Taxpayers.....	104
Tax Base .....	104
Tax Rates .....	104
Exemptions .....	105
Tax Collection.....	105
Appeal Procedures .....	106
References.....	107
Chapter 21: Lao .....	108
Introduction.....	108
Taxpayers.....	109
Tax Base .....	109
Tax Rates .....	110
Table 1: Land Tax Rates for Construction Land.....	123
Table 2A: Lowland Fields .....	123
Table 2B: Orchard.....	124
Table 2C: Upland Fields.....	124
Table 3: Other Types of Land or Undeveloped Land.....	124
Exemptions .....	113
Exempt Construction Land .....	113
Exempt Agricultural Land .....	113
Tax Collection.....	113
Appeal Procedures .....	115
References.....	116
Chapter 22: Lesotho .....	117
Introduction.....	117
Taxpayers.....	118
Tax Base .....	118
Tax Rent .....	118
Exemptions .....	119
Tax Collection.....	119
Reference .....	120
Chapter 23: Lithuania.....	122
Introduction.....	122
Land Tax.....	122



Taxpayers.....	122
Tax Base .....	122
Tax Rates .....	123
Exemptions .....	123
Tax Collection.....	123
Tax on Immovable Property .....	123
Taxpayers.....	123
Tax Base .....	123
Tax Rates .....	123
Exemptions .....	124
Tax Collection.....	124
Appeal Procedures.....	124
Land Lease Tax.....	124
References.....	125
Chapter 24: Moldova.....	126
Introduction.....	126
Taxpayers.....	126
Tax Base .....	126
Tax Rates .....	126
References.....	127
Chapter 25: Namibia .....	128
Introduction.....	128
Taxpayers.....	128
Tax Base .....	128
Tax Rates .....	128
Exemptions .....	128
Tax Collection.....	128
References.....	130
Chapter 26: Nigeria.....	131
Introduction.....	131
Taxpayers.....	131
Tax Base .....	132
Tax Rates .....	132
Exemptions .....	133
Tax Collection.....	133
Appeal Procedures .....	134
References.....	135
Chapter 27: Poland.....	136
Introduction.....	136
Real Estate Tax .....	137
Taxpayers.....	137
Tax Base .....	137
Tax Rates .....	137
Exemptions .....	138
Tax Collection.....	138
Appeal Procedures.....	139

Agricultural Property Tax.....	139
Taxpayers.....	139
Tax Base .....	139
Tax Rates .....	139
Exemptions and Abatements.....	139
Tax Collection.....	140
Appeal Procedures.....	140
Forest Property Tax.....	140
Taxpayers.....	140
Tax Base .....	141
Tax Rates .....	141
Tax Reliefs.....	141
Tax Collection.....	141
References.....	142
Chapter 28: Romania.....	143
Introduction.....	143
Taxpayers.....	143
Tax Base .....	143
Tax Rates .....	143
Table 1: Tax rates on Land Located in Intravilan (ROL/m <sup>2</sup> ).....	144
Table 2. Tax Rates on Agricultural Land Located in Intravilan (ROL/ m <sup>2</sup> ).....	144
Table 3. Correction Coefficients by Rank of Locality .....	144
Exemptions .....	145
Tax Collection.....	145
Appeal Procedures .....	145
References.....	146
Chapter 29: Rwanda.....	147
Introduction.....	147
Taxpayers.....	147
Tax Base .....	147
Tax Rates .....	147
Table 1. Tax Rates by Location and Type of Property.....	147
Exemptions .....	148
Tax Collection.....	148
References.....	149
Chapter 30: Saint Lucia.....	150
Introduction.....	150
Taxpayers.....	151
Tax Base .....	151
Tax Rates .....	151
Table 1: Land Tax Rates.....	151
Exemptions .....	151
Tax Collection.....	152
Appeal Procedures .....	152
References.....	153
Chapter 31: Saint Vincent & the Grenadines .....	155

Introduction.....	155
Taxpayers.....	155
Tax Base .....	155
Tax Rates .....	155
Table 1. Land Tax Rates .....	155
References.....	156
Chapter 32: Slovakia.....	157
Introduction.....	157
Real Estate Tax—Buildings .....	157
Taxpayers.....	157
Tax Base .....	157
Tax Rates .....	157
Exemptions .....	158
Tax Collection.....	158
Appeal Procedures.....	158
Real Estate Tax—Land.....	159
Taxpayers.....	159
Tax Base .....	159
Tax Rates .....	159
Exemptions .....	159
Tax Collection.....	160
Appeal Procedures.....	160
References.....	161
Chapter 33: Slovenia.....	162
Introduction.....	162
Taxpayers.....	162
Tax Base .....	162
Tax Rates .....	162
Exemptions .....	163
Tax Collection.....	163
References.....	164
Chapter 34: Tajikistan.....	165
Introduction.....	165
Land Tax.....	165
Taxpayers.....	165
Tax Base .....	166
Tax Rates .....	166
Table 1. Land Tax Rates for Land in Cities and Urban-Type Settlements.....	166
Table 2. Land Tax Rates for Land Outside Cities and Urban-Type Settlements.....	167
Exemptions .....	167
Tax Collection.....	169
Appeal Procedures.....	169
Uniform Tax for Producers of Agricultural Products .....	169
Taxpayers.....	170
Tax Base .....	170
Tax Rates .....	170

Tax Collection.....	170
Real Estate Tax .....	171
Taxpayers.....	171
Tax Base .....	171
Tax Rates .....	172
Exemptions .....	172
Tax Collection.....	172
References.....	173
Chapter 35: Trinidad and Tobago.....	174
Introduction.....	174
Taxpayers.....	175
Tax Base .....	175
Tax Rates .....	175
Table 1: Rate per acre of Land.....	175
Exemptions .....	175
Tax Collection.....	176
Appeal Procedures.....	177
References.....	178
Chapter 36: Tunisia.....	179
Introduction.....	179
Tax on Housing (TIB).....	179
Taxpayers.....	179
Tax Base .....	179
Table 1. Area-Based Administrative Values Used to Calculate the Tax Base for Owner-Occupied Buildings.....	180
Tax Rates .....	180
Table 2. TIB Tax Rates.....	180
Exemptions .....	180
Tax Collection.....	180
Appeal Procedures.....	181
Tax on Industrial and Commercial Buildings (TCL).....	181
Taxpayers.....	181
Tax Base .....	181
Table 3. Area-based Rental Values for Industrial and Commercial Buildings...	181
Tax Rates .....	182
Tax Collection.....	182
Tax on Unbuilt Land (TTNB).....	182
Taxpayers.....	182
Tax Base .....	183
Tax Rates .....	183
Exemptions .....	183
References.....	184
Chapter 37: Ukraine.....	185
Introduction.....	185
Taxpayers.....	185
Tax Base .....	185

Tax Rates .....	185
Exemptions .....	186
Tax Collection.....	186
Appeal Procedures.....	186
References.....	187
Chapter 38: Uzbekistan .....	188
Introduction.....	188
Taxpayers.....	188
Tax Base .....	188
Tax Rates .....	189
Exemptions .....	189
Tax Collection.....	192
Appeal Procedures .....	192
References.....	193
Chapter 39: Zimbabwe .....	194
Introduction.....	194
Taxpayers.....	194
Tax Base .....	194
Tax Rates .....	194
Exemptions .....	195
Tax Collection.....	195
References.....	196

## Chapter 1: Introduction

Property taxation has been widely accepted as an appropriate and viable form of local taxation due to the immovable nature of its tax base, the relative stability of its revenue generating capacity, and the perceivable connection between property values and the quality of local public services being funded by the property tax. As one of the oldest forms of taxation, the property tax constitutes an important source of own-revenues for autonomous subnational governments in many countries, especially in such developed countries like the United States, Canada, and Australia. Although property taxes have not yet generated significant revenues for local governments in most transition economies and many developing countries, they will become a more important source of local finance as fiscal decentralization progresses and real estate markets develop in such countries.

The dominant approach to property taxation in developed countries is based on the market value of property, known as the *ad valorem* system, which is generally considered more equitable than alternative approaches because it more accurately differentiates properties with regard to their use, age, quality, location, and other characteristics. While a market-value-based property tax system has many desirable features, it can be extremely costly or even infeasible to implement such a system in places where there is neither a well-developed property market nor well-maintained property records, as is often the case in transitional and developing countries. Market-based property valuation usually requires well-trained local administrators with expertise in property assessment and a unified, computerized property tax information system. The recruitment of qualified assessment staff and the establishment of computer assisted mass appraisal systems will impose formidable administrative costs on countries that intend to start a value-based property tax system from scratch. While an *ad valorem* system may be the ultimate goal of property tax reforms, about one fifth of all countries in the world chose to adopt some form of area-based property taxation in the interim.

Instead of using the market value of property as the taxable base, an area-based approach calculates property tax liabilities on the basis of the area or size of land and buildings, multiplied by a rate per unit of measurement (normally per square meter or per hectare). One major merit of the area-based system is that it is easier for local officials to administer and easier for taxpayers to comprehend. It is less costly and relatively straightforward to determine the tax base and the amount of tax owed by the property owner. Besides, an area-based property tax is characterized by less volatile and more predictable revenues as the tax base does not fluctuate over time with changes in the market value of property.

The disconnection between property values and tax levies under the area-based system however, is often seen as causing inequities in the distribution of tax burdens across properties. It seems unfair to impose the same amount of tax on structures that vary in qualities and/or in the desirability of their locations simply because they are of the same size. Determining taxes on the basis of size rather than value of the property is also

considered regressive as low-income taxpayers are subject to a greater tax burden relative to their ability to pay.

A simple area-based property tax system may be improved by applying adjustment coefficients that reflect such factors as location, quality, and use to approximate the market value of property. In the absence of a well-functioning property market, the area-based approach also has the advantage of building up the property information database (through identifying and registering properties, recording property characteristics, and the like), which would facilitate the transition to a market-value based system.

This appendix provides an overview of the countries that currently implement some form of area-based property taxation or that allow for the local option of an area-based property tax. The countries covered in the appendix include transition economies in Central and Eastern Europe (Albania, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia), former Soviet Union countries (Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Lithuania, Moldova, Tajikistan, Ukraine, and Uzbekistan), developing countries in Africa (Burundi, Cameroon, Eritrea, Ethiopia, Kenya, Lesotho, Namibia, Nigeria, Rwanda, Tunisia, and Zimbabwe), Asia (India, Israel, Lao), and the Caribbean and Latin America (Chile, Dominica, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago). For each country, elements of its area-based system such as taxpayers, tax base, tax rates, exemptions, tax collection, and appeal procedures are discussed to the extent that information is available from both primary and secondary sources. Information on some countries was difficult to obtain and was not always consistent between various sources. The property tax systems of several countries are sufficiently complicated, and the descriptions are vague, that additional information is needed to fully understand how the property tax is actually administered.

While these countries share some common features of an area-based property tax system, they vary in the object of taxation, how the tax rates are fixed, and how the tax is collected and administered. For instance, some countries tax both land and buildings on the basis of area while others limit the area-based approach to a tax on land only. Some countries impose an area-based tax on rural or agricultural land exclusively whereas some countries tax only non-agricultural land on the basis of area. In many transition countries, area-based property taxes remain highly centralized in terms of setting tax rates and collecting revenue. In some countries, local governments have discretion over tax rates within centrally prescribed boundaries. In a few countries, local authorities are given full control over tax rates and administration, or even the choice between a value-based and an area-based approach. Some countries apply a fixed rate per unit of land or buildings, while others use differentiated rates on the basis of location, use category, and other factors that may reflect differences in market values. In addition, a considerable number of countries make the distinction between physical persons and legal entities with regard to tax assessment and collection procedures. The countries covered in this appendix represent a wide range of variants of area-based property taxation.

Finally, two countries – Armenia and Brunei Darussalam – have been identified by McCluskey and Bell<sup>1</sup> as having area based property taxes of some form. While we found evidence that Armenia does apply an area based property tax to buildings and Brunei Darussalam does provide an area based property tax to owner-occupied residential properties, we were not able to sufficiently document these taxes to provide write-ups of these countries in the same format as all the other countries included in this compendium. Also, McCluskey and Bell include Bosnia and Herzegovina and Serbia and Montenegro as countries with an area based property tax. While we found evidence that such taxes were being considered in those countries, we could not confirm that they had actually been implemented so we have excluded those countries from this compendium.

---

<sup>1</sup> William J. McCluskey and Michael E. Bell, forthcoming, “Rental Value versus Capital Value: Alternative Bases for the Property Tax,” in *What Role for Property Taxes*, edited by Roy Bahl, Jorge Martinez-Vazquez and Joan Youngman.



## **Chapter 2: Albania**

### **Introduction**

Albania made its transition to a democratic political system in 1992 and started on a path of decentralization and local self-governance. In May 1998, the property tax, known as the tax on immovable property in Albania, was changed by law to a local tax in order to assist with the provision of local public services and to promote local fiscal autonomy. The tax on immovable property is an area-based tax annually levied on buildings and agricultural land. While the central government establishes the ranges within which local governments may set their tax rates, tax collection and administration are largely the responsibility of local governments.

Albania has several layers of subnational governments, 309 communes in villages and 65 municipalities in cities as local bodies of the first level, 12 regions (formerly 36 districts) as bodies of the second level, and 12 prefectures as the representative body of the central government at the local level. Until May 1998, the property tax was considered a national tax, with its revenues shared at a ratio of 40/60 percent between the central budget and the local budget. Now as a local tax, its revenues are transferred entirely to the independent local budget and the local government may implement its own structures for the collection of this tax. Property taxes on average did not exceed one percent of local budgets when shared in the past. A substantial increase in its share of local revenue would take a long way.

### **Taxpayers**

Taxpayers are owners of taxable property located in the territory of the Republic of Albania, including all natural or legal persons, domestic or foreign.

### **Tax Base**

The tax base is the floor space of buildings and the area of agricultural land.

### **Tax Rates**

Tax rates are established by the central government as unit price per square meter for buildings and as unit price per hectare in the case of agricultural land. Rates vary by category and location. For buildings in urban areas (municipalities), tax rates are determined jointly by use category and the zone in which the property is located (see table 1). Buildings fall into two broad categories and four sub-categories for property tax purposes: residential buildings (those built before 1993, and those built during or after 1993) and other buildings (those used for trade and services and those used for other activities). All municipalities in Albania are divided into three zones. A pre-1993 residential building located in the capital city of Tirana (Zone 1), for instance, is subject to the tax at ALL 15 per square meter, while the tax rate doubles for its post-1993 equivalent. The same building, if used for trade and services, will be taxed at ALL 200

per square meter. Commercial buildings are taxed much more heavily than residential buildings regardless of location. Tax rates for urban buildings go down from Zone 1 to Zone 3 regardless of use category. For buildings located in rural areas (communes), tax rates are half of what they are in the main city of the district where the commune is located. Municipal or community councils are given the right to increase or reduce the tax rates by up to 30%.

**Table 1: Indicative Tax Levels on Buildings (ALL/m<sup>2</sup>)  
Municipalities**

<b>Minimum building categories</b>	<b>Zone 1</b>	<b>Zone 2</b>	<b>Zone 3</b>
I. Residential buildings			
1. Built before 1993	15	10	5
2. Built during or after 1993	30	12	6
II. Other buildings			
1. For trade and services	200	150	100
2. Others	50	30	20

Zone 1: Tirana, Durrësi

Zone 2: Vlora, Fieri, Saranda, Pogradeci, Korça, Elbasani, Berati, Lushnja, Gjirokastra, Shkora, Kavaja, Lezha

Zone 3: All other municipalities

Source: Albania Ministry of Foreign Affairs.

Agricultural land is classified by the Ministry of Agriculture, Food and Consumer Protection into 10 categories based on the fertility of the land and any district in Albania may fall into one of four zones. Depending on the land category and on the zone in which the land is located, the tax rate ranges from ALL 700 per hectare (categories VII-X, Zone 4) to ALL 5600 per hectare (category I, Zone 1). Table 2 presents the centrally established tax levels on agricultural land.

**Table 2 Indicative Tax Levels on Agricultural Land (ALL/ ha)**

<b>Classification according to land category</b>	<b>Classification according to districts</b>			
	<b>Zone 1</b>	<b>Zone 2</b>	<b>Zone 3</b>	<b>Zone 4</b>
I	5,600	4,200	2,800	1,400
II	4,900	3,500	2,100	1,200
III	4,200	2,800	1,400	1,100
IV	3,600	2,300	1,350	1,000
V	3,000	1,900	1,250	900
VI	2,400	1,600	1,200	800
VII-X	1,800	1,400	1,100	700

Zone 1: Tirana, Durrësi, Kavaja, Lezha, Lushnja, Fieri, Vlora, Saranda

Zone 2: Shkodra, Elbasani, Berati, Korça, Delvina, Kurbini, Peqini, Kuçova

Zone 3: Gjirokastra, Përmeti, Pogradeci, Librazhdi, Dibra, Mati, Skrapari, Mallakstra, Devolli, Tepelena

Zone 4: Bulqiza, Hasi, Kukësi, Tropoja, Puka, Mirdita, Malësia e Madhe, Gramshi, Erseka

Source: Albania Ministry of Foreign Affairs.

## **Exemptions**

Exemptions apply to buildings owned by state or local government and used for non-profit purposes, residential buildings utilized by tenants upon non-liberalized lease, and buildings utilized by religious communities. Farming land planted with fruit-tree and vine-yard cultures is exempt from the tax for their first five years from the moment of planting.

## **Tax Collection**

The tax on immovable property is locally collected and administered. Owners of taxable buildings are obligated to make a single payment to local tax authorities by June 30<sup>th</sup> of each year while owners of agricultural land are to make two payments by August 31<sup>st</sup> and November 30<sup>th</sup>. Property owners who fail to pay their tax on immovable property are subject to such enforcement measures as freezing of bank accounts, confiscation of property and imprisonment.

## **Appeal Procedures**

Taxpayers are entitled to appeals against their tax liabilities in accordance with the law “On tax procedures in the Republic of Albania”. Appeals should be initially filed with respective local tax authorities within 30 days of receipt of the tax bill. Taxpayers may appeal the decision of local governments to the Tax Appealing Commission and ultimately present the case to the court (s).

## References

- Albania Ministry of Foreign Affairs. 2007. Taxation.  
[http://www.mfa.gov.al/english/pdf\\_files/eco/Taxation.pdf](http://www.mfa.gov.al/english/pdf_files/eco/Taxation.pdf)
- ALBIC. 2004. Guide on Tax System in Albania.  
<http://www.albic.net/Eng/a3business/taxguidebyalbicidra7.php>
- Brown, P.K. and M.A. Hepworth. 2003. *A study of European property tax systems: Final report*. David C. Lincoln Fellowship Year 3 Report.
- Gurraj, Alma, Artan Hoxha, Auron Pasha, Genc Ruli, Qamil Talka and Irma Tanku. 2002. Local Government Budgeting in Albania. In *Local Government Budgeting*, Mihály Hógye, ed. Budapest, Hungary: Local Government and Public Reform Initiative.
- Hoxha, Artan. 2001. Local Government in Albania. In *Stabilization of Local Governments*, Emilia Kandeveva, ed. Budapest, Hungary: Local Government and Public Reform Initiative.
- \_\_\_\_\_. 2002. Local Self-Government and Decentralization Case of Albania: History, Reforms and Challenges.
- Urban Institute. 1998. Assistance in Municipal Finance Reform for Albania: Local Government Responsibilities and Expenditures. Washington, DC: Urban Institute.
- World Bank. 2003. Albania: Fiscal Decentralization Study.  
<http://www1.worldbank.org/wbiep/decentralization/ecalib/albaniareport.pdf>

## **Chapter 3: Azerbaijan**

### **Introduction**

The Republic of Azerbaijan declared its independence from the former Soviet Union in October 1991. As one of its important steps toward a comprehensive system of local self-government, popularly elected municipal governments were first instituted in 1999. The Law on Municipal Finance granted municipalities authority to select from a prescribed list of local taxes and duties by a two-thirds majority vote of the local council. Property taxes, along with nine other taxes and fees made up the list enumerated in the Law. There are two major property taxes currently in effect in the Republic of Azerbaijan: tax on land and tax on property. The land tax is levied annually on the basis of the area of land plots, while the object of the property tax is the inventoried value of buildings and water and air transport means owned by physical persons, or the average annual value of fixed assets on the balance of enterprises. For the purpose of this study, the remainder of this chapter will focus on the area-based tax on land.

### **Taxpayers**

Taxpayers of the land tax include both physical persons and enterprises that own or use land plots in the territory of the Republic of Azerbaijan. Taxpayers are required first to obtain the documents confirming the right of ownership and use of land and then to go through registration. Physical persons and municipal enterprises must register at municipalities, while other enterprises must register at tax authorities within one month.

### **Tax Base**

The assessment of tax on land is based on the area of land. Land with located structures and facilities and plots necessary for sanitary protection of facilities are also taxable.

### **Tax Rates**

Tax rates are established by the central government according to use and geographical location of land. The calculation of tax on agricultural land is different from that of tax on other types of land. The tax rate on agricultural land is based on conventional points per hectare reflecting the purpose, geographical location and the quality of land. The price of one conventional point is 0.06 manats (AZN).

Tax rates on non-agricultural land are expressed as unit price per 100 square meters based on the following schedule (table 1):

**Table 1. Tax Rates for Non-Agricultural Land**

<b>Location</b>	<b>Land used for industrial, commercial, construction, communication, transportation and other special purposes (in manats)</b>	<b>Land used for homestead, housing funds, and land occupied under summer houses (in manats)</b>
Baku	10	0.6
Ganja, Sumgayit	8	0.5
Other towns (with the exception of regional subordination), regional centers	4	0.3
Towns, districts and villages of regional subordinations (with the exception of districts and villages of Baku and Sumgayit)	2	0.1

Source: Ministry of Taxes

Like in many other countries with an area-based property tax system, industrial and commercial land is taxed considerably more heavily than residential land. At the same time, land located in the capital city is subject to higher taxes than land located elsewhere in the country.

### **Exemptions**

Exemptions are available for land owned by the state or local government, budget funded organizations, National Bank and its structures and the State Oil Fund; land pertaining to the State, forest and water reserves that are not attracted to economic activity, and land located under the Azerbaijani sector of the Caspian Sea; state border lines and land designated for defense purposes; and commonly used lands belonging to populated areas. In addition, a 10 percent tax reduction may be granted to property owners who are National Heroes, Heroes of the Soviet Union and Social Labor, persons awarded with all three degrees of the Honorary Order, disabled persons, military widows or widowers, persons awarded orders and medals for heroic labor in the home front during the years of 1941-1945, war veterans, or persons who acquired radiation sickness or had these diseases as a result of radiation at Chernobyl AES and civil or military atomic facilities.

### **Tax Collection**

Physical persons and enterprises are subject to different tax collection procedures in Azerbaijan. Each year municipalities calculate tax on land on physical persons by July 1<sup>st</sup> and distribute the payment notifications by August 1<sup>st</sup>. The tax on land for physical

persons is payable to the municipal budget in two equal installments before August 15<sup>th</sup> and November 15<sup>th</sup>.

Enterprises are obligated to self-assess their tax liability based on the size of land plots and specified tax rates, and to submit tax returns to tax authorities not later than May 15<sup>th</sup> of each year. Enterprises pay the tax directly to the state budget in two equal portions due respectively on August 15<sup>th</sup> and November 15<sup>th</sup>. A financial sanction shall be imposed on an enterprise landowner for late submission of tax return without valid reasons based on the decision of the head of the tax authority at the value of 40 manats. In the case where the amount of tax indicated on the tax report submitted by the enterprise is less than the amount that should be indicated on the report, or if the taxpayer fails to submit a tax report or evades payment of the required tax amount to the state budget, a financial sanction shall be imposed at the rate of 25 percent of understated or evaded tax amount. For failure to pay the tax within the specified period, the taxpayer is liable for interest at the rate of 0.1% of outstanding tax amount for each day of delay.

## References

- Aslanov, Aidyn M. 2003. Present State of Local Self-Government in Azerbaijan and Trends of Reforms. Prepared for the World Bank seminar “Intergovernmental Fiscal Relations at the Local Level” 2003.  
[http://www1.worldbank.org/wbiep/decentralization/ecalib/azeri\\_casestudy\\_eng.pdf](http://www1.worldbank.org/wbiep/decentralization/ecalib/azeri_casestudy_eng.pdf)
- Mamedova, Meriban, Hasanov Hafiz Bashir Oglu, Bairamov Abil Nazir Oglu and Huseinov Mirali Asad. 2001. Local Government in Azerbaijan. In *Developing new rules in the old environment*, Igor Munteanu and Viktor Popa eds. Budapest, Hungary: Local Government and Public Reform Initiative.
- Ministry of Taxes of the Republic of Azerbaijan. 2007. Municipal Taxes.  
<http://taxes.caspel.com/eng/taxpayers/municipal.shtml>
- \_\_\_\_\_. 2007. Property Tax of Enterprises.  
<http://taxes.caspel.com/eng/taxpayers/pte.shtml>
- \_\_\_\_\_. 2007. Tax on Land.  
<http://taxes.caspel.com/eng/taxpayers/land.shtml>
- Republic of Azerbaijan. 2000. The Tax Code of the Republic of Azerbaijan.  
<http://www.taxes.gov.az/eng/qanun/mecelle.html>



## Chapter 4: Belarus

### Introduction

Belarus declared independence from the Soviet Union in July 27, 1990. Belarus is divided into six provinces (voblasts), each with a city serving as the administrative center: Brest Voblast, Homel Voblast, Hrodna Voblast, Mahilyow Voblast, Minsk Voblast, and Vitsebsk Voblast. Each voblast has a provincial legislative authority (oblsoviet) elected by the residents and provincial executive authority appointed by the President. The provinces are further subdivided into districts (raions), each with a legislative authority elected by its residents and an executive authority appointed by a higher executive. As of 2002, Belarus has six voblasts, 118 raions, 102 towns, and 108 urbanized settlements. Local Soviets of People's Deputies supervise the procedures related to computation and payment of the land tax and land rental.

Real estate and land payments are considered “national taxes assigned to local budgets” (Bell *et al.* 2005). The central government establishes the base and rates for property taxes. The base of the land tax is area (tax per hectare) and the base of the real estate tax is the value of buildings and other improvements to the land. Local governments depend on revenue from the national property tax for about a third of their budgets. In 1999, the national real estate and property tax comprised 33.7 percent of local revenue (Bell *et al.* 2005). Local taxes such as retail, services, advertisement, and user fees generate the remaining revenue for local governments.

For non-municipal land, 25 percent of the revenue received from land tax payments goes to the republican budget and the remaining 75 percent goes to the budget of local Soviets of People's Deputies at primary and basic territorial levels. Forty percent of the revenue from land tax payments collected in municipalities goes to the republican budget and the remaining 60 percent goes to the budget of the town.

In the discussion below we focus on the area based property tax.

### Taxpayers

Belarus distinguishes between physical persons, meaning living human beings and natural persons, and legal persons, meaning organizations, enterprises and juridical persons.

Payers of the land tax include land owners, land users, lessees, land proprietors, which are legal and physical persons who received plots of land for possession, use or ownership.

### Tax Base

The following types of land plots allotted for possession, use or ownership are subject to tax: agricultural use, populated areas (towns, town-like settlements and rural settlements), industrial, transport, communication, defense and other use, forest resources, and water

resources. These plots of land are taxed according to area with differentials based on location and quality.

### **Tax Rates<sup>1</sup>**

The amount of land tax payment depends on the location and quality of the plot of land, and not on the results of economic or other activities of the landowner, user, or proprietor.<sup>2</sup> Supervised by the Central Ministry of Finance, land cadastre data of land location and quality are used to determine the fixed payments per hectare for each plot. The Supreme Society of the Republic of Belarus reviews the land tax rates when external economic terms and conditions change, such as the established prices, the taxation procedures, the land cadastre data, or rates of inflation. Local authorities have no power to change rates, but the regional Soviet of People's Deputies can increase or decrease rates of the land tax within limits to stimulate rational use of lands or the production of certain kinds of produce, but the adjustments cannot exceed 30 percent.

Land tax differentials depend on the stage of development, zones within Minsk, the population of smaller municipalities, and the property's proximity to the central city, smaller villages, or an unpopulated area. Taxpayers pay 47,700 to 124,800 roubles per hectare for land located in the central city of Minsk, 2,000-4,400 roubles per hectare for land in small villages, and 10 to 132 roubles for land in unpopulated areas (Bell *et al.* 2005 and Almy 2001).

### **Agricultural Lands**

Provided that cadastre data exists, tax rates for land used for agricultural purposes are determined according to Appendix 1 of the Law on Payments for Land. Taxpayers pay 4 roubles per hectare for land covered with shrubs, bogs, or others. If cadastre evaluation data for a plot of land are not available, the land tax is determined using the rates in Appendix 3 of the Law on Payments for Land. Appendix 2 of the Law on Payments for Land determines the rates for lands of populated areas such as cities, towns, town-like settlements, and rural settlements. Town (city), town-like settlement and rural Soviets of People's Deputies can increase or decrease rates of the land tax (not more than two times) upon evaluation of the territory according to the value of engineering communications, access to the plot of land, its distance from the centre of a populated area, architectural, artistic, historic and landscape value of buildings and territories, state of the environment, micro-climatic, sanitary and hygiene conditions, development of cultural and living facilities and services to the population.

---

<sup>1</sup> The Law of the Republic of Belarus, "On Payments for Land," contains three appendices of tax tables, however, the writer has not obtained intelligible versions of the tables in English. Appendix 1,2, and 3 in this section refer to these omitted appendices. The tax rates in the appendices were established on 18 December 1991 in Minsk.

<sup>2</sup> Industrial agricultural enterprises on a list approved by relevant Oblast Soviet of People's Deputies pay the tax on profits in addition to the land tax, the value-added tax and the excise duties.

### Lands of Population Centers

Residential land is taxed according to Appendix 1 with available cadastre evaluation data. Residential land refers to plots of land located within the boundaries of rural settlements, urban, resort and work settlements, as well as outside the boundaries of populated areas and allotted to citizens for the purpose of household, construction and servicing of a living house, plantation and animal farming, grass and pasture purposes, construction of dachas, traditional people's trades, for house-construction and garage-construction cooperatives, and in cases of inheriting or acquisition of a living house. In the absence of a cadastre evaluation for the plot of land, rates stipulated in Appendix 3 are used.

### Lands of Industrial, Transport, Communication, Defense, and Other

Lands of industrial, transport, communication, defense and other use, located outside the boundaries of populated areas, are taxed at a rate three times the amount imposed on that region's agricultural lands. The taxable area includes a sanitary protective zone of an object, if its possession or use is not transferred to other legal or physical persons. Plots of land exceeding the established land allotment standards must pay double the tax, though paying tax on illegal ownership or use does not legalize it. A regional Soviet of People's Deputies can increase these rates, but not more than two times.

### Forestry Lands

Taxes are levied on lands of forest resources when used for agricultural purposes, according to Appendix 1 with available cadastre data and Appendix 3 without cadastre data. Forest resources occupied by buildings, installations and other objects of industrial use belonging to forestry authorities are beholden to the industrial tax scheme. Forestland covers 34 percent of Belarus.

### Water Lands

Lands of water resources allotted for agricultural use are taxed according to the rates in Appendix 1 if cadastre data is available and Appendix 3 if not. Lands of water resources used for agricultural work and occupied by buildings, installations and other objects are taxed according to the industrial scheme. Belarus contains large tracts of marshy land, many streams, and 11,000 lakes.

Land tax levied on plots of land designed for a building owned by several people separately is computed separately for each taxpayer in proportion to the area of the building they use. Land tax levied on plots of land designed for a building jointly owned by several people is computed for each owner in proportion to their share of the building.

Rental payments for land leased from the government cannot exceed the rates of the land tax for relevant categories of lands.

## Exemptions

In general, religious buildings, cemeteries, charities, cultural and historical property, social and cultural facilities, social housing, organizations for the disabled, telecommunication facilities, and administrative purposes are exempt from the land tax. The President of Belarus authorizes lists of specific properties free of tax obligation and he exempts properties by decree.

The Law on Payments for Land exempts the following land from taxation: agricultural lands contaminated with radioactive materials; lands with restrictions on agricultural use; reserves, botanical gardens, national and dendrological parks; lands occupied by monuments of nature, history and culture; institutions of culture, education, health care, social security, nature conservancy, enterprises of invalid societies, sport and health complexes financed from the state budget or from resources of trade unions and enterprises.

Rural, town-like settlements and regional Soviets of People's Deputies can fully or partially free the following lands from land taxation: agricultural experimental farms, facilities of research and educational institutions (i.e. lands allotted for experiments carried on for several years), state quality-testing stations and plots of land, hydrometeorological centers, stations, posts, installations and devices for controlling natural environment contamination.

The Law also extends exemption to reserved lands; cemeteries; plots of land occupied by administrative buildings of local Soviets of People's Deputies; communal lands of populated areas (settlements) such as squares, circuses, streets, passages, motor-roads, embankments, parks, forest parks, boulevards, public gardens, etc., as well as land occupied by communal motor-roads beyond populated areas, and lands of forest and water resources (except water resource lands specified above), and farms during three years from the day of their registration.

Rural, town-like settlements, town (city) and regional Soviets of People's Deputies can grant tax privileges if requested by a payer in the form of a full or partial exemption for a determined period of time. The local authority can defer payment and decrease the rate in the case of: natural and other calamities, or when a land owner or user carries on a radical improvement of lands and uses for agricultural purposes, or for plots of land with farming restrictions or an unrehabilitated fertile layer of the soil.

The Law of Payments on Land exempts certain categories of citizens: participants of the Great Patriotic War, including former partisans or other servicemen, who became invalids as a result of a wound, contusion or mutilation suffered when defending the Motherland or discharging other military services, or due to a disease connected with their stay at the front. Parents and wives of servicemen who died from injury derived in service are also exempt from land tax. Pensioners, invalids of the first and the second groups, and other disabled citizens who live without family members capable of work, or with several children (having three or more under age children) are exempt. Citizens

who moved to rural populated areas (settlements) with a shortage of labor force during the first three years after the decision to provide them with a plot of land, and citizens who are resettled in rural populated areas (settlements) from zones of radioactive contamination during the first three years after the decision to resettle them are exempt from land tax for those 3 years.

### Tax Collection

As of 2001, the reference date for valuation was January 1, 1994 with no recent revaluations and no revaluation requirements (Almy 2001).

Land tax payments are collected annually in the form of land tax or rental payment. The State provides the right to possess or use land, the right of ownership, or a certificate for temporary use of the land, as well as the basis of computation for land tax and rental payments for the land. The Committee on Land Reform and Land Organization of the Council of Ministers of the Republic of Belarus performs the accounting of payers and plots of land as well as state inspections and computation of the land tax. The Committee and state inspections compute the land tax on January 1<sup>st</sup> of each year. The State tax inspection provides a tax notice with the amount of the land tax due to each payer before March 1<sup>st</sup> of each year. Landowners, users, and proprietors must pay the land tax by November 15<sup>th</sup> of that year. New owners, users, or proprietors are liable for land tax starting the month following the month they were allotted the plot of land.

When terminating the right of possession, use, or ownership of the land, the land tax is based on the actual period of use. If an owner, user, or proprietor voluntarily gives up a plot of land allotted for agricultural produce after May 1<sup>st</sup>, the person owes tax for the entire year.

Late payments accrue additional tax at .2 percent of the unpaid sum for each day of delay. If the land tax goes unpaid for two years in a row, or the rental payment is unpaid within the time specified in the lease contract, the rights of possession or use of the plot of land are terminated, according to the Land Code of the Republic of Belarus.

### Appeal Procedures

Every taxpayer has the right to appeal the decisions of the taxation bodies and the actions or inactions of taxation officials to a superior taxation body, official, or to a general or economic court. A taxpayer initiates the appeal procedure by submitting a complaint in writing with supporting documents to the superior taxation body or official within 10 days of receiving the taxation body's decision. If a taxpayer discovers a violation of rights from actions or inaction by officials of the taxation body, the taxpayer has one month from the day of discovery to submit a complaint. The superior body or official will provide a response within one month of receiving the complaint. The superior taxation body may leave the decision unchanged, cancel the decision in part or in full, cancel the decision and appoint an additional tax check, or change the decision. The superior official may satisfy the complaint or leave the complaint without satisfaction. A

copy of the decision is delivered within 5 days to the taxpayer and to the taxation body or official being appealed. Submission of a claim suspends execution of the appealed action, inaction or decision. Submitting a claim to the superior taxation body or to the superior official does not exclude the payer's right to submit the claim to court. The claim on the decision of the taxation body may be submitted to the economic court within one year from the day of taking the decision.

## References

- Almy Richard. (2001). A Survey of Property Tax Systems. Prepared for Department of Taxes and Customs. The Ministry of Finance, Republic of Slovenia (March).  
[www.agjd.com/EuropeanPropertyTaxSystems.pdf](http://www.agjd.com/EuropeanPropertyTaxSystems.pdf) (Accessed February 11, 2008)
- Almy, Richard. (2002). Introduction Market-Value Based Property Tax systems in ex communist countries, *Journal of property tax assessment and administration: an international journal*, Volume 7, Issue 1.
- Bell, Michael E., John H. Bowman, and Lindsay C. Clark. 2005. "Valuing Land for Tax Purposes in Traditional Tribal Areas of South Africa Where There is No Land Market," Lincoln Institute of Land Policy Working Paper, Product Code WP05MB1. [http://www.lincolninst.edu/pubs/dl/1033\\_Bell\\_etc\\_final.pdf](http://www.lincolninst.edu/pubs/dl/1033_Bell_etc_final.pdf) (accessed February 11, 2008).
- Law of the Republic of Belarus, On Payments for Land  
<http://faolex.fao.org/docs/html/blr14513.htm>;  
<http://faolex.fao.org/docs/texts/blr37896.doc>;  
[http://www.belarus.net/softinfo/catal\\_la/100020.htm](http://www.belarus.net/softinfo/catal_la/100020.htm) (accessed January 28, 2008)
- Law of Republic of Belarus, "On Real Estate Tax" No. 1337-XII of December 23, 1991, amended as of December 29, 2006,  
<http://ftp.ncpi.gov.by/work/EnglPortal.nsf/6e1a652fbefce34ac2256d910056d559/6ab5450e01845f4bc2256de4005e1495?OpenDocument> (accessed February 11, 2008).
- The Library of Congress, Republic of Belarus  
<http://www.loc.gov/law/help/guide/nations/belarus.html> (accessed February 11, 2008)
- Tax Code of the Republic of Belarus, General Part, December 19, 2002 No. 166-Z, Amended as of January 4, 2007,  
<http://ftp.ncpi.gov.by/work/EnglPortal.nsf/6e1a652fbefce34ac2256d910056d559/6ab5450e01845f4bc2256de4005e1495?OpenDocument> (accessed February 11, 2008).
- Embassy of the Republic of Belarus in the United States of America  
[http://www.belarusembassy.org/economic/economy/tax\\_system.htm](http://www.belarusembassy.org/economic/economy/tax_system.htm) (accessed February 11, 2008)

## Chapter 5: Bulgaria

### Introduction

Bulgaria has a parliamentary democracy with a President, Vice President, Prime Minister, unicameral National Assembly, and Council of Ministers. The Council of Ministers, nominated by the Prime Minister and approved by the National Assembly, manages the state budget, size of the state taxes and names the governors of Bulgaria's provinces, making for a highly centralized state. Bulgaria consists of twenty-eight provinces (oblasti) that take the name of the respective major city and the region surrounding the capital city, Sofia, is a separate jurisdiction.<sup>1</sup> The territorial tax directorate referenced in the section on appeal procedures is at the regional level.

The Local Taxes and Fees Act 1997 governs local taxation. Municipal tax authorities administer the following local taxes and fees that accrue to the municipal budget: immovable property tax, transfer tax, inheritance tax, gift tax, tax on onerous acquisition of property, and transport vehicle tax, as well as fees for disposal of household waste, use of markets and sidewalks, use of municipal social services, quarrying, technical services, administrative services, lease of grave plots, visitor fee, and dog ownership.

Much of Bulgaria's land is exempt from property taxation because agricultural and forest lands are exempt. A 2004 figure estimates that forests cover one-third of Bulgaria's land area and at least seven percent of the land is devoted to agriculture (5 percent is irrigated and 2 percent is devoted to permanent crops).

Bulgaria's unit of currency, the lev (plural, leva; acronym, BGN), is pegged to the euro. In 2008 the U.S. dollar equals 1.31 BGN.

### Taxpayers

The owner of the land, buildings or property rights is liable for the tax of immovable property. In the event of joint ownership, each owner owes a tax amount proportional to the extent of ownership. Owners of buildings built on land owned by the state or municipality pay the tax. In the case of real right of use, the user is tax liable. Owners or those with rights to use are liable for tax regardless of whether the immovable property is being used or not.

### Tax Base

The tax base consists of all land and buildings, used or unused. Forest land and land and buildings used for agriculture are exempt, but development on agricultural land is subject to tax—only the built up area. The taxable value of the land and buildings is based on a book value, not the selling price. The area of land and buildings with adjustments determine the book value. The specific adjustments written below summarize annex 2 in the Local Taxes and Fees Act, amended and supplemented as of 2005. The National

---

<sup>1</sup> Major cities in Bulgaria include Sofia, Plovdiv, Varna, Burgas, Ruse, Stara Zagora, Pleven and Sliven.



Assembly updates the valuation calculations in annex 2 of the Act when the fair market value index of immovable property increases or decreases by more than 20 percent.

## Land

The assessed value of land is determined by the base tax value per square meter (BV), location (Cl), infrastructure (Ci), spatial development zone (Cz), building development (Cd), surface area (SL), and the value of improvements (VI). The assessed value is calculated in leva by the formula of leva values and coefficients:  $BV \times Cl \times Ci \times Cz \times Cd \times SL + VI$ .

The base tax value (BV) begins at BGN .80 per square meter for land and adjusts upward based on proximity to cities. Annex 2 in the Local Taxes and Fees Act classifies settlements into groups and grades.<sup>2</sup> The value increases by 10 percent for land located within 20 km from grade zero or one settlements and by 5 percent for land located within 15 km from grade two settlements. The base value increases for land located in a country-house zone and resorts near the coastline by 50 percent with a few exceptions. The base value increases by 125 percent for undeveloped sites within development limits of nucleated settlements (i.e. towns).

As a composite measure, the coefficient of infrastructure (Ci) adjusts for the availability of running water, sewer system, electric power supply, and a street network. The coefficient of spatial-development zone (Cz) adjusts for the central zone, manufacturing zone, and farmsteads relative to any other zone. The coefficient of building development (Cd) adjusts for the degree of building development on the land parcel by dividing the floor area by the area of the parcel of land. The base value and coefficients are multiplied by the surface area (SL) of the land parcel. In addition, the value of improvements (VI) represents a sum total of the assessed values of individual improvements: de luxe surfacing (BGN 35.00 per square meter), solid fences (BGN 8.00 per square meter), paved sports ground (BGN 15.00 per square meter), swimming pools (BGN 23.00 per cubic meter), and parking lots (BGN 8.00 or BGN 15.00 per square meter for grassland, paved or any other).

## Buildings

The assessed value of buildings is determined by the base tax value per square meter (BV), location (Cl), infrastructure (Ci), individual characteristics (Cc), height (Ch), wear and tear (Cw), and space of the building in square meters (S). The assessed value is calculated by multiply the values in leva with the coefficients in the formula  $BV \times Cl \times Ci \times Cc \times Ch \times Cw \times S$ .

---

<sup>2</sup> Grade One has two groups – Group 1 includes Blagoevgrad, Veliko Turnovo, Kurdjali, Pernik, Pleven, Rousse, Sliven, Haskovo, Shoumen, Bansko, Nessebur, and Sozopol. Group 2 includes Vidin, Vratsa, Gabrovo, Dobrich, Lovech, Montana, Pazardjik, Silistra, Smolyan, Razgrad, Turgovishte, Yambol, Aytos, Karnobat, NovaZagora, Sevlievo, Harmanli, Troyan, Panagyurishte, Peshtera, Asenovgrad, Radomir, Samokov, Kazanluk, Radnevo, Chirpan, Popovo, Kozloduy, Kranevo, Balchik, Byala (Varna region), Velingrad, Kyustendil, Sandanski, Kiten, Obzor, Pomorie, Primorsko, Sveti Vlas, Hissarya, Tsarevo.

When calculating the base tax value (BV), adjustments are made for the structure of the building as seen in table 1 and 2 (e.g. timber frame, semi-solid structure, solid structure, residential, non-residential building), and type of item (e.g. studio in a condominium, garage in a house). Items within a condominium building, such as studios and garages are taxed as a percentage of the base value of flats (e.g. 100 percent for studios and 80 percent for garages). Items on housing grounds are taxed as a percentage of the base tax value of houses: garages 85 percent; stables, barns, sheds 60 percent; sheds without walls 40 percent. Non-residential items are determined based on a percentage of the base tax value of non-residential buildings: garages and warehouses 80 percent; sheds with walls 60 percent; sheds without walls 40 percent. Indivisible items in common parts of buildings are included in the base value. Table 1 shows the type of structures used in calculating the base tax value.

**Table 1: Structure Type Codes**

<b>Code</b>	<b>Structure</b>
BN	brick nogged timber-framed structure
SS	semi-solid structure
S1	solid structure without reinforced-concrete members or of prefabricated asbestos-cement or other panels (bungalows), solid with partial use of reinforced-concrete members
S2	solid, large-panel
S3	solid with bearing brick walls and entirely cast-in-situ or prefabricated reinforced-concrete floor structures, solid or prefabricated skeleton and framed structure, lift-slab structure, large-panel and sliding forms, skeleton-beamless structures, special structure (steel etc.)

Source: Local Taxes and Fees Act.

**Table 2: The Base Tax Value in Bulgarian Lev per square meter**

<b>Structure</b>	<b>Residential Buildings</b>		<b>Non-residential Buildings</b>
	<b>Flats</b>	<b>Houses</b>	
BN	4.40	3.70	4.80
SS	7.50	6.40	8.20
S1	11.00	9.40	12.10
S2	14.00	12.00	15.40
S3	17.00	14.50	18.70

Source: Local Taxes and Fees Act.

The coefficient of location (CI) is determined by Table 3 or 4 and the site of the building. Use table 3 provides coefficients for all buildings except manufacturing and farm buildings. Table 3 makes adjustments for the municipality grade (see footnote 1), the zone, whether the location is within or outside of development limits, or in a country-house zone. The tax increases by 40 percent for buildings declared as a distributive-trade establishment (e.g. a store, drugstore, discotheque, and restaurant).

**Table 3: The Coefficient of Location for Buildings**

Grade	Zone					Within Development Limits	Outside Development Limits	Country-house Zone	
	I	II	III	IV	V			Grade 1	Grade 2
Sofia	52.0	41.6	35.1	23.4	15.6	14.3	13.0	36.4	20.8
Varna	49.4	39.0	31.2	23.4	15.6	14.3	13.0	33.8	18.2
Bourga	37.7	32.5	28.6	19.5	13.0	11.7	10.4	28.6	13.0
Stara Zagora	35.1	29.9	24.7	18.9	13.0	11.7	10.4	24.7	13.0
Plovdiv	32.5	27.3	20.8	18.2	13.0	11.7	10.4	20.8	13.0
I, Group 1	27.3	20.8	16.9	13.0	11.7	10.4	9.1	15.6	11.7
I, Group 2	17.5	12.5	8.8	6.3		5.0	3.8	7.5	6.3
II	12.0	7.2	6.0	4.8		3.6	3.0	4.8	3.6
III	6.6	4.8	3.6			3.0	2.4	3.6	3.0
IV, V	3.6	2.4				2.4	1.8	3.0	2.4
VI, VII, VIII	1.8					1.3	1.2	1.6	1.4

Source: Local Taxes and Fees Act

The coefficient of location for manufacturing and farm buildings is determined according to Table 4. The category, Favorable, refers to cases where more than 50 percent of the building is located within settlement limits and in proximity (1 km) to the national road network, railway stations, maritime or river ports, or self-contained production zones.

**Table 4: Coefficient of Location for Manufacturing and Farm Buildings**

Grade	Location			
	Favorable		Unfavorable	
	Manufacturing	Farm	Manufacturing	Farm
Sofia	13.0	9.1	9.6	6.0
Varna	12.4	8.7	9.1	5.8
Bourgas	11.7	8.2	8.6	5.4
Stara Zagora	11.4	8.0	8.4	5.2
Plovdiv	8.5	6.0	6.8	4.2
I, Group 1	9.1	6.4	6.7	4.2
I, Group 2	7.8	5.5	5.8	3.6
II	6.5	4.6	4.8	3.0
III	3.9	2.7	2.9	1.8
IV, V	2.6	1.8	1.9	1.2
VI, VII, VIII	1.3	0.9	1.0	0.6

Source: Local Taxes and Fees Act

As a composite measure, the coefficient of infrastructure (Ci) adjusts for the availability of running water, sewer system, electric power supply, telephone communications, central heating and hot-water supply, and a street network. The coefficient of individual characteristics (Cc) is a composite measure with three adjustments. First, the measure considers the height location of items, such as flats on the first floor in buildings of six or more stories, non-residential items on the uppermost floor of a building, etc. The Cc also adjusts for the physical condition of garages, basements and attics, e.g. damaged by natural disaster, no interior overhaul in 20 years. Third, the Cc adjusts for types of improvements: heating system, air conditioning system, de luxe or aluminum joinery unites, sound proofing or heat insulation, roofing, ornaments and facings.

The coefficient of height (Ch) adjusts for the height of distributive-trade establishments, manufacturing or farm work buildings that exceed 4 meters. The coefficient of wear and tear (Cw) is calculated by the age of the building in years and the annual rate of wear and tear for the building's type of structure (BN, SS, S1, S2, S3). The space (S) refers to the enclosed gross area of the building. Any construction in progress is valued as a percentage of the assessed value of the building as designed.

### Agricultural Land

Article 10 exempts agricultural land unless it is developed. The Local Taxes and Fees Act provides a guide to tax valuation of agricultural land in the event of taxation. The base tax value in lev per square meter adjusted by the manner of permanent land use and grade, the presence of irrigation, the coefficient of location, and the space of the land in square meters.

### Building Right, Right of Use, and Right of Ownership

The assessed value of any building right (AVBR) is determined in Bulgarian lev terms, using the following formula:  $AVBR = GFA \times 0.25 \times BV \times Cl \times Ci \times Cp$  where: GFA is the gross floor area of the building in square meters; BV is the base tax value depending on the structure and assigned use of the building; Cl is a coefficient of location depending on assigned use; Ci is a coefficient of infrastructure; and Cp is a coefficient accounting for the period the right for which the right was created (Local Taxes and Fees Act, annex 2, Article 22).

The assessed value of any real right of use (AVRU) is determined in Bulgarian lev terms using the following formula:  $AVRU = AV \times Cp$  where: AV is the assessed value in lev terms of the property affected by the right as created; Cp is a coefficient accounting for the period for which the right was created (Local Taxes and Fees Act, annex 2, Article 23).

The assessed value of a right of ownership, where a real right of use has been created, is reduced by the assessed value of the right of use for the residual period, reckoned at the date of valuation (Local Taxes and Fees Act, annex 2, Article 24).

## **Tax Rates**

The annually updated Local Taxes and Fees Act issues the tax rate. The Act described the tax rate in 2005 as “1.5 per mille of the assessed value of the corporeal immovable” (Article 22), otherwise interpreted as .15 percent of the book value. Brown and Hepworth (2002) report Bulgaria’s tax rate as 1.5 per BGL 1,000 of value and 3 per BGL 1,000 for amounts over BGL 100 million. If the taxpayer uses the property as residence, the tax rate reduces by 50 percent. The tax rate reduces by 75 percent for disabled taxpayers. Using the valuation calculations and tax rate set forth in the Local Taxes and Fees Act, the municipal administration communicates the tax amount owed to the taxable person by February 1st.

## **Exemptions**

The Local Taxes and Fees Act exempts the following types of immovable property in Article 10 and 24:

- Undeveloped agricultural land and forests;
- Public municipal property;
- Public state property, except in cases where state-owned property is used by persons who are not exempt from the tax;
- Public reading-halls;
- Buildings owned by other countries and occupied by consular or diplomatic missions under conditions of reciprocity;
- The buildings of the Bulgarian red cross;
- Buildings used by graduate schools and by the academies for education and research activity;
- Places of worship of the legally registered religious beliefs in the country;
- Parks, sports grounds, playgrounds and similar properties for public use;
- Museums, galleries, libraries;
- Buildings, exclusive of residential buildings, used directly for the purposes of operating the public transport;
- Agricultural buildings of agricultural producers which are used for agricultural activity;
- Temporary structures used for assisting the construction of a new building or equipment until the latter is completed and occupation is taken;
- Buildings which have been duly condemned as endangered from collapse or in hazardous;
- Sanitary state, for a period of 5 years as from the date of issue of the initial certificate; and
- Real properties the title on which has been restored by law and which are not fit for use, for a period of 5 years. The tax on the above real properties, which are used by the state, the municipalities, the public organizations or companies of which they are part, inclusive of those privatized, shall be due by the users.

Article 25 provides the following rebates:

- For property used as a main residence the tax shall be due with a 50% reduction.
- For property used as a main residence of an impaired person of the first or second category of disability the tax shall be due with a 75% reduction.

## **Tax Collection**

Taxpayers inform the local tax authorities of any newly acquired property by providing a tax return within two months. Taxpayers do not need to submit a tax return if there are no changes in the declared data from the previous year. The municipal tax authority notifies tax liable persons by February 1st of the tax value assessment of immovable property based on the type of property, location, surface area, type of construction, and depreciation.

Taxpayers pay the property tax quarterly on March 31st, June 30th, September 30th, and November 30th. Taxpayers that completely pay the tax in one installment by March 31st receive a 5 percent discount. Taxpayers pay tax with cash or debit to the municipal tax office in the area where the property is located and registered. Municipal administration officers exercise the powers of the territorial director of the National Revenue Agency by assessing and collecting local taxes according to the procedures established in the Tax and Social Insurance Procedure Code.

The Tax Procedures Act obliges tax subjects to declare their circumstances, submit the requested data, and present all data related to audits, provide access to premises, provide space for carrying out inspections, and assign a representative when absent for more than 30 days. The head of the tax office issues tax assessment decisions in the form of a Notice of Assessment that establish the amount of tax liability based on declared data. Delinquent taxes and fees accrue interest. When a taxpayer underpays, the tax authority will notify the taxpayer who must pay the difference within 15 days of notification. In cases of no submitted return, or concealed information, the head of the tax office will determine the amount of tax at his discretion according to guidelines.

In the case of new construction or transfer of ownership, tax becomes due one month after transfer or initial construction occurs.

## **Appeal Procedures**

Taxpayers wishing to appeal the notice of assessment, a statement of tax owed, may do so according to the procedures in the Tax Procedures Act. The Tax Procedures Act regulates tax registration, the procedure of issuing, appealing and executing individual decisions of the tax administration. The taxpayer can appeal decisions through the following hierarchy: head of the tax office, superior tax authority, Chief of the territorial tax directorate, and ultimately, the district court. The Chief directorate of the tax administration settles competency disputes among tax authorities.

A taxpayer who disagrees with the notice of assessment or believes to have overpaid submits a written request to the tax authority. The tax authority will perform a tax

inspection or audit. In the case of a refusal, the tax authority will make a written decision. (Amounts unduly collected will offset other payments to the state or refunded.) If the taxpayer objects to the decision, he or she may appeal to the head of the tax office within 14 days of its serving. After examining the findings act,<sup>3</sup> the evidence and objections of the person owing taxes, the head of the tax office will rule on all objections within 14 days. The head of the tax office will issue a written statement when rejecting an objection.

If the taxpayer disagrees with the decision of the head of the tax office regarding tax assessment, he or she may appeal before the head of the territorial tax directorate within 14 days of it being served. Appeals are filed through the head of the tax office that issued the tax assessment decision. The head of the tax office forwards the appeal with written evidence within 14 days to the head of the territorial tax directorate who upholds, repeals, or amends the decision within 14 days, upon which the appealing party is notified within 7 days of the decision. The decision of the head of the directorate may be appealed before a district court within 14 days of its serving.<sup>4</sup> Appeals to the district court are filed with the head of the territorial tax directorate, who forwards them with the tax file to the respective court. The court rulings on tax assessment decisions are final. An interested party may request the review of a ruling, or its overturning, under the Code of Civil Procedure.

---

<sup>3</sup> The findings act consists of 9 pieces of information regarding the taxpayer, the property's value and the amount owed.

<sup>4</sup> The judicial system below the national level includes regional, district, and appellate courts.

## References

- Brown, Peter and Moira Hepworth. 2002. A Study of European Land Tax Systems: Second Year Report. Boston: Lincoln Institute of Land Policy Working Paper, [http://www.lincolninst.edu/pubs/dl/668\\_brown\\_hepworth02.pdf](http://www.lincolninst.edu/pubs/dl/668_brown_hepworth02.pdf) (accessed February 22, 2008).
- Constitution of the Republic of Bulgaria, promulgated State Gazette No.56/13.07.1991, <http://www.parliament.bg/?page=const&lng=en> (accessed February 22, 2008).
- Federal Research Division of the U.S. Library of Congress. Country Profile: Bulgaria, October 2006. <http://lcweb2.loc.gov/frd/cs/profiles/Bulgaria.pdf> (accessed February 22, 2008).
- Law for Preservation of the Agricultural Lands, promulgated in issue no. 35/24 April 1996 of the State Gazette, last amendment issue no. 112/23 Dec 2003 of the State Gazette.
- Local Taxes and Fees Act, promulgated in issue no. 117/10.12.1997 of the State Gazette, last supplemented issue no. 105/29.12.2005 of the State Gazette, [http://www.cityconsultants.org/LEGISLATION/Local\\_Taxes\\_and\\_Fees\\_Act.pdf](http://www.cityconsultants.org/LEGISLATION/Local_Taxes_and_Fees_Act.pdf) (accessed February 22, 2008); [http://www.urban.org/PDF/bulg\\_loctax.pdf](http://www.urban.org/PDF/bulg_loctax.pdf) (accessed February 22, 2008).
- Tax Procedure Act, promulgated in issue No. 61/16.07.1993 of the State Gazette, last amendment issue no. 20/1996 of the State Gazette. <http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN016433.pdf> (accessed February 23, 2008).



## Chapter 6: Burundi

### Introduction

Burundi gained independence from Belgium in 1963 and proclaimed itself a Republic in 1966. Burundi has two main ethnic groups, Hutus (85 percent of the population) and Tutsis (14 percent of the population).

Burundi is subdivided into 15 administrative divisions with 114 communes plus the separate capital province of Bujumbura, which is divided into the sub-provinces.<sup>1</sup> Currently, the IMF is working with the government of Burundi to revamp the General Tax Code to unify the local and national revenue administrations.<sup>2</sup> Tax policy review began after Burundi's accession to the East African Community (EAC) with IMF technical support and support from the World Bank (ERSP project).

Burundi has a land tax based on area. The Land Tax code describing the tax can be found in Book I, Chapter I, Articles 1-38 of the General Tax Code, as amended in 1982.<sup>2</sup>

### Taxpayers

Owners and holders of other rights of land including usufruct are subject to the land tax. The tax is payable by the owner even if the lease agreement stipulates the tenant is obliged to pay.

### Tax Base

The tax on real property/land is levied according to the surface area of the developed or undeveloped land.

#### Developed Land

In case of land with buildings or constructions, the taxable surface area is the difference between the surface area of the land as a whole and the area covered by buildings or constructions. The taxable surface area of the developed portion is determined on the basis of the surface area marked by the outer walls of the building or construction (including the surface area of verandahs, balconies, etc.). The surface area of each part of a building or construction, including cellars, ground floor, upper floors and roof will be taken into account in calculating the total taxable surface area.

---

<sup>1</sup> Fifteen provinces plus capital: Bubanza, Bujumbura City, Bujumbura Rural, Bururi, Cankuzo, Cibitoke, Gitega, Karusi, Kayanza, Kirundo, Makamba, Muramvya, Muyinga, Mwaro, Ngozi, Rutana, and Ruyigi.

<sup>2</sup> This researcher did not find a translated copy of the General Tax Code and used a secondary source from 1992. The General Tax Code may have been updated since then.

## Undeveloped Land

Only undeveloped land situated in municipalities designated by the Minister of Finance will be subject to the tax, as determined by surface area.

## **Tax Rates**

As of March 1992, the property tax rates in Burundi were as follows:

### Developed property

Developed property is taxed at 30-50 BF (Burundi Franc)<sup>3</sup> per square meter in Bujumbura, 25 BF in Gitega, and 15 BF in the rest of the country.

### Undeveloped property

Undeveloped property is taxed at 2 BF per square meter.

The summary of the Land Tax chapter printed in Hammond (1992) describes how partial square meters are handled in a vague way: “Parts of a square meters are left for consideration for purposes of calculating the tax base.”

## **Exemptions**

- Property belonging to the State and local authorities
- Property declared exempt under an international convention ratified by Burundi subject to reciprocity
- Property of individuals whose annual taxable income does not exceed 36,000 BF.

The Minister of Finance will determine by decree the exemption period for each category of buildings in accordance with the use to which they are put. The following types of buildings (or parts of buildings) are exempt from land tax:

- Buildings used exclusively in the public exercise of a legally recognized religious creed or as the residence of ministers of such religions. In order to benefit from such an exemption, the residence must belong to a non-profit organization of a religious character and be situated less than 500 meters from a religious building. No commercial activity may occur there.
- Buildings used exclusively for education, scientific or technical research or social cultural sporting activities
- Buildings (or parts of buildings) completed after 1 January 1978:
  - For 3 years from the year of completion if the property is principally for residential use

---

<sup>3</sup> One US dollar equals 1.18BIF on March 11, 2008.

- For 4 years from the year of completion if the property is principally intended for industrial or artisan purposes
- For 2 years from the year of completion if the property is intended for any use other than those mentioned above

### **Tax Collection**

All taxpayers file an annual return within 3 months of the end of the financial year with the Comptroller of taxes. The return must include all property, taxable and exempt, and be signed, dated, and sent by April 1. Unless notified to the contrary, the most recent returns will be valid for subsequent years. The Directorate of Taxes may require periodic filings of returns.

The Comptroller sends notice to each taxpayer with the amount of tax payable. The entire amount must be paid by the first day of the month following the month the notice was sent. If a taxpayer does not pay the amount owed, the Receiver of Taxes may send the taxpayer final notice asking him to pay within 15 days, or commence proceedings straight away. Land taxes may be recovered for up to 10 years from the date of assessment. A taxpayer who files an inaccurate return and is presumed to be acting in good faith is fined 10 percent of the tax owed. In the case of fraud, a taxpayer is fined 100 percent of the amount of tax due.

## References

- Bizimana, Syldie. 2007. "The Burundi Legal System and Research," Globalex, the Hauser Global Law School Program at NYU School of Law, [http://nyulawglobal.org/globalex/Burundi.htm#\\_2.4\\_Current\\_State](http://nyulawglobal.org/globalex/Burundi.htm#_2.4_Current_State) (accessed March 11, 2008)
- Embassy of the Republic of Burundi, Washington, District of Columbia, USA, <http://www.burundiembassy-usa.org/> (accessed March 11, 2008)
- Hammond, Robert C. 1992. "Supplement No. 82, March 1992," African tax systems. A project of the International Bureau of Fiscal Documentation, Amsterdam. Prepared at the request of the United Nations Economic Commission for Africa. 1970-(loose leaf).
- International Monetary Fund (IMF). 2007. "Burundi: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding," (February 21), <http://www.imf.org/external/np/loi/2007/bdi/022107.pdf> (accessed March 11, 2008).
- Reynolds, Thomas H. and Arturo A. Flores. Foreign Law Guide: Current Sources of Codes and Basic Legislation in Jurisdictions of the World. Foreign Law Guide. <http://www.foreignlawguide.com/> (accessed via GW Law library March 7, 2008)
- Schiavo-Campo, Salvatore. 2006. Managing Public Finance in Burundi: Control, Transparency, and Effectiveness," Prepared by Nathan Associates, Inc. for the United States Agency for International Development, (May), <http://www.nathaninc.com/nathan2/files/ccLibraryFiles/FILENAME/000000000091/Burundi%20Managing%20Public%20Finance.pdf> (accessed March 11, 2008).

## Chapter 7: Cameroon

### Introduction

Cameroon was a British and French colony from 1919-1960 after being a German colony from 1884-1919. French Cameroon gained independence 1 January 1960 and British Cameroon gained independence shortly after. British Cameroon divided into two parts: the northern part decided to join Nigeria and the southern part joined Cameroon in 1961. Cameroon retained both English and French as official languages. The capital of Cameroon is Yaounde.

The 475,442 sq. km. country is subdivided into 10 provinces each of which are headed by a governor appointed by the President. Cameroon has a strong central government. The Ministry of Territorial Administration employs all local government officials and provides most of the local budgets.

According to the Official Gazette Ordinance 74.1 of 1974 that establishes rules to govern land tenure, the State considers itself the guardian of all lands. People have the rights of private property for register registered lands, freehold lands, lands acquired under the transcription system, lands covered by a final concession and land entered in the *Grandbuch*.<sup>4</sup> All lands not considered private property are National lands. The State has a pre-emptive right to purchase lands up for resale. The State also has the right to expropriate lands in the general interest of the country, for public, economic, or social utility. The State will compensate the owner in the event of expropriation unless the buildings are dilapidated.

The officials of Provincial or Divisional Lands Service, appointed by the Minister in charge of lands, issue land certificates from the register books. All owners of deeds must present them to the Provincial or Divisional Lands Service for publication in the land registers. Failure to do results in a freeze on the deed, meaning the rights can not be amended or transferred. Holders of final judgments<sup>5</sup> must notify the Lands Service within two years of the Ordinance in order to convert the judgment into land certificates, which will establish rights or transfer rights. All leases of urban or rural lands not registered in the name of the seller or lessor are null and void. Deeds that establish, transfer or extinguish real property rights must be drawn up by a notary and registered. Individuals deviating from the law of lands face fines and imprisonment.

Secondary sources refer to Cameroon's property tax as both the Real Property Tax and the Land Ownership Tax (Hammond 2003 and Franzsen et al. 2005, respectively). It is an annual area-based tax levied on immovable property by the central government, but local governments may collect a 25 percent surcharge on the national tax. The central government sets the tax rates and shares the revenue with the local governments. The government has recently been studying the possibility of introducing a value-based

---

<sup>4</sup> The Ordinance used this work with no explanation of its meaning.

<sup>5</sup> The Ordinance used the term "final judgment" without an explanation of its meaning.

system in the two largest cities, Yaounde and Douala.<sup>6</sup> These two cities have begun to prepare sophisticated cadastral maps. Cameroon, however, may lack the capacity to change to a capital value based tax system.

### Taxpayers

All individuals and legal entities who own, co-own, or occupy real property pay real property tax. Co-owners are jointly responsible for the tax payment.

### Tax Base

The Land Ownership Tax is based on surface area. The tax on undeveloped land is based on the area of land in square meters. The tax on developed properties is based on the area of the land on which the property is built in addition to the surface area of each level of the building, in square meters. The area-based assessment makes no differentiations for any factors except size and developed versus undeveloped.

### Tax Rates

The graduated scales of rates vary according to the surface area and whether the property is developed or undeveloped.

**Table 1: Tax on Developed Property**

<u>Surface Area (sq. m.)</u>	<u>Rate (F.CFA)<sup>5</sup></u>
Up to 400	5,000
401-1,000	10,000
1,001-3,000	15,000
3,001-5,000	24,000
Over 5,000	24,000 plus F. CFA 10 per additional sq. m. with a maximum of F.CFA 100,000

Source: Hammond (2003)

**Table 2: Tax on Undeveloped Property**

<u>Surface Area (sq. m.)</u>	<u>Rate (F.CFA)</u>
Up to 400	2,500
401-1,000	5,000
1,001-3,000	7,500
3,001-5,000	12,000
Over 5,000	12,000 plus F. CFA 5 per additional sq. m. with a maximum of F. CFA 50,000

Source: Hammond (2003)

<sup>6</sup> This may have taken effect in 2005. Further research is necessary to know if the cities are levying tax based on value while the rest of the country levies an area-based property tax.

Additional surcharge tax levied by the local government is computed as 25 percent of the property tax calculated by the tables above. Taxpayers pay the surcharge tax to the local authority.

### **Exemptions**

The following types of property are exempt from the Real Property Tax:

- Property belonging to the state, local authorities and public bodies not of industrial or commercial nature
- Property belonging to religious, cultural or charitable organizations and used for non-profit purposes
- Property belonging to diplomatic missions and international organizations under an agreement with Cameroon, subject to reciprocal treatment being granted
- Property situated outside major towns

### **Tax Collection**

The Land Ownership tax is paid between January 1<sup>st</sup> and March 31<sup>st</sup> each year.

### **Appeal Procedures**

Traditional Courts continue to play a large role in property law. The national government provides stipends to traditional rulers. The formal court system honors tribal laws and customs when not in conflict with national law.

## References

- Franzsen, Riël C.D. 2004. "Property Taxation in SADC and Commonwealth Countries in Africa: Critical Issues," South African Tax Institute, Presentation to the World Bank, <http://www1.worldbank.org/wbiep/decentralization/afrlib/franzsen.pdf> (accessed March 13, 2008).
- Franzsen, Riël C.D. and William J. McCluskey. 2005. "An Exploratory Overview of Property Taxation in the Commonwealth of Nations," Lincoln Institute of Land Policy Working Paper WP05RF1, [http://www.lincolninst.edu/pubs/dl/1069\\_Franzen\\_complete\\_web.pdf](http://www.lincolninst.edu/pubs/dl/1069_Franzen_complete_web.pdf) (accessed March 1, 2008).
- Hammond, Robert C. 2003. "ATS, Suppl. No. 126, March 2003," African tax systems. A project of the International Bureau of Fiscal Documentation, Amsterdam. Prepared at the request of the United Nations Economic Commission for Africa. 1970-(loose leaf).
- Government of Cameroon., Ordinance 74-1 of July 6, 1974, Official Gazette of the United Republic of Cameroon, to establish rules governing land tenure.
- U.S. State Department. 2008. "Background Note: Cameroon," Bureau of African Affairs (January), <http://www.state.gov/r/pa/ei/bgn/26431.htm> (accessed March 14, 2008)



## Chapter 8: Chile

### Introduction

The property tax in Chile, known as *Impuesto Territorial* (Territorial Tax) or *Contribución a los Bienes Raíces* (Immovable Property Contribution), is a national tax centrally assessed and collected annually on the basis of the fiscal value of land and buildings. The fiscal value, determined by the Chilean Internal Tax Service (SII, *Servicio de Impuestos Internos*), does not represent market value. The calculation of the fiscal value takes into account unit cost, the size of the property, and adjustments for use, location and some other factors.

Revenues from the property tax are eventually remitted to municipalities. But only 40 percent of the revenues are allocated to the municipality where the property is located, while the other 60 percent goes to the Municipal Common Fund, a national revenue sharing system that distributes fund according to a socioeconomic formula. Property tax revenue accounted for 35 percent of municipal revenue in 1999 and its share in total revenue remained fairly stable over time (Irrarrazaval 2004).

### Taxpayers

Owner, occupant, lessee or other legally responsible person of a property is liable for the property tax due on the property.

### Tax Base

The tax base is the fiscal value of land and buildings calculated on the basis of formulae that account for unit cost, size and adjustment coefficients, less applicable exemptions. Real estate in Chile is classified as agricultural and non-agricultural for property tax purposes. Divided into 12 use classes, agricultural land is assigned a base value per hectare based on its class and location (which reflects the type of roads and distances from services). Non-agricultural land is assigned a base value per square meter according to the homogeneous urban zone (*ZCS, zona características similares*) in which the land is located. The zone assignment is based on the municipal land value maps prepared by the SII according to location and the actual use of land. The fiscal value of land is obtained by multiplying the area of land and the base value.

Buildings, whether agricultural or non-agricultural, are divided into six general classes and 33 sub-classes based on construction type. Buildings are simultaneously classified according to the quality of construction. Construction type and quality are combined in tables published the Official Registry to determine the base value per square meter for each category of building. The base unit value is then multiplied by various adjustment coefficients to reflect differences in location, special construction features, degree of commercialization, and age (Rosengard 1998). The cumulative depreciation for the age of a building cannot exceed 25% of the building's fiscal value (Irrarrazaval 2004).

## **Tax Rates**

Property tax rates are established annually by the national government. The general tax rate on agricultural property is 1 percent of the fiscal value less a standard exemption of CLP 5,306,642. For non-agricultural property, all residential property valued below CLP 14,655,788 is exempt. A rate of 1 percent applies to residential property assessed between CLP 14,655,788 and CLP 52,342,100, while residential property valued over CLP 52,342,100 is subject to a rate of 1.2 percent (Delgado 2006). Other non-agricultural property is subject to a rate of 1.2 percent plus a national surcharge of 0.025 percent, which is earmarked to finance firemen.

## **Exemptions**

In addition to the standard exemptions described in the preceding section, the following types of property are also exempt from the property tax: property owned by the central government which meet occupancy and use requirements, property owned by international organizations, and foreign governments on the condition of reciprocity, property used for education, religious activities, cemeteries, property owned by charitable organizations or used for social welfare purposes, and agricultural property dedicated to forestry, with a forestry management plan approved by the National Forestry Corporation (Youngman and Malme 1994).

Certain tax abatements are available to residential buildings certified by the municipal government. Property owners may receive a 50 percent reduction for 20 years for a building area below 70 square meters, for 15 years for an area between 71 and 100 square meters, and for 10 years for an area between 101 and 140 square meters.

## **Tax Collection**

The property tax is administered by the SII, but collected by the Treasury. Tax bills are sent semi-annually to the registered property address. The annual tax payments are due in four installments by the end of April, June, September, and November. Payments may be made at commercial banks.

## **Appeal Procedures**

While the base unit values determined by the SII are not subject to appeal, taxpayers may file complaints about assessment or administrative errors with the regional director of SII, whose decision may be further appealed to Special Appeals Court on Property Valuation, and then to the Supreme Court.

## References

- Delgado, Zandra Valenzuela. 2006. Chile Property Tax.  
<http://www.spencerglobal.com/chile-law/chile-property-tax.html>
- Irarrazaval, Ignacio. 2004. Property Tax in Chile. In *International Handbook of Land and Property Taxation*, Richard M. Bird and Enid Slack, eds. Northampton, MA: Edward Elgar.
- Rosengard, Jay K. 1998. *Property tax reform in developing countries*. Boston, MA: Kluwer Academic Publishers.
- Youngman, Joan M. and Jane H. Malme. 1994. *An international survey of taxes on land and buildings*. Boston: Kluwer Law and Taxation Publishers.

## Chapter 9: Croatia

### Introduction

In the spirit of extensive decentralization and strong local self-government, the Republic of Croatia has authorized its municipalities to levy a large number of local taxes and fees, including various taxes and fees related to property. Pursuant to the Law on the Financing of Local and Regional Self-government Units and its amendments, local property taxes consist of vacation house tax, uncultivated agricultural land tax, unused enterprise real estate tax, unused construction land tax, communal fees and communal charges<sup>1</sup>, all of which are area-based rather than value-based. For each type of property tax, the central government establishes the base and the range of rates while local government is delegated with the authority to confirm the base, to set tax rates within the legal range, and to grant local exemptions. Local government is also responsible for the collection of property taxes, revenues from which shall be allocated to local budgets.

The local government structure of Croatia has two tiers, composed of a total of 570 local units—20 counties (as regional self-government units), 426 municipalities and 123 cities (as local self-government units)<sup>2</sup>, and the City of Zagreb (it has the status of the city and the county). Local government units are financed mainly through their own revenue, joint revenue (which are divided between the state, municipalities/cities and counties), and intergovernmental grants. In comparison to joint taxes, local taxes, despite the reported average annual increase of 5 percent, remain poorly represented in the local budget. Taxes on property<sup>3</sup> and taxes on goods and services (e.g. trading name tax), the major own-source tax revenues for local government, accounted for only 6% of total local revenues in 2005. The Law on Financing the Cities and Municipalities introduced three of the current property taxes (uncultivated agricultural land tax, unused enterprise real estate tax, unused construction land tax) in 2001. The negligible yields from these taxes indicate that most municipalities have yet to levy the taxes or they are not collecting them in a sufficient amount.

### Vacation House Tax

Vacation house tax is imposed on any building or part thereof, or an apartment used periodically or seasonally, with the exception of buildings used for keeping agricultural machines, tools or other equipment. Revenue collected from this tax in 2004 was HRK 2340 million, making up around 0.95 percent of total property tax revenues<sup>4</sup>.

---

<sup>1</sup> Communal fees and communal charges are not typically considered taxes because their proceeds are earmarked for the funding of communal services. However, they have all the features of a property tax because payment is mandatory and not related to the consumption of any specific service. Therefore, they are included here as property taxes.

<sup>2</sup> The numbers are current as of 2005, but may increase from year to year.

<sup>3</sup> Communal fees and charges are not included in this calculation.

<sup>4</sup> In this and subsequent sections, total property tax revenues are calculated based on revenues from vacation house tax, uncultivated agricultural land tax, unused enterprise real estate tax, unused construction land tax, communal fees and charges, unlike in Pavić (2006, 6), which also includes tax on public land use, trading name tax, gifts and inheritance tax, and real estate transfer tax in the total.

### Taxpayers

Taxpayers are owners of vacation houses, including both physical and legal persons.

### Tax Base

The tax base is the useable living area of a vacation house as expressed in square meters.

### Tax Rates

The centrally determined range of the tax rate runs from HRK 5 to 15 per square meter of floor area. Municipal or city authorities may prescribe by their decision a tax rate within the range, depending on the location, age, condition of the infrastructure, and other circumstances essential for the use of the vacation house.

### Exemptions

The central government establishes mandatory exemptions from the tax for the following types of vacation houses: those that cannot be used due to devastation by war or natural disasters (floods, fires, and earthquakes), age, or the run-down state, those used for accommodation of refugees, and those owned by local and regional self-government units and used for the accommodation of children aged 15 or below. Municipal or city authorities may grant additional exemptions for economic or welfare reasons.

### Tax Collection

Vacation house tax is locally collected and administered. Taxpayers are required to file tax returns with the municipality or city in which the house is located by March 31<sup>st</sup> of each year and to make a lump sum payment within 15 days from the date of delivery of the tax assessment.

## **Uncultivated Agricultural Land Tax**

Starting from 2001, local government may choose to levy this tax on idle agricultural land, which includes land that is not cultivated for two consecutive years, and land that by its size, class, and crops, may be cultivated and used for agricultural purposes, but is not cultivated by the owner or leaseholder. Compared to other property taxes, uncultivated agricultural land tax has generated a very small amount of revenue (only HRK 1 million in 2004).

### Taxpayers

The taxpayer is the owner or leaseholder of uncultivated agricultural land that exceeds one hectare in area. In case of farming household, the tax is imposed on the household member registered as its representative in the land registry records.

### Tax Base

The tax is assessed on the basis of the surface area of idle arable agricultural land as calculated in hectares.

### Tax Rates

The tax rate is set by law to range from HRK 100 to 1,000 per hectare, with different upper limits for arable land (HRK 500), vegetable patches (HRK 800), orchards, olive woods and vineyards (HRK 1,000), and meadows (HRK 250). Within those limits, municipalities or cities may prescribe the amount of tax on uncultivated agricultural land depending on the location, size, class, crops, and other circumstances of importance for the use of the land.

### Exemptions

The tax is exempt for land entrusted to the local government for temporary use to other persons, and land with an attribute of cultural heritage in accordance with the Law on Cultural Heritage Protection and Preservation. The municipality or city may prescribe by their decision additional exemptions from this tax depending on the location (mountain area), size, class and crops of the land, and also for taxpayers who are disabled as a result of age, illness and the like.

### Tax Collection

The uncultivated agricultural land tax is locally collected and administered. Taxpayers are required to make tax returns to the municipality or city in which the land is located by March 31<sup>st</sup> of each year and to make a single annual payment within 15 days of delivery of the tax assessment notice.

### **Unused Enterprise Real Estate Tax**

Effective since 2001, a municipality or city may choose to impose this tax on real property intended for business activities (industrial and other commercial premises) that is idle for the preceding two years. Revenue from this tax amounted to HRK 75 million in 2004, around 0.03 percent of total property tax revenue.

### Taxpayers

Taxpayers are owners of the unused business property, including both physical and legal persons.

### Tax Base

The tax base is the useable area of the real property as expressed in square meters.

### Tax Rates

The tax rate is prescribed by the state to range from HRK 5 to 15 per square meter. Municipalities or cities may prescribe by their decision the level of tax within these limits.

### Exemptions

The tax is exempt for business properties entrusted to the local government for temporary use to other persons, and properties with an attribute of cultural heritage in accordance with the Law on Cultural Heritage Protection and Preservation. The municipality or city may prescribe by their decision additional exemptions from this tax in case of Acts of God, natural disasters, or there is some other obstacle to utilizing the properties.

### Tax Collection

The unused enterprise real estate tax is locally collected and administered. Taxpayers are required to make tax returns to the municipality or city in which the property is located by March 31<sup>st</sup> of each year and to make a single annual payment within 15 days of delivery of the tax assessment notice.

### **Unused Construction Land Tax**

Starting from 2001, municipality or city authorities may choose to levy the tax on unused construction land, defined as land located within the boundaries of a building area of a settlement where buildings for residential, business and other purposes may be built in accordance with a physical plan. The tax is also imposed on land with a temporary building whose construction does not require a building permit and land on which the remaining parts of the previous building can be still found. Revenue from this tax was HRK 210 million in 2004, about 0.09 percent of total property tax revenue.

### Taxpayers

Taxpayers are owners of the unused construction land, including both physical and legal persons.

### Tax Base

The tax is assessed on the basis of the surface area of the unused construction land as calculated in square meters.

### Tax Rates

The centrally established range of the tax rate is between HRK 1 to 5 per square meter. Municipalities or cities may prescribe by their decision the level of tax within that

interval, depending on the location, size and other circumstances essential for the use of the land.

### Tax Collection

The unused construction land tax is locally collected and administered. Taxpayers are required to file annual tax returns with the municipality or city in which the land is located by March 31<sup>st</sup> of each year and to make a lump sum payment within 15 days of delivery of the tax assessment notice.

### **Communal Fees**

Local governments are empowered to levy communal fees, revenue from which is earmarked for such communal services (utility services) as drainage of precipitation, cleaning of public surfaces, maintenance of public surfaces, maintenance of unclassified roads, maintenance of cemeteries, and public lighting. As of 2000, 363 municipalities and 121 cities collect communal fees and for some of them the proceeds constitute the primary source of local revenue (e.g. 71 percent in the Kostrena municipality). Revenue raised from this source reached HRK 166,430 million in 2004, accounting for almost 68 percent of total property tax revenues in Croatia.

### Communal Fee Payers

Communal fees are imposed on owners of residential space, business space, garage space, building land used for business activities and undeveloped building land.

### Calculation of Communal Fees

Communal fees are assessed on the basis of the usable area of property, adjusted by location and use. The basic rate of the fee, or point value, is expressed as price per square meter. The communal fees due on a property are calculated by multiplying the area by the point value, zone coefficient and use coefficient. The Law on Municipal Economy stipulates that the coefficient for zone 1, the most valuable zone, must be 1.

Municipalities and cities are free to set coefficients for other zones. Zones are determined as rings spreading from the center of the city in most jurisdictions, with the exception of coastal cities, where the most valuable zone is close to the sea. The law also prescribes that the use coefficient for residential properties must be 1, and for business properties must vary within the specified range: 1-5 for production activities and 5-10 for services. Local governments enjoy a fair degree of discretion at establishing the point value and coefficients within the centrally determined limits. In general, business properties are taxed six to ten times higher than residential properties. Businesses typically make up 5 percent of the tax base while they shoulder approximately 70% of the tax burden (Pavić 2006, 16).

### Exemptions



Certain categories of properties are exempt from communal fees: (1) properties used by the Croatian Army for defense purposes; (2) properties used for educational institutions, museums, Archives, health protection and social welfare institutions (owned by the state or a county), religious organizations and firefighting services; (3) building lands used for memorials and cemeteries; and (4) Properties ascertained by a decision about the municipal compensation to be of importance for the local self-government and that their maintenance is financed from the budget; provided that those properties are not given into lease, sublease, rent, sub-rent or other temporary use by their users. Municipal and city authorities are free to grant additional exemptions.

### Fee Collection

Local governments are solely responsible for collecting and administering communal fees. Each municipality or city establishes its own system for assessing the amount of fee due on a property, issuing bills and collecting the fees. In the majority of local government units, communal fees are paid on a monthly. The collection rate is estimated to be 70 percent, still lower than other taxes, and the compliance rate is estimated to be above 50 percent (Pavić 2006, 16). Short of any assistance from the central government, local governments lack the resources to keep their communal fee databases complete and up-to-date. As a result, the bills they issue may be based on erroneous information.

### **Communal Charges**

Communal charges represent another important revenue source for local governments in Croatia. As of 2000, 181 municipalities and 96 cities have chosen to levy communal charges, the proceeds from which earmarked for financing the construction of public areas, unclassified roads, cemeteries and public lighting. In 2004, communal charges generated HRK 76,167 million in revenue, amounting to 31 percent of total property revenues.

### Communal Charge Payers

The owner of building sites on which a building is being constructed pays communal charges.

### Calculation of Communal Charges

Communal charges are calculated as an amount per cubic meter of the building being constructed, multiplied by the area and a zone coefficient. For swimming pools and similar open constructions however, the charges are paid by square meter of their blueprint area. The adjusted basic rate of the charge should be highest for the first zone (i.e. most valuable zone) but cannot go over 10 percent of average costs of constructing one cubic meter of the building.

### Distinctions Between Communal Fees and Charges

While revenues from communal fees are used for the maintenance of the specified utility infrastructure, communal charge revenues are used for the construction of new infrastructure. Unlike communal fees, communal charges are not recurring and should be paid only once for each building being constructed.

## References

- Brown, P.K. and M.A. Hepworth. 2003. *A study of European property tax systems: Final report*. David C. Lincoln Fellowship Year 3 Report.
- Ivanišević, Stjepan, Ivan Koprić, Jasna Omejec and Jure Šimović. 2001. Local Government in Croatia. In *Stabilization of Local Governments*, Emilia Kandeveva, ed. Budapest, Hungary: Local Government and Public Reform Initiative.
- Ministry of Finance of the Republic of Croatia. 2005. *Annual report of the Ministry of Finance for 2005*.  
<http://www.mfin.hr/download.php?id=1103>
- Ministry of Finance of the Republic of Croatia. 2007. The Croatian Tax System.  
[http://www.porezna-uprava.hr/en/porezi/v\\_poreza.asp?id=b01d1](http://www.porezna-uprava.hr/en/porezi/v_poreza.asp?id=b01d1)
- Ministry of Finance of the Republic of Croatia. 2007. Tax Regulations.  
<http://regulations.porezna-uprava.hr/index.asp>
- Ott, Katarina and Anto Bajo. 2002. Fiscal Decentralization in Croatia. Introductory Paper for the Proceedings of the Fiscal Decentralization Initiative for Central and Eastern Europe (FDI) Forum, organized by FDI, Budapest, Hungary and the Institute of Public Finance (IPF), Zagreb, Croatia, November 14-15, 2002, Zagreb, Croatia.
- Pavić, Ante. 2006. Property Taxation: Evolving From a Shared Legislative Heritage: The Means of Property Taxation in Croatia. In *Reforming property taxation in Southeast Europe*, Henri Schreurs, ed. Budapest, Hungary: Fiscal Decentralization Initiative for Central and Eastern Europe.
- Republic of Croatia. 2001. Law on Local and Regional Self-government Units.  
<http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN013650.pdf>
- \_\_\_\_\_. 2001. Amendments to the Law on the Financing of Local Self-Government and Administration Units.  
<http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN013651.pdf>

## Chapter 10: Czech Republic

### Introduction

The collapse of the communist regime in 1989 sparked a series of political, social, and economic changes in the then Czechoslovakia, which turned into today's Czech and Slovak republics as a result of the "Velvet Divorce" in 1993. The tax reform in 1993 reshaped the Czech Republic's entire tax system, introducing the Real Estate Property Tax (Real Estate Tax Act 338/1992), along with other direct and indirect taxes on wealth and income. Both land and buildings are subject to the Real Estate Property Tax, but they are assessed separately and taxed at different rates. Short of an appropriate legal framework for the assessment of the market value of property, the Czech Republic adopted an area-based approach to property taxation. The tax base of the Real Estate Property Tax is primarily the area of land plots and the floor space of buildings.

While property taxes constitute an important form of local revenue in many countries, the property tax in the Czech Republic remains highly centralized. Property tax laws are crafted by the parliament and administration of the tax is the responsibility of the Ministry of Finance and its District Financial Offices. The central government determines the tax base, sets the tax rates, and prescribes exemptions. The only opportunity for local tax administrators to have some input in the process is to make adjustments to the tax base by recommending a coefficient that reflects the size of the city where the property is located and some other attributes of the property. Although the property tax has the potential to be an important source of local revenue for transitional countries, it has yet to materialize in the Czech Republic.

### Real Estate Property Tax—Buildings

The Real Estate Property Tax consists of two parts: the tax on buildings and the tax on land. The tax on buildings is imposed annually on applicable buildings and structures.

#### Taxpayers

Owners of the buildings or structures, individuals and corporations alike, are presumed to be liable for the tax due on the property. But if the property is owned by the state, the user or occupier is responsible for the tax. The same rule also applies where it is difficult to determine the ownership, as it happens in the process of restitution of real property to its previous owners.

#### Tax Base

The tax is assessed on the basis of the floor space of buildings as calculated in square meters. Multiplying the area of the building by a locally determined coefficient reflecting the size of the city in which the building is located determines the taxable value of the property. The coefficient usually goes up as the city size increases and ranges from 0.3 for cities with less than 300 residents to 3.5 for cities with over 50,000 residents.

Municipalities are authorized to adjust their coefficient down three levels or up one level to account for building type and location within the municipality. The city of Prague may raise the coefficient up to 5 for well-located properties (normally 4.5). The use of the area-based approach is due largely to the lack of a well-functioning real estate market and of professional tax administrators.

### Tax Rates

Tax rates are determined by the Ministry of Finance and vary by building use type. Expressed in unit price per square meter, the rate may range from CZK 1 to CZK 10 per square meter of floor area. For residential buildings, the tax rate is CZK 1 per square meter. The rate increases however, by CZK 2 per square meter for non-residential or business uses within a residential building, except for buildings used for agricultural production, forestry and water management (the rate for which is the same as that for residential buildings). The rate for recreational and holiday buildings is CZK 3 per square meter and is CZK 1 per square meter for other adjacent structures except detached garages, which are taxed at CZK 4 per square meter. Buildings used in industry, construction, transport and utilities are taxed at CZK 5 per square meter, while the rate for buildings used for other business activities is CZK 10 per square meter. In the case of multi-purpose buildings, the basic rate is determined by the predominant business activity occupying the largest area; if the floor area used for different business activities happens to be the same, the highest relevant rate will apply. All other buildings are subject to a rate of CZK 3 per square meter, except those adjacent to residential buildings (the rate for which is CZK 1 per square meter for floor area above 16 square meters).

For buildings with multiple levels, the basic tax rate increases by CZK 0.75 per square meter for each additional floor above the ground floor if the area of such a floor exceeds two-thirds of the area of the built-up property. If the buildings are used for business purposes, then the basic tax rate increases by CZK 0.75 per square meter for each floor above the ground floor, regardless.

### Exemptions

The central government provides for a good number of mandatory exemptions from the real estate tax on buildings. The following properties are exempt<sup>1</sup>:

- Buildings owned by the state, but not used for business purposes or leased, except for leases granted to organizations financed from the state budget;
- Buildings owned by municipalities;
- Buildings owned by another state and used by diplomatic representatives;
- Buildings administered by the Land Fund of the Czech Republic or transferred to the National Property Fund, unless they are leased;
- Buildings owned by churches and religious societies recognized by the state;
- Buildings owned by citizen's associations and other organizations acting for purposes of public welfare;

---

<sup>1</sup> The list of exemptions is adapted from Rohlíková (1999, 450-451).

- New privately owned residential houses and apartment buildings for a period of 15 years since the issuance of the building acceptance certificate;
- Residential buildings restituted to individuals in accordance with legislation for a period of 15 years from January 1<sup>st</sup>, 1993 (This also applies to buildings that were built before 1948 with the majority of flats being rented or occupied for at least 15 years by occupiers other than the owner and the owner's related persons in compliance with earlier legislation);
- Residential apartment buildings that were transferred to individuals by the state, municipalities or cooperatives, for a period of 10 years from January 1<sup>st</sup>, 1993;
- Buildings used as schools and school facilities, museums and galleries, state archives, libraries, health facilities, social care facilities, foundations, citizen's associations of disabled persons and public accessible listed buildings;
- Buildings used for public transport;
- Buildings used exclusively for improvement of the environment;
- Residential and recreation houses owned by individuals who receive social benefits and who are holders of disabled persons certificates provided that these houses are used as the permanent residence of such persons;
- Historic buildings improved by the owner, for a period of eight years following the issuance of the construction permit; and
- Buildings subject to improvements such as changing the heating system from solid fuel to gas, electricity, or using systems which utilize solar, wind, geothermal or bio-mass energy to improve thermal efficiency of the building.

Property owners must apply for the exemptions each year when they file their property tax returns with the Ministry of Finance. Local governments, especially large cities, have some autonomy in granting additional exemptions to their constituents.

### Tax Collection

The Real Estate Property Tax in the Czech Republic is self-reported and self-assessed, which is uncommon in most countries. Taxpayers receive a tax return form included in an assessment manual that they have to complete and submit to the District Financial Offices of the Ministry of Finance by January 31<sup>st</sup> of each year. Taxpayers calculate their own tax liability by multiplying the area of the building by a specified rate and a coefficient. They may claim any reliefs or exemptions on the same property tax form. Tax payment should be made directly to the District Financial Office in four equal installments on or before May 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup>, and November 30<sup>th</sup> for the current year. Tax liabilities under CZK 1,000 are payable in a lump sum on or before May 31<sup>st</sup>. Data from the tax returns are entered into the Ministry of Finance's computerized State Information System, which includes the Real Property Cadastre and the Inhabitants Register.

The district offices return the collected property tax payments to the taxpayer's municipal government, which then spend the money on the provision of local services. The property tax revenue accounts for around 3.6 percent of all local revenues, a relatively low share as compared to other sources of local revenue.

The Ministry of Finance in the Czech Republic conducts annual estimates of potential property tax receipts using cadastral data and compares the estimates to the actual receipts. As the property tax payments of small businesses count as deductions from the corporate income tax, the ministry is able to compare corporate income tax returns with the property tax returns to identify non-filers. These two comparisons have revealed high levels of compliance on the part of property taxpayers; however, there are concerns about the quality of information in the cadastral system.

The tax authorities may obtain any outstanding tax either by salary deduction or directly from a taxpayer's bank account. A penalty of 0.1% of the outstanding amount will be assessed on late payments.

### Appeal Procedures

Taxpayers dissatisfied with their tax liability may file appeals in accordance with the Administration and Collection of Taxes Act, which governs the administration of all taxes. Appeals are initially made to the tax administrator within 30 days of notification of the tax assessment. The taxpayer must furnish all information required by law and otherwise will be notified to provide amendments within 15 days. If the tax administrator disagrees with the appeal, further appeal can be filed with the appeal authority, which is superior to the tax administrator and whose decision is final. Alternatively, the taxpayer may challenge the decision of tax authorities in a tax court.

The formal procedures for appeals are rarely used however in the case of property tax because tax liability is calculated by taxpayers themselves and tax burdens are fairly light. The only thing taxpayers are likely to protest against is property classification.

### **Real Estate Property Tax—Land**

The Real Estate Property Tax is also levied annually on land that is registered in the Real Property Cadastre in the Czech Republic.

### Taxpayers

The taxpayer is typically the owner of the land, or the user of the land if the land is owned by the state or the owner is unknown.

### Tax Base

The tax base is primarily the area of land plots as measured in square meters. The taxable value of land is calculated by multiplying the land parcel area by the same coefficient that

applies to buildings to reflect the size of the jurisdiction where the land is located. Exceptions are made for agricultural land, commercial forestry, and fish farms, which are taxed on the basis of assessed values issued in the Price Decree of the Ministry of Finance. The tax on agricultural land is based on the average prices per square meter of agricultural land in the cadastral region, as estimated by the Ministry of Agriculture from soil classifications (which determines the soil quality of every parcel of agricultural land) and reported to the Cadastral Office. The Price Decree prescribes the values of forests with accounts for different types of woodland and soil types, while it prescribes only one value per square meter for fish farms.

### Tax Rates

Land is divided into several categories for property tax purposes. Different tax rates apply to different categories of land. For instance, plots upon which buildings or yards are constructed are subject to a fixed tax rate of CZK 0.1 per square meter. The tax rate for building plots suitable for development is CZK 1 per square meter. Agricultural land is taxed at 0.75 percent of its assessed value. The tax rates for forests and fish farms are both 0.25 percent.

### Exemptions

A broad range of exemptions is available for land as listed below:<sup>2</sup>

- Land owned by the state, but not used for business purposes or leased, except for leases granted to organizations financed from the state budget;
- Land owned by municipalities;
- Land used for foreign embassies;
- Land administered by the Land Fund of the Czech Republic or transferred to the National Property Fund, unless it is leased;
- Land constituting one functional unit with a building used for the purposes of religion, conducted by churches or other religious societies recognized by the state;
- Land constituting one functional unit with a building owned by citizen's associations and other organizations acting for purposes of public welfare;
- Land constituting one functional unit with a building serving schools and school facilities, museums and galleries specified by a special regulation, libraries, state archives, health facilities, social care facilities, foundations and with buildings of listed monuments specified by a decree issued by the Ministry of Finance in conjunction with the Ministry of Culture;
- Land constituting one functional unit with buildings serving exclusively for the improvement of the environment as specified by a decree issued by the Ministry of Finance in conjunction with the Ministry of the Environment;
- Land used for cemeteries;
- Land used for public transport;

---

<sup>2</sup> The list of exemptions is adapted from Rohlíková (1999, 449-450)



- Land used for game reserves, groves, windbreaks, meadows and pasture land; land located in zones of hygienic water protection and land in other areas which cannot be used in any other way.
- Land used for public parks, recreation areas and sport facilities;
- Land located in protected areas in accordance with legislation governing the protection of nature and countryside, except for national parks and protected natural areas; land situate in national parks and protected natural areas classified as Zone I;
- Agricultural land for a period of 5 years and forestry land for a period of 25 years following the year when the land has been returned to agricultural or forestry production; and
- Up to 10 hectares of agricultural and forestry land restituted to the original owners for a period of 5 years from January 1<sup>st</sup> 1993.

### Tax Collection

The Real Estate Property Tax on land is centrally collected and administered and its regulations are basically the same as those for the tax on buildings. The only difference is that owners of agricultural land may pay the tax in two equal installments on or before August 31<sup>st</sup> and November 30<sup>th</sup> for the current year.

### Appeal Procedures

Just as in the case of the tax on buildings, taxpayers may also protest against their land tax burdens following the procedures laid out in the Administration and Collection of Taxes Act.

## References

- Brown, P.K. and M.A. Hepworth. 2003. *A study of European property tax systems: Final report*. David C. Lincoln Fellowship Year 3 Report.
- Bryson, Phillip J. and Gary C. Cornia. 2000. Fiscal Decentralization in Economic Transformation: The Czech and Slovak Cases. *Euro-Asia Studies*, 52 (May): 507-522.
- \_\_\_\_\_. 2002. Fiscal Decentralization in the Czech Republic.  
<http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN004616.pdf>
- \_\_\_\_\_. 2003. The Property Tax—A Missed Opportunity for Fiscal Decentralization in Transition Countries? The Czech and Slovak Cases.  
<http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN009016.pdf>
- \_\_\_\_\_. 2003. Moral Hazard in Property Tax Administration: A Comparative Analysis of the Czech and Slovak Republics. *Comparative Economic Studies*, 45: 44-62.
- Bryson, Phillip J. and Gary C. Cornia with Alena Rohlíčková Holmes. 2001. Taxes on Real Property in the Czech Republic. In *The development of property taxation in economies in transition: Case studies from Central and Eastern Europe*, Jane H. Malme and Joan M. Youngman, eds. Washington, DC: The World Bank.
- Kubátová, Kveta, Alena Vancurová, Bojka Hamerníková and Frantisek Ochrana. 2000. Local and Regional Tax Administration in the Czech Republic. In *Local and regional tax administration in transition countries*, Mihály Högye, ed. Budapest, Hungary: Local Government and Public Service Reform Initiative Open Society Institute.
- McCluskey, William and Frances Plimmer. 2007. The Potential for the Property Tax in the 2004 Accession Countries of Central and Eastern Europe. *RICS Research Paper Series*, 7(17): 1-36.  
[http://www.rics.org/NR/rdonlyres/A9361A22-2E7C-4D83-9A70-C403349665DA/0/40707\\_Prop\\_Taxwebversion.pdf](http://www.rics.org/NR/rdonlyres/A9361A22-2E7C-4D83-9A70-C403349665DA/0/40707_Prop_Taxwebversion.pdf)
- Real Estate Tax. 2007. <http://www.czech.cz/en/economy-business-science/investment-counsel/tax-system/real-estate-tax/>
- Rohlíčková, Alena. 1999. Property Taxation in the Czech Republic. In *Property tax: An international comparative review*, William McCluskey, ed. Aldershot, VT: Ashgate.

## **Chapter 11: Dominica**

### **Introduction**

Unlike most countries in the Caribbean, Dominica does not have a nationwide property tax. At present, only Roseau City Council levies property tax on land and buildings within its jurisdiction. The local tax appears to be based on the assessed value of property, but in practice, the assessed value is a nominal value assigned to a unit area of building or land rather than the market value of the property. The property tax adopted in Roseau city functions as an important source of local revenue, accounting for about 40 percent of total local revenue (Franzsen and McCluskey 2005).

### **Taxpayers**

Owners of taxable land and buildings are by default payers of the property tax. The municipal law provides that unpaid amounts of the tax can be recovered from the occupier.

### **Tax Base**

The tax base is defined as the assessed value of buildings and land. But the way in which assessed values are determined reveal that the tax is essentially levied on the basis of area. Buildings are valued on the basis of cubic capacity and the assessed value is simply the number of cubic feet multiplied by XCD 1. Land is assessed on the size of the holding.

### **Tax Rates**

A flat rate of 1.25 percent of the assessed value is fixed by the city council, with no adjustments for use or location of the property.

### **Exemptions**

Exempt from the tax are public buildings, churches, schools, and residences occupied by a minister of religion. The city council may remit in whole or in part the property tax payable on the grounds of poverty, deteriorated premises, property used for charitable purposes, and any other good and sufficient reason.

### **Tax Collection**

The property tax due is payable annually to the city council in two equal installments. A penalty of XCD 0.25 will be assessed and compounded for each month the tax payment is over due. For instance, a penalty of XCD 0.25, XCD 0.50, and XCD 0.75 are charged respectively for payment that is one month, two months, or three months late.

### **Appeal Procedures**

Any person aggrieved with the assessment may file a written appeal with the city council within 14 days after the publication of the valuation list. The council must make a decision on the appeal within 30 days of receipt. The decision of the council may be further appealed within 14 days to the Magistrate, whose decision is final.

## References

- Dos Santos, Paulo and Laurel Brain. 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).  
[http://caricom.org/jsp/community/cota/general\\_assembly/18cota-caricom-tax-system-survey.pdf](http://caricom.org/jsp/community/cota/general_assembly/18cota-caricom-tax-system-survey.pdf)
- Franzsen, Riel C.D. and William McCluskey. 2005. An Explanatory Overview of Property Taxation in the Commonwealth of Nations. Lincoln Institute of Land Policy working paper.
- Local Government Department of the Ministry of Community Development, Gender Affairs and Information of the Commonwealth of Dominica. 2002. Dominica's Local Government System.  
<http://www.dominica.gov.dm/cms/index.php?q=node/107>

## Chapter 12: Eritrea

### Introduction

Eritrea shares a history with Ethiopia until 1993 when it seceded as an independent state. The State of Eritrea ratified a Constitution on May 24, 1997. The government enacted Proclamation No. 86 for the Establishment of Regional Administrations (PERA) in 1996 that divided the country into six regions<sup>1</sup>, *zobas*, and 56 sub-*zobas* and villages, *kebabis*. All three levels have an executive administrative body. The *zobas* have elected regional assemblies, *baitos*, and the *kebabis* levels have *megabaayas*, a legislative body composed of all adult residents in the village. Town administrations are considered at the sub-region level, but they have *baitos*. The capital is Amsara.

Three Ministries of government are relevant to land management and taxation: the Ministry of Finance and Development (taxation), the Ministry of Land, Water and Environment (land registration, cadastral data), and the Ministry of Local Government (supervises regional administrations). The Ministry of Land, Water and Environment conducts all land registration and allocation as well as collects all cadastral information used by the Ministry of Finance for taxation purposes.

The State owns the land and allocates it in three categories: *tiesa* (usufruct for rural housing), agricultural usufruct or leasehold. By default, the government has rights to any land not allocated to a user. The right holder must use the land for the allocated purpose. Different rules apply to different types of holding. The Government will reclaim a usufructuary's land after two years if they settle in another place, cease to use the land, or has sufficient means of livelihood from another source. A usufructuary may lease his usufruct right in whole or in part. Land allocated to a usufructuary for farming may not sell or donate the land. The Ministry of Land permits land rights to pass from parent to child via inheritance, however, the children may not partition the land.

The following legislation is relevant to land taxation:

- The rural agricultural income tax is akin to a land tax as promulgated in the Rural Agricultural Income Tax and Cattle Tax Proclamation 63/1994.<sup>2</sup>
- Tax Proclamation of 62/1994 revised in 2001<sup>3</sup>
- Proclamation No. 95/1997 establishes a Cadastral Office under the Ministry of Land, Water and Environment to register all land, rights, duties, and property transfers through sales, donations, or succession. The Office registers all *tiesa* land, agricultural usufruct, leasehold and land used or unused by the Government, as well as any change or transfer or error correction. The Office maintains a map that shows parcel features and clear boundaries.
- Land Proclamation No.58/1994 -- A proclamation to reform the system of land tenure in Eritrea, to determine the manner of expropriating land for purposes of

---

<sup>1</sup> Central, Southern, Gash-Barka, Anseba, Northern Red Sea, Southern Red Sea.

<sup>2</sup> The researcher did not obtain the proclamation.

<sup>3</sup> The researcher did not obtain the revised proclamation.

development and national reconstruction, and to determine the powers and duties of the land Commission.<sup>4</sup>

- Legal Notice No. 31/1997 A Regulation to Provide for the Procedure of Land Allocation and Administration Legal Notice No. 31/1997 to Provide for the procedure of allocation and administration of land." Applies to all types of urban and rural land.<sup>5</sup>
- Proclamation No. 95/1997 A Proclamation to Provide For the Registration of Land and Other Immovable Property.<sup>6</sup>

## **Taxpayers**

A person or group who holds the usufruct right or lease right to the land pays rent and/or taxes to the government.

Every Eritrean citizen has claim to *tiesa* land. The Ministry only grants agricultural usufruct rights to citizens residing in villages who depend on agriculture for their livelihood. Eritreans, aliens, businesses, and legal associations are all eligible for leaseholds. Initially, leaseholds last from 10-60 years depending on the purpose and location. The initial leasehold for dwelling houses, education, culture, sport, health, etc. is 50 years. Anyone can apply for extended duration and receive it except if reason exists to not extend it.

## **Tax Base**

The tax is based on the land according to the purpose for which the individual or group intends to use the land as indicated at the point of allocation. A right holder of agricultural usufruct pays tax on the land. A leaseholder pays annual rent to the government throughout the lease duration and a tax.

To the extent possible, the Ministry of Land, Water and Environment allocates land of a standard size to right's holders, proportionate to the purpose. In addition to varying in purpose, land may also vary in size (surface area in square meters), the grade of plot, its position according to the area plan, and its rental category. The Ministry of Land records all information at the point of allocation and registration and maintains the Cadastral information.

The Ministry of Land gives a certification or lease agreement to rights holders. A right holder may apply for urban or rural *tiesa* land. When allocating, the Ministry will consider the right holder's requested location, but ultimately decides the location of the land allocation. Once allocated, a rights holder cannot deviate from the plan, as in building a dwelling house on land allocated for business or using a structure for business on land allocated for residence. To ensure the right holder puts the land to the designated use, he or she informs the cadastral office about the status of the land in writing three

---

<sup>4</sup> The researcher did obtain this proclamation.

<sup>5</sup> The researcher did obtain this proclamation.

<sup>6</sup> The researcher did obtain this proclamation.

times within the first two years of allocation. If the right holder uses the land for any other purpose than designated, the Ministry will cancel the allocation/lease.

The Proclamation prohibits the sale, exchange or mortgage of land as well as sub-leasing except for land allocated for agricultural usufruct. The Proclamation permits a right holder to erect immovable structures on the allocated land as long as he or she registers the building with the land registry. The immovable property may be sold, exchanged, transferred or mortgaged.

## **Tax Rates**

### Tax on agricultural usufruct land

According to Proclamation, the land allocation for agricultural purposes should be the same size for each family. A person or group who holds land in rural areas for the purpose of traditional farming activities is taxed at ERN 18 annually.<sup>7</sup> A person or group who uses land for commercial farming operations will be taxed at ERN 5 per quarter hectare in addition to the ERN 18 annual land tax (Hammond 2005).

### Municipalities

In Asmara, the tax on land in municipalities is 1.85 per square meter of land area. The tax on property is 1.75 per square meter of building area (Doing Business).

### Rent on Leasehold

Right holders pay rent annually for the right to use land on leasehold. The rent differs between urban and rural areas, the location of the land, the use of the land, and the type and extent of investment over the land. Yearly rent ranges countrywide from 0.10 Birr to .25 Birr per sq. meter. Yearly rent for businesses ranges from 0.20 Birr to .25 birr per sq. meter. Yearly rent for land used for commercial farming ranges from 0.05 Birr to 0.10 Birr per square meter.

## **Exemptions**

Right holders make no annual payments or taxes for *tiesa* land.

## **Tax Collection**

Right holders must register all land and building activity with the Ministry of Land, Water and Environment. Upon transfer, a transferee has two months to register with the Ministry of Land before a twenty percent penalty is charged monthly on top of the original service fee. Only ten percent of returns are audited.

---

<sup>7</sup> Eritrea has a new currency as of 8 November 1997. They changed from the birr to the nakfa. 1 birr = 1 nakfa. One nakfa equals .07 US dollars on April 7, 2008.



## **Appeal Procedures**

A land holder who believes his rights, as laid out in Articles 18-27 of the 1994 Proclamation, have been violated may appeal. An appeal for these reasons is handled administratively. Land right holders submit all complaints and petitions in writing to the Land Administrative Body. If dissatisfied, he may appeal to the Land Commission, whose decision is final.

When the Cadastral Office rejects an application for allocation, an official will communicate the reasons for the rejection in writing. If the individual is dissatisfied with the decision or measure of the Cadastral Office, he may appeal to the Ministry of Land, Water and Environment within 15 days. If he is still not satisfied with the Ministry's decision, he may appeal to the court of the appropriate jurisdiction within 30 days.

When the government takes a right holder's land or does not renew a lease because of development projects or national reconstruction, the Ministry of Land, Water and Environment will negotiate compensation with the right holder. If the parties fail to agree on the compensation, the case will go to the High Court. The High Court has exclusive jurisdiction over compensation matters.

The Ministry of Land, Water and Environment has a duty to respond to any court request for registration and cadastral information pertaining to land disputes.

## References

- Doing Business. "Registering Property in Eritrea,"  
<http://www.doingbusiness.org/ExploreTopics/RegisteringProperty/Details.aspx?economyid=64> (accessed March 13, 2008).
- Doing Business. "Paying Taxes in Eritrea,"  
<http://www.doingbusiness.org/ExploreTopics/PayingTaxes/Details.aspx?economyid=64> (accessed March 13, 2008).
- Hammond, Robert C. 2005. "ATS, Supplement No. 134, March 2005," African tax systems. A project of the International Bureau of Fiscal Documentation, Amsterdam. Prepared at the request of the United Nations Economic Commission for Africa. 1970-(loose leaf).
- Government of Eritrea. Proclamation No. 95/1997. A Proclamation to Provide For the Registration of Land and Other Immovable Property,  
<http://faolex.fao.org/docs/texts/eri11855.doc> (accessed March 13, 2008)
- Government of Eritrea. Legal Notice No. 31/1997. A Regulation to Provide for the Procedure of Land Allocation and Administration,  
<http://faolex.fao.org/docs/texts/eri11854.doc> (accessed March 13, 2008)
- Government of Eritrea. Proclamation No. 58/1994. A proclamation to reform the system of land tenure in Eritrea, to determine the manner of expropriating land for purposes of development and national reconstruction, and to determine the powers and duties of the land Commission,  
<http://faolex.fao.org/docs/texts/eri8227.doc> (accessed March 13, 2008).
- Government of Eritrea. Draft Constitution of the State of Eritrea.  
<http://www.shaebia.org/constitution.html>, (accessed March 13, 2008)
- Library of Congress. "Legal Research Guide: Eritrea,"  
<http://www.loc.gov/law/help/eritrea.html> (accessed March 13, 2008)
- The African Executive. "Profiles: Eritrea," The African Executive, your business partner,  
<http://www.africanexecutive.com/modules/magazine/articles.php?article=450> (accessed March 13,2008).
- United Nations Capital Development Fund (UNCDF). "Annex 11: Eritrea Project Concept Paper," UNCDF's project identification mission to Eritrea February-March 2001,  
[http://www.uncdf.org/english/countries/eritrea/local\\_governance/concept\\_papers/ALDP%20Concept%20Paper.pdf](http://www.uncdf.org/english/countries/eritrea/local_governance/concept_papers/ALDP%20Concept%20Paper.pdf) (accessed March 13, 2008)
- U.S. Department of State. 2008. "Background Note: Eritrea," Bureau of African Affairs (March), <http://www.state.gov/r/pa/ei/bgn/2854.htm> (accessed March 13, 2008)

## Chapter 13: Ethiopia

### Introduction

Ethiopia has a federal government with ethnically-based regional states, zones, districts (*woredas*), and neighborhoods (*kebele*) under the Constitution of 1994. The nine administrative regional states<sup>8</sup> are subdivided into sixty-eight zones and two chartered cities,<sup>9</sup> which are further subdivided into 550 *woredas* and six *special woredas*. The Constitution gives authority to regional states to establish their own government and democracy in line with the federal constitution. A regional council elected to represent the districts governs each region with legislative and executive power. An executive committee and regional sectoral bureaus implement the council's mandates. The regional structure is replicated at the *woreda* level. Ethiopia covers 1.1 million square kilometers. The capital of Ethiopia is Addis Ababa, one of the chartered cities.

Property taxes, also referred to as land use fees, are managed and collected at the regional levels.<sup>10</sup> In accordance with the 1994 Constitution of Ethiopia, regional states fix the taxes, deliver the total amounts to the zones, which pass it to the district and peasant associations. The executive body of the peasant associations determines the amount each peasant pays. As of the Proclamation No. 89/1997 on Rural Land administration, peasant associations no longer manage the land. The proclamation moved land registration to the regional level.

### Taxpayers

Officially, the owner (user) of the land is liable to pay the land tax, irrespective of the tenure system. Since 1966, the land tax proclamations have made it clear that the landowner is liable to pay the land tax; however, landowners have managed to shift the tax burden to the tenant farmer, a practice tolerated by the government (Schwab 1970)

### Tax Base

Aneley identifies a number of problems Ethiopian governments at all levels face in taxing land. There are no consistent survey practices or land records; cadastral maps are incomplete and outdated and not all lands have titles. There are no professional standards for assessment and no formal valuation education or qualifications for local assessors. The local committee often influences the valuation and assessment and the assessed valuations for real property taxes are much lower than market value.

---

<sup>8</sup> Afar; Amhara; Benishangul-Gumuz; Gambela; Harari; Oromia; Somali; Southern Nations, Nationalities, and People's Region; and Tigray.

<sup>9</sup> Addis Ababa; Dire Dawa.

<sup>10</sup> Chainie (2007) gives the impression that states have full autonomy to collect and use revenue from taxes without involvement from the central government. Schwab (1970) describes regional administration less independently: Provincial tax collected locally is sent to the central government, who sends it back to the regions. In some years, the central government does not return all the collected money, and in other years more than the collected amount is returned.

Each region assesses the tax base differently. This section will offer a few examples and suggested methodologies for Ethiopia from the World Bank. The following examples describe initial efforts to collect information about land size and in some cases quality in order to compile valuation data and issue certificates of land registration.

Tigray collected information and issued certifications for land use rights in 1997 by sending out briefly trained students to record the area of the land reported by the land holder as agreed upon between the student and the landholder. Land sizes were recorded in measurements of *timad*, an estimate of what an average sized pair of oxen can plow in one day, approximately a quarter of a hectare (Bekure et al. 2006).

In 2003, the Amhara region formed voluntary village land committees to adjudicate the boundaries of land holdings in the presence of the land holders. Committees collected names, the fertility of the soil (good, fair and poor), the types of crops grown, and the rights and obligations of using the land. The committees compiled this information then into a land registry book and issued a certificate of land registration (Bekure et al. 2006).

Between 2003 and 2006, the Oromia and SNNP regions established voluntary village land committees to adjudicate land holdings. As opposed to recording the area as reported by the landholders as in the Tigray and Amhara regions, they measured the boundaries with measuring rope. They calculated the area in square meters by triangulation, but did not measure the angles where the boundaries formed (Bekure et al. 2006).

As for valuation, Tigray partitions the *weredas* into three land tax categories based on soil quality (Kassahun Tigray Region Land Regulation, No 15/1994). Amhara bases land value on land size only. Oromia considers both land size and wealth status, which differs by *wereda*. The *wereda*, Dugda Bora, uses only land size to determine value and Girar Jarso uses wealth status classified by three categories, which are based on the cumulative quality of the residential unit, number of pack animals, livestock, and quality of land owned (Kassahun).

## **Tax Rates**

Kassahun reports that the land tax has remained constant since the Derg period. As of 1990, farmers pay Br 10.00 for the first hectare and Br 7.50 for each additional half hectare for the land use tax. The land use fee for state farms is Br 15 per hectare.

Tigray levies the tax by partitioning the *weredas* into three land tax categories based on soil quality: the lowest land quality pays birr 30 per unit, the middle pays birr 35, and the highest pays birr 40<sup>11</sup> (Kassahun cites Tigray Region Land Regulation, No 15/1994).

## **Exemptions**

---

<sup>11</sup> One US dollar equals 9.6 Ethiopian Birr.

A great deal of insecurity about land tenure continues to pervade the countryside because the 1994 Constitution guarantee that any adult over the age of 18 is entitled to free land if they choose farming as their livelihood. Such a promise can only be kept in settled areas if redistribution akin to the Derg era took place. Therefore, the historical connection between tax payments and entitlement to land motivate land holders to pay taxes and avoid exemptions.

### **Tax Collection**

The literature reviewed revealed various stories of tax collection enforcement. The government may take over land if the owner fails to pay taxes. The government can lease this land to tenants or grant it to someone. The taxpayer can reclaim the land by paying double the tax due, unless granted to a third party. Cohen (1973) says that this leads to corrupt practices, where powerful local or national officials will intentionally default on land payments and have the land granted to them.

Schwab (1970) reports that many large landowners simply refuse to pay the tax and usually do not face any penalties.

### **Appeal Procedures**

The Proclamation No. 272/2002 empowers the head of the Region or City Government to establish a Clearance Order Appeals Commission that has jurisdiction over appeals. The Commission can decide to approve, revoke, or amend the decision.

## References

- Aneley, Abuye. 2006. "Synoptic Reflection on Urban Land Administration Issues in Ethiopia," Land Administration Decision Makers Meeting (Windhoek, December 7-8), [ftp://ftp.polytechnic.edu.na/pub/dmm-presentations/Session%202%20-%20Uganda-Ethiopia-Rwanda/DOC\\_Alemu\\_AA\\_Ethiopia\\_ReflectOnUrbanLandAdmin.doc](ftp://ftp.polytechnic.edu.na/pub/dmm-presentations/Session%202%20-%20Uganda-Ethiopia-Rwanda/DOC_Alemu_AA_Ethiopia_ReflectOnUrbanLandAdmin.doc) (accessed March 12, 2008).
- Bekure, Solomon, Abebe Mulatu, Gizachew Abebe, and Michael Roth. 2006, "Removing Limitations of Current Ethiopian Rural Land Policy and Land Administration," Paper Presented at the Workshop on Land Policies and Legal Empowerment of the Poor, The World Bank, Washington, D.C. (November 2-3), [http://siteresources.worldbank.org/RPDLPROGRAM/Resources/459596-1161903702549/S6\\_Bekure.pdf](http://siteresources.worldbank.org/RPDLPROGRAM/Resources/459596-1161903702549/S6_Bekure.pdf) (accessed March 12, 2008).
- Belay, Kassa. 2003. "Question Regarding Rural Land Ownership Rights in Ethiopia," *Journal of Rural Development*, 26(Winter): 99-134.
- Chanie, Paulos. 2007. "Clientelism and Ethiopia's post-1991 decentralisation," *Journal of Modern African Studies*, 45(3): 355-384.
- Cohen, John M. 1973. "Ethiopia after Haile Selassie: The Government Land Factor," *African Affairs*, 72(289): 365-382 (October), <http://links.jstor.org/sici?sici=0001-9909%28197310%2972%3A289%3C365%3AEAHSTG%3E2.0.CO%3B2-0> (accessed March 12, 2008).
- Kassahun, Daniel. "Towards the Development of Differential Land Taxation System in Ethiopia," *Forum for Social Studies*, Draft, [www.eaecon.org/EEA/conferences/Land5Aug2005/Daniel-paper.doc](http://www.eaecon.org/EEA/conferences/Land5Aug2005/Daniel-paper.doc) (accessed March 12, 2008).
- Proclamation No. 89/1997, Federal Rural Land Administration Proclamation, Federal Negarit Gazeta, 3rd Year No. 54, Addis Ababa, 7 July 1997, <http://faolex.fao.org/docs/pdf/eth43983.pdf> (accessed March 12, 2008).
- Proclamation No. 272/2002, a Proclamation for the Re-enactment of Lease Holding of Urban Lands; Federal Negarit Gazeta of the FDRE, 14th May, 2002, <http://faolex.fao.org/docs/pdf/eth44184.pdf> (accessed March 12, 2008).
- Schwab, Peter. 1970. "The Tax System of Ethiopia," *American Journal of Economics and Sociology*, 29:1, 77-88 (January), <http://links.jstor.org/sici?sici=0002-9246%28197001%2929%3A1%3C77%3ATTSOE%3E2.0.CO%3B2-X> (accessed March 12, 2008).

Tadesse, Daniel. 2006. "Reflections on the Situation of Urban Cadasters in Ethiopia," The Municipal Development Partnership, Africa Local Government Action Forum (ALGAF 2006 Phase VI (April 7, 2006), <http://www.mdpafrica.org.zw/ALGAF%202002-06/algaf%20VI/ALGAF%20VI%20Session%20III%20Reflections%20on%20the%20Situation%20of%20Urban%20Cadastres%20in%20Ethiopia.doc> (accessed March 12, 2008).

The Federal Democratic Republic of Ethiopia Ministry of Revenue, official website, <http://www.mor.gov.et/> (accessed March 12, 2008).

U.S. Department of State. 2008. "Background Note: Ethiopia," Bureau of African Affairs (March), <http://www.state.gov/r/pa/ei/bgn/2859.htm> (accessed March 12, 2008).

## Chapter 14: Georgia

### Introduction

The Republic of Georgia is characterized by four administrative levels of government: 1) central state 2) region (and autonomous republics)<sup>1</sup> 3) rayons/districts, 4) villages settlements, towns, and cities. There are 9 regions, 69 electoral districts, five cities independent of a district,<sup>2</sup> and 1,111 villages, settlements, towns, and cities. Nearly a quarter of the population resides in the capital of Tbilisi. As of 2005, the districts and five independent cities are called local self-government units. The country is subdivided into 4 administrative levels, but there are only two budgetary levels, the central state and the local self-government units (district level), reflecting the decentralization efforts of recent legislation.

The Republic of Georgia introduced a new Tax Code December 22, 2004, passed by Parliament and signed by the President, effective January 1, 2005. The Tax Code for 2005 eliminated 14 taxes from the 1997 tax code and retained four national taxes (non-shared): income tax, profits tax, social tax, VAT, and excise tax as well as two local taxes (shared): property tax and gambling tax. The central government transfers one hundred percent of the property tax (including land tax and property transfer tax) to the district budgets or budgets of cities not a part of a district. Local property taxes include individual property tax, property tax of enterprises, tax on motor vehicles, yachts (motor boats), planes, helicopters and tax on agricultural and non-agricultural land.

The Tax Code of 2004 provided local governments a range of rates for property and land taxes. Local self-governments have limited discretion to select property tax rates for their community as long as they do not exceed the minimum or maximum rate established by the central government. Local self-governments report all activity to the Tax Department of the Ministry of Finance.

### Taxpayers

A property taxpayer is a person who owns a taxable object or has the legal right to use the property by virtue of legislation or factual ownership.<sup>3</sup> A person refers to a physical or legal person as defined under the Tax Code of Georgia. A person leasing fixed assets subject to depreciation is considered an owner of the property for purposes of taxation. An enterprise, or legal person, is recognized as entities that perform economic activity such as corporations, firms, and companies, including permanently established foreign enterprise. Each taxpayer receives a taxpayer identification number.

### Tax Base

---

<sup>1</sup> These are two autonomous republics (Abkhazia and Adjara) within the territory of Georgia. As of 2008, the US Department of State reports that 20 percent of the total territory is not under government control.

<sup>2</sup> Tbilisi, Kutaisi, Batumi, Rustavi, and Poti.

<sup>3</sup> Factual ownership means possession of land actually or use of land, except land ownership by virtue of the Georgian legislation and legal ownership.



The tax code defines the object of taxation in multiple categories. A physical person pays tax on immovable property (buildings, construction), land, property used for economic activity<sup>4</sup>, and movable property such as cars and yachts, planes and helicopters. A Georgian enterprise pays property tax on fixed assets, non-assembled equipment, unfinished capital investments and intangible assets existing on its balance sheet (not including land). Foreign enterprises pay property tax on any property located on the territory of Georgia (not including land). Organizations pay property tax on any property used for economic activity (not including land).

Georgian or foreign enterprises, organizations, and physical persons pay property tax on land plots owned by them as well as state-owned land for which they have the right to use. Land area subject to taxation includes land under buildings and structures, land necessary for proper functioning of these buildings and structures, and a sanitary/technical zone of buildings/structures. The base of the land tax is the area of the plot and is this tax is the focus of the following discussion.

The Tax Code distinguishes between agricultural land and non-agricultural land. It defines non-agricultural land as land not used for agricultural purposes and agricultural land as arable and agricultural land used for perennial crops; cultivated and natural meadows and pastures; parcels of forests and wetlands used for agricultural purposes; farm stead, garden, truck-garden and cottage plots; land plots belonging to industrial, transport, communications, energy or defense used for agricultural purposes outside of populated areas; permitted land plots within populated areas used for agricultural purposes; lands occupied by melioration networks; and other land considered agricultural by the law “On Agricultural Land Ownership.”

## **Tax Rates**

### Agricultural

Annual tax rates for agricultural land vary according to administrative units and quality or use of the land. The Tax Code lists the tax rates as GEL per 1 ha. The local self-government unit multiplies the area of the land plot by the appropriate rate to calculate the agricultural land tax. Land plots allocated to a person using the natural resources under the relevant license are taxed at the rate used for natural haymaking meadows and pastures (see table 2).

---

<sup>4</sup> The Tax Code defines economic activity as any activity undertaken with the intent to gain profit or income regardless of the results of the activity.

**Table 1: For land outside a city (borough) administrative unit occupied by sown and perennial crops**

Name of Administrative Unit		Base Rate, GEL/ha	
		Quality of land	
N		good	poor
1	Tbilisi, Marneuli	57	31
2	Bolnisi, Gardabani	52	27
3	Rustavi	51	27
4	Batumi, Gagra, Gali, Gudauta, Gulripshi, Ochamchire, Sukumi	51	27
5	Kobuleti, Khelvachauri, Gurjaani, Dedoplistskaro	44	24
6	Telavi, Lagodekhi, Signagi	43	22
7	Gori, Kvareli, Mtskheta, Akhmeta, Dmanisi, Eredvi	39	21
8	Kaspi, Tetriskaro, Samtredia	38	20
9	Kareli, Khashuri, Sagarego	36	20
10	Kurta, Tsalka	34	19
11	Abasha, Zugdidi	34	18
12	Akhalkalaki, Akhaltsikhe	34	19
13	Martvili, Senaki, Khobi, Poti	33	17
14	Ninotsminda	33	17
15	Akhalgori, Vani, Zestafoni, Lanchkuti, Ozurgeti	30	15
16	Bagdadi, Terjola, Khoni, Kutaisi	28	15
17	Tskaltubo, Tsalenjikha, Chkorotsku	24	13
18	Sachkere, Tsageri, Tskinali	22	12
19	Ambrolauri, Dusheti, Tianeti, Adigeni, Borjomi	18	11
20	Aspinza, Tkibuli, Khulo, Keda	17	9
21	Kharagauli, Shuakevi, Chiatura, Chokhatauri, Oni, Mestia, Lentekhi, Kazbegi, Djava	13	8

Source: Ministry of Finance of the Republic of Georgia, *Tax Code of Georgia*.

**Table 2: For use of natural haymaking meadows and pastures**

N	Administrative Unit	Base Rate L/Hectare			
		Meadows	Pastures	Cultivated	
				Meadows	Pastures
1	Abasha, Akhalkalaki, Gori, Batumi, Bolnisi, Gagra, Gali, Gardabani, Gudauta, Gulripshi, Gurjaani, Dedoplistskaro, Dmanisi, Zugdidi, Tbilisi, Tetrtskaro, Telavi, Lagodekhi, Lanchkuti, Marneuli, Mtskheta, Ninotsminda, Ozurgeti, Ochamchire, Rustavi, Samtredia, Senaki, Signsgi, Sukhumi, Kutaisi, Kobuleti, Kvareli, Tsalka, Tskaltubo, Kevachauri, Khobi, Poti	6	3	8	4
2	Adigeni, Aspinja, Akhagori, Bagdadi, Borjomi, Vani, Zestaponi, Terjola, Tianeti, Kaspi, Martvili, Sagarego, Sachkere, Tkibuli, Kareli, Keda, Shuakevi, Chokhatauri, Chkorotskhu, Tsalenjikha, Kharagauli, Khashuri, Khoni, Khulo, Akhaltsikhe	4	2	7	3
3	Ambrolauri, Akhmeta, Dusheti, Lenteki, Mestia, Oni, Kazbegi, Tsageri, Tskinali, Chiatura, Java	2.5	1.5	4	2

Source: Ministry of Finance of the Republic of Georgia, *Tax Code of Georgia*.

### Non-agricultural

The local self-government can set the base tax rate on non-agricultural land up to GEL 0.24 per square meter. The tax amount is calculated by multiply the base rate by a territory coefficient and the area of the land plot. The territory coefficient differs according to the location and zone, determined by social-economic assessments that make use of documents regarding the construction plans for the populated area or other city construction documents and is approved by the local self-government authorities.

### **Exemptions**

In some cases, the Tax Code exempts property from taxation based on the owner and other cases based on the land. In short, exemptions from the property tax apply to low-income owners; land used for public transportation, services, defense, and historical

monuments; parks, cemeteries, gardens and forests; land associated with water uses; agricultural lands harmed by natural disaster; reserved or state-owned land; airports; land allocated for cultivation (5 years); small agricultural land plots (less than 5 ha); disabled veterans from WWII; inhabitants of the southern slope; land used for medical purposes, scientific research, or social facilities for the disabled.

Property tax exemptions do not apply when a person exempt for the above reasons leases the plot of land, buildings or structures (in part or whole) to another person. The exemption for low-income owners does not apply when the property is used for economic activities. This chapter includes an appendix with a more detailed list from the Tax Code.

Activities of charitable and religious organizations are not considered economic activity and therefore do not pay the property tax.

### **Tax Collection**

Land registration and assessment occurs every year by March 1. The local self-government agencies submit lists of taxpayers specifying the relevant land area, category or zone and tax rate to tax agencies by 1 April of the reporting year. Tax agencies send tax notices of the assessed property taxes on the land to taxpayers by June 1, indicating information needed to compute the tax due. The land tax is imposed on a person from the month after receipt of the title to the land or right to use to the land (pro rated). The property tax on agricultural land is due by November 15. The property tax on non-agricultural land is paid in two equal parts by August 15 and November 15. In the event of joint ownership of buildings, the tax on the land under the buildings will be pro rated by each owner's share.

A taxpayer pays the tax at the place of assessment specified in a tax notice, or if no place is specified, to the place of tax registration.

The Tax Code provides a range of options for the tax agency to enforce tax collection. In reaction to delinquent tax payers, the tax agency can use the taxpayer's property to meet the tax liabilities through a tax lien, without a court decision. The tax agency can seize the delinquent payer's property and sell it at public auction, fine amounts from the payer's bank account, and withdraw cash from the taxpayer's cash-desk. If the property is temporarily in possession of a third person, the tax agency can levy the property tax on the third person. The tax agency has discretion over the sequence of the enforcement measures taken.

The statute of limitations on a tax agency to present a tax notice (on tax or sanction), a taxpayer notice (on tax refund or credit), or use the right to tax lien (or hypothecation) is 6 years from the end of the tax year when the liability arose.

### **Appeal Procedures**

The Tax Code provides taxpayers the right to appeal a tax agency's notification about tax requirements and other decisions, actions, or inaction of tax agencies. A taxpayer can appeal decisions up to three stages in the system of Ministry of Finance. A tax payer will first seek dispute resolution from the tax agency, then the Tax Department of the Ministry of Finance, and finally the Council of dispute review.

The beginning date of the tax dispute is the date the "notice on demand of tax payment" is delivered to the taxpayer. If mailed, date of delivery refers to the date of receipt. Within 15 calendar days of the notice delivery, the taxpayer must present a bank guarantee or deposit the disputed amount into an account until the appeal procedure ends.

The taxpayer must continue the dispute within 5 days of receiving the notice from the tax agency according to the form mentioned in the notice, stating the terms for continuing the dispute. The head/deputy head of tax agency reviews the appeal of the taxpayer within 10 days of receiving the appeal and issues an order that satisfies the appeal in whole or in part, or denies the appeal. The tax agency sends the decision, signed by the head, to the taxpayer within 3 days of issuing the order. If the tax agency only partially satisfies the appeal or denies it, it will send the "notice on demand of tax payment" and additional documentation to the Tax Department of Ministry of Finance within 3 days of issuing the order. The same information is sent to the taxpayer.

The taxpayer has 5 days upon receipt of the order and accompanied proof to appeal the decision of the head/deputy of the tax agency to the Tax Department of the Ministry of Finance. The Tax Department will make a decision within 15 days of receiving an appeal. The decision will satisfy, partly satisfy, or deny the appeal and send the decision to the tax agency and the taxpayer within 3 days of making a decision. The Tax Department has the authority to annul the decision of the tax agency, annul and make a new decision, or make an unfavorable decision on the appeal. The decision must be signed by an authorized official from the Tax Department. If the Tax Department partly satisfies or denies the appeal, it will deliver all materials of the case with its decision to the Council and the taxpayer within 3 days of making the decision. If the Tax Department does not make a decision nor deliver it to the taxpayer within these dates, it is considered as a decision to deny satisfying the appeal.

The taxpayer may appeal the decision of the Tax Department to the Council. The Council will resolve the dispute within 15 days of receipt. The sitting is headed by the Minister of Finance or a member of the Council appointed by him. The Council defines the order of the sitting. All Council members must vote on the case; a decision is made by majority. The appellant chooses whether or not to attend or be represented at the Council sitting. The Council has the authority to annul the decision of the tax agency and/or the Tax Department, annul the decision and make a new decision, or make an unfavorable decision on the appeal. The Council will send or personally deliver a copy of the confirmed decision to both parties or to their representatives within 5 days. The decision of the Council goes into effect 10 days from receiving the decision. If the

Council does not make a decision or deliver it within the allotted time, it is considered a denial to satisfy the appeal.

## References

- Eiweida, Ahmed A. R. 2007. "Regional and Municipal Infrastructure Development Project," World Bank Report No. AB3507, November 29, [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/01/10/000076092\\_200801111102512/Rendered/PDF/PID0concept0st1structure0Dev01final.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/01/10/000076092_200801111102512/Rendered/PDF/PID0concept0st1structure0Dev01final.pdf) (accessed February 29, 2008).
- Margaryan, Araksya. "Enhancing the Capacities of Regional and Local Governments to Provide More Authority in public Finance," The United Nations Online Network in Public Administration and Finance (UNPAN), <http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN009146.pdf> (accessed February 29, 2008).
- Ministry of Finance of the Republic of Georgia. Tax Code of Georgia, December 22, 2004, translated by Georgia Enterprise Growth Initiative, [http://www.galtandtaggart.ge/galt\\_files/uploads/Tax\\_Code\\_of\\_Georgia.pdf](http://www.galtandtaggart.ge/galt_files/uploads/Tax_Code_of_Georgia.pdf) and [http://www.agbdc.com/publications/tax\\_code\\_eng.doc](http://www.agbdc.com/publications/tax_code_eng.doc) (accessed February 29, 2008).
- Ministry of Finance. Organic Law of Georgia, Unified Election Code of Georgia, translated by IFES and the Organization for Security and Co-operation in Europe (OSCE), as amended August 14, 2003, <http://www.cec.gov.ge/kanonebi/kodeqsiENG.pdf> (accessed February 29, 2008)
- United Nations Economic Commission for Europe (UNECE). 2007. "Chapter II: Institutional Framework," Country Profiles on the Housing Sector: Georgia. [http://www.unece.org/hlm/prgm/cph/countries/georgia/CPGeorgia\\_Chapter2.pdf](http://www.unece.org/hlm/prgm/cph/countries/georgia/CPGeorgia_Chapter2.pdf), (accessed February 29, 2008).
- United Nations Development Programme (UNDP). 2005. "Fiscal Decentralization in Transition Economies: Case Studies from the Balkans and Caucasus," Bratislava. <http://europeandcis.undp.org/files/uploads/LG/FiscalDecentralization2005.pdf>, accessed February 29, 2008).
- U.S. Department of State. "Background Note: Georgia," Bureau of European and Eurasian Affairs, February 2008, <http://www.state.gov/r/pa/ei/bgn/5253.htm> (accessed February 29, 2008).

## Appendix

### Article 276. Tax Exemptions

1. The following is exempt from a property tax:

- a. owner of immovable property specified in the article 272.4.a if the revenue earned during calendar year by owner family do not exceed 40,000GEL;
- b. till January 1, 2007 property on balance of entity carrying out activity connected with publishing newspapers and magazines and this property should be used for such activities only;
- c. Land plots directly occupied for main activities of railway transportation, including land plots occupied by rail and rail distance, carriage and locomotive depots, buildings and communications necessary for functioning of the railway, alienation line and defense zone, except for land plots occupied medical, cultural/household, trade, sport and objects not in direct connection with the functioning of the railway. Also, land plots under railway station are not exempt from land tax;
- d. property used for environmental protection and fire protection except land;
- e. motor roads, communications and electronic transmission wires;
- f. standardizing and test bench equipment of the territorial agencies of the State Department of Standardization, Metrology and Certification of Georgia;
- g. property of organizations, except the property used for economic activity;
- h. property needed for oil and gas activities according to the law of Georgia "On Oil and Gas";
- i. the portion of state-owned land allocated to budget-funded organizations, other than lands used for purposes of entrepreneurial activity;
- j. land areas of organizations for the protection of native and historical monuments occupied by structures recognized by the state as monuments of history, culture and architecture, unless they are used for entrepreneurial activity, other than selling entrance tickets;
- k. natural parks, botanical and dendrite gardens, municipal parks for culture and relaxation, cemeteries, zoological gardens and parks, oceanographic stations, alleys, preserves, arboretums, forestry organizations as well as open departmental gardens and forests, other than plots used for entrepreneurial activity;
- l. city reservoirs and their water areas, lands used for transport and underground communications, other than used for production of agricultural goods and economic activity;
- m. hydro-meteorological centers and land plots used for the functioning of stations and equipment for monitoring pollution;



- n. lands occupied by reservoirs designated for operations of the electrical stations and irrigation/drainage systems for providing the population with potable water, as well as the related sanitary, security, and technical zones;
- o. Land plots used for carrying out of oil and gas operations (activities) determined by Law of Georgia “On Oil and Gas” (if not used for other purposes).
- p. vessels, registered in the Public Register of Georgia and sailing under the flag of Georgia, except taxable base specified in the article 272.4.d of this Code;
- q. plots of agricultural land in which half or more of the topsoil is damaged because of natural disaster;
- r. communities, villages of Kurti, Eredvi, villages Avnevi and Nuli-temporarily, until the conflict is settled and the economic situation is regulated.
- s. state-owned and unused pastures and haymaking meadows, and lands and reserve lands or designated for re-cultivation;
- t. plots of land used for airports, airfields, helicopter fields, air navigation security zones as well as for underground communications and plots allotted for the future development of ports if they are not used for economic activity;
- u. physical or legal persons who have received agricultural lands for re-cultivation purposes for the first five years following its allocation;
- v. on the territory of former settlements, as well as families of individuals settled in accordance with state settlement measures - for five years from the time of settlement;
- w. agricultural land plot not exceeding 5 hectares in the ownership of physical person as of March 1, 2004;
- x. melioration infrastructure under the ownership of the government transferred to legal entity of public justice under usufruct agreement in accordance with Law of Georgia on “Land Melioration”, Also, until 1 January 2014, melioration infrastructure, transferred to melioration associations provided by Law of Georgia on “Land Melioration”, and located on their service territory;
- y. disabled veterans of the Second World War and persons equated with them – for land plots allocated through privatization;
- z. Inhabitants of villages and settlements situated on southern slope of Caucasus chain and Racha-Guria mountains specified by the law of Georgia on “Social and cultural development of mountainous regions” on the land plots in the given territory; the land tax is reduced by 50% for the inhabitants of mountainous regions in southern Georgia for the land plot in the given regions;
- aa. property of medical establishments used for medical activities, except land;
- bb. land plots under medical establishments, if not used for non-medical economic activities;

- cc. land plots which are allocated to functioning of scientific-research, educational institutions, experimental breeding stations and experimental farm plots, used for scientific and educational purposes financed from the budget;
- dd. plots which are allocated for the purposes of the functioning of societies and organizations for the blind, deaf-and-dumb, retarded persons, or physically undeveloped children, and veterans of war, elderly houses, orphanages and boarding schools, as well as centers of social adaptation and work-related rehabilitation of teens for executing their main functions and funded from the budget. Plots of land used by orphanages, boarding schools, children villages and kindergartens, that perform child care and education free of charge, if these land plots are not used for economic activity;
- ee. plots of agricultural land in which half or more of the harvest is damaged because of natural disaster (blizzard, hail, drought, flood) and other force major circumstances. The basis for the exemption from land tax is decision of local self-governing bodies, which is granted in agreement with relevant territorial unit of the Ministry of Agriculture of Georgia. The resolution of the commission is made twice—within 2 weeks after the disaster termination date and prior to harvesting;
- ff. hunting farms.

## Chapter 15: Hungary

### Introduction

The change of regime in the early 1990s introduced to Hungary a series of changes in local taxes, including those in property taxes. The 'Act C' on Local Taxes (ALT) adopted in December 1990 granted considerable discretion over local tax levies to municipal governments. Unlike under the old system, in which central government played the primary role in local taxation, local municipalities are empowered to choose which tax, if any, they levy, and to determine the base, the rate, and additional exemptions for the selected tax. In terms of property taxation, local municipalities have the choice to levy any, all or none of the three types of property taxes defined in the Act, i.e. tax on buildings, tax on plots, and tax on tourism property. For each tax, local governments may choose between an area-based approach and a value-based approach, while locally set tax rates are subject to the centrally defined upper limit.

Hungary has over 3,100 local government units, which are composed of 19 counties and four types of municipalities (villages, towns, cities with county rights, and Budapest). While the property tax provides stable revenue for local governments in many Western countries, it has not become a significant revenue source for Hungarian local governments. Intergovernmental transfers in the form of grants account for the bulk of local revenues.

### Tax on Buildings

Local governments may choose to levy an annual tax on all privately owned buildings located within their jurisdiction. The tax constitutes part of the local revenue, but is not allocated for a specific purpose.

#### Taxpayers

Owners of the buildings, by default, are liable for the property tax due on the property.

#### Tax Base

At the discretion of the governing municipality, the tax base can be either the net floor space of the building as calculated in square meters, or the assessed value of the building. The assessed value is mandated as 50 percent of the market value of the property. The correction of the market value is intended to make the *ad valorem* approach take into account the fact that there have been relatively few market transactions in Hungary. Given that an area-based tax is similar to the building tax in the old system and is easier to administer, local governments almost unanimously opted for the area-based approach, with the exception of the municipality of Nyíregyháza. With the tax department and the Fee Office as part of the same organization sharing the same database, the municipality of Nyíregyháza was able to administer a value-based property tax for non-residential buildings (Péteri and Lados 1999). It takes a well-maintained cadastre and well trained staff to support the *ad valorem* approach to property taxation.

## Tax Rates

Depending on the tax base a municipality selects, tax rates may be set as a price per square meter or a percentage of the adjusted market value. The maximum tax rate prescribed by the central government is HUF 900 per square meter for the area-based system, or 3% of the adjusted market value for the value-based system.

## Exemptions

The central government has exempted the following property types from the property tax: small apartments with basic public utilities, small village houses under 100 square meters without utilities, buildings used for welfare services, churches, historic buildings, agricultural property and 25 square meters for each resident. Local governments may choose to grant additional exemptions.

## Tax Collection

Local government has full responsibility over collection and administration of the tax. The current local tax system in Hungary is based on self-identification of property. Taxpayers are obligated to file their tax returns with the local tax administrator and to make payments to municipalities.

One impediment to administration of value-based property taxation is the fragmented recordkeeping system in Hungary. While the legal cadastre is maintained by the Land Offices of the Ministry of Finance, the market transaction records are managed by local Duty Offices. These databases are usually not integrated, making mass appraisal on a national basis rather difficult.

## Appeal Procedures

Taxpayers have the right to challenge the assessments and decisions of any tax authority. The tax reform of 1988 introduced a formal administrative and judicial appeal procedure. All complaints and appeals should be first addressed to the tax authority in question within eight days of notification of the draft decision. The reassessment decision by the tax authority may be appealed to its superior level or its appellate body within 15 days of receipt. The final decision of the appellate body may be further challenged through the judicial system, starting with the local civil court to the county court and ultimately to the Supreme Court.

## **Tax on Plots**

Local municipalities may choose to levy an annual property tax on the unimproved privately or publicly owned land that is located within their respective jurisdiction.

## Taxpayers

Taxpayers are owners of plots that are above the average area within a given municipality. The average size of plots varies by region and is normally defined in the current master plan of each city.

#### Tax Base

The tax base can be either the area of the unimproved land as calculated in square meters or the adjusted assessed value of the plot, as determined by the municipal government.

#### Tax Rates

Local governments set their own tax rates, subject to upper limit defined by the central government, which is HUF 200 per square meter for the area-based system or 3% of the adjusted market value for the value-based system.

#### Exemptions

Land owned by transport and telecommunication companies is exempt from this tax.

#### Tax collection

The tax is collected and administered by municipal governments, as in the case of the building tax.

#### Appeal Procedures

Taxpayers may protest against their land tax liability following the same procedures as described for appeals of the building tax.

#### **Tax on Tourism Property**

The tax is targeted on such recreational properties as summer cottages and holiday homes. Its regulations are generally the same as those of the tax on buildings.

## References

- Brown, P.K. and M.A. Hepworth. 2003. *A study of European property tax systems: Final report*. David C. Lincoln Fellowship Year 3 Report.
- Deak, Daniel. 1997. Taxpayer Rights and Obligations: The Hungarian Experience. *Revenue L J*, 7: 18-42.
- McCluskey, William and Frances Plimmer. 2007. The Potential for the Property Tax in the 2004 Accession Countries of Central and Eastern Europe. *RICS Research Paper Series*, 7(17): 1-36.  
[http://www.rics.org/NR/rdonlyres/A9361A22-2E7C-4D83-9A70-C403349665DA/0/40707\\_Prop\\_Taxwebversion.pdf](http://www.rics.org/NR/rdonlyres/A9361A22-2E7C-4D83-9A70-C403349665DA/0/40707_Prop_Taxwebversion.pdf)
- Mihály Hőgye, György Jenei, László Gy. Király, Edit Varga, Dániel Deák, Csaba Velkei, Szabolcs Lendvai, Anikó Süveges. 2000. Local and Regional Tax Administration in Hungary. In *Local and regional tax administration in transition countries*, Mihály Hőgye, ed. Budapest, Hungary: Local Government and Public Service Reform Initiative Open Society Institute.
- Péteri, Gábor and Mihály Lados. 1999. Local Property Taxation in Hungary. In *Property tax: An international comparative review*, William McCluskey, ed. Aldershot, VT: Ashgate.
- Szalai, Ákos, Ferenc Zay, Mihály Hőgye, Izabella Barati and Ábel Berczik. 2002. Local Government Budgeting: Hungary.  
<http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN013818.pdf>
- Tassonyi, Almos. 2004. Land-Based Taxes in Hungary. In *International handbook of land and property taxation*, Richard M. Bird and Enid Slack, eds. Northampton, MA: Edward Elgar.
- Vámosi-Nagy, Szabolcs, Imre Kocsis, and Luis Alvaro Sanchez. 1998. Tax-Policy Reforms in Hungary. In *Public finance reform during the transition: The experience of Hungary*, Lajos Bokros and Jean-Jacques Dethier eds. Washing, D.C.: World Bank.

## Chapter 16: India

### Introduction

India has a long history of property taxation. Although the Indian Constitution assigns the authority to tax land and buildings to the states, the property tax has, in practice, evolved into a local tax, as states delegate the power to municipalities through their municipal acts. In the context of the federal system, property taxation in India has been characterized by considerable variation in the tax base and rates both across states and across municipalities within a state. The prevailing property tax system is based on a property's annual rental value (ARV), or reasonable rent. A lot of administrative problems arose from the assessment of ARV, such as arbitrary valuation (not reflective of the prevailing market rent), underassessment, frequent taxpayer appeals, and low tax collection rates. The state rental control laws aggravate these problems by disallowing adjustments to the rental values. In response to deficiencies in the existing system, many cities like Patna, Ahmedabad, Bangalore, Pune, Delhi, Indore, Mirzapur and Hyderabad, started to experiment with an area-based system of assessment in the early 1990s. Under the new system, properties are assessed on the basis of a predetermined rental value adjusted by such factors as the built up area, type of construction, age of buildings, location and use.<sup>1</sup>

Organized in a federal union, subnational governments in India consist of 28 states, 6 union territories and the National Capital Territory of Delhi. Within each state, local governments are divided into urban authorities (municipalities) and rural authorities (panchayats). As fiscal decentralization in India is only up to the state level, the taxing power of local government depends highly on the willingness of states to devolve responsibilities and urban authorities generally receive more revenue powers than rural authorities (Rao 2002). Property tax constitutes the primary source of local own-source revenue (36-57 percent) except in municipalities that levy octroi, a tax on the entry of goods into a local jurisdiction for use, consumption or sale. The newly introduced area-based system in some cities has boosted their property tax revenue by 40-60 percent. The importance of property tax in local own-source revenue also varies considerably across municipalities because of differences in state legislation. The levy of the tax is mandatory in some states, but is optional in other states. In states where the levy is optional, some municipalities, especially smaller ones choose not to tap this revenue source at all.

Given the degree of inter-jurisdictional variation in the legal, procedural, and administrative requirements for the property tax, it is extremely hard to generalize how property is taxed in India. The remainder of this section focuses on the experience of Delhi Municipal Corporation as an illustration of the area-based property tax system that has been introduced to selected Indian cities. While these municipalities share some common

---

<sup>1</sup> While Rao (2006) characterizes this as an area-based approach, Naresh (2003) describes this as a revised ARV approach and suggests that the states of Gujarat and Tamil Nadu have adopted an area-based approach that uses the carpet area of buildings as the tax base, with reference to location and use.

features in their application of the area-based valuation model, they use different adjustment factors to suit their local circumstances.

### **Area-Based Property Tax in Delhi Municipal Corporation**

In April 2004, Delhi Municipal Corporation replaced the old ARV system with an area-based system, in which vacant land and buildings are taxed on the basis of unit area.<sup>2</sup>

#### Taxpayers

Owners of vacant land and buildings are liable for the taxes due on their properties. In case of land or building that is not self-occupied and where the owner is constrained by law or court order for recovering the tax due, the occupier of the property shall be liable.

#### Tax Base

The tax base is the covered area of the property, multiplied by the fixed unit area value for the category in which the property is located and various adjustment factors reflecting the type of construction, use, age, and occupancy status of the property. The unit area value ranges from INR 100 to 630 per square meter.<sup>3</sup> If vacant land constitutes more than 75% of the total plot area, the base unit value shall be computed at a factor of 0.3. The tax base is subject to review every three years.

#### Tax Rates

Tax rates are set as a percent of the annual value based on the multiplicative product of unit area value, covered area, use factor (non-residential only), age factor, structure factor, flat factor (up to 100 square meters), and occupancy factor (owner-occupied or not). The annual value of every taxable property must be entered into the Municipal Assessment Book for quality control purposes. Residential and non-residential properties are subject to different tax rates. The tax rate ranges from 6 to 10 percent of the annual value, depending on the category in which the property is located. Non-residential property is taxed at a flat rate of 10 percent. The switch to the area-based model has the effect of reducing tax rates. In Patna, for instance, the rate was reduced from 43.75 percent to 9 percent of the annual value. The statutory tax rates also differ a great deal among municipalities across states. Some states prescribe both upper and lower limits for the property tax levy; some stipulate only the maximum tax rates; and some fix the rate for specified properties. In general, commercial properties are subject to higher rates than residential properties where the distinction is made; and properties are taxed at higher rates in large municipalities than in smaller ones.

---

<sup>2</sup> According to Rao (2006), Patna Municipal Corporation was the first to implement the area-based system and set up a model for others to follow. Naresh (2003) suggests however, the state of Andhra Pradesh was the first to initiate changes to the ARV and Patna adopted a similar approach with some variations.

<sup>3</sup> The unit area value is expressed as price per square foot in many other jurisdictions.



## Exemptions

Exemptions apply to vacant land and buildings that are

- used exclusively for agricultural purposes (other than a dwelling house);
- included in any village abadi, which is occupied for residential purposes by any original owner or his legal heir, up to 100 square meters;
- used exclusively for the purpose of public worship;
- occupied or used exclusively, with the approval of the municipal corporation, for purposes of a public charity, or medical relief to, or education of the poor, free of charge;
- used exclusively for the purpose of public burial or as cremation ground, or any other place used for the disposal of the dead;
- heritage land and buildings specifically notified for exemption by the Corporation or so specified by the Archaeological Survey of India; and
- owned exclusively by war widows, gallantry award winners in Defense Forces, Police and Paramilitary Forces as also civilians who have received bravery awards of the highest order from the Government, provided that the premises are in self occupation for residential use only.

A 30 percent tax rebate is available to senior citizens, women-owned properties, ex-servicemen and physically-challenged persons, up to 200 square meters of the covered area of the property.

## Tax Collection

One new feature of tax administration that came with the area-based approach is self-assessment or self-reporting on the basis of use, location, structure, age, occupancy, etc. Property owners may file a property tax return based on the formula and norms specified in the application form. This new mechanism is said to have freed taxpayers from official harassment and lowered the compliance costs (Rao 2002, 12). In Delhi, taxpayers are encouraged to file their taxes on line. The tax is due on April 1<sup>st</sup> of each year. Tax payment can be made in one lump-sum in the first quarter of the year by June 30<sup>th</sup>, which entitles the taxpayer to a rebate of 15 percent on the tax due. Alternatively, the tax can be paid in four equal quarterly instalments within the dates as specified on the self-assessment form. A penalty interest at the rate of 1% per month would be charged for late payment beyond the instalment date of each quarter. Any willful attempt to evade the tax or furnish wrong information in the property tax return shall be subject to such punishments as fines and imprisonment.

## Appeal Procedures

Appeals against the levy of assessment or revision of assessment of the property tax may be presented to the Municipal Taxation Tribunal. In practice, the number of appeals has been significantly reduced as a result of the system of self-assessment.

## References

- Bird, Richard M. and Enid Slack. 2004. Introduction and Overview. In *International handbook of land and property taxation*, Richard M. Bird and Enid Slack, eds. Northampton, MA: Edward Elgar
- Delhi Municipal Corporation. 2007. On-line Property Tax Form Help  
<http://www.mcdpropertytax.in/citizen/Help.jsp>
- Franzsen, Riel C.D. and William McCluskey. 2005. An Explanatory Overview of Property Taxation in the Commonwealth of Nations. Lincoln Institute of Land Policy working paper.
- Naresh, Gautam. 2004. Property Taxation in India. In *International handbook of land and property taxation*, Richard M. Bird and Enid Slack, eds. Northampton, MA: Edward Elgar.
- Rao, M. Govinda. 2002. Dynamics of Indian Federalism. Washington, DC: World Bank.  
[http://www1.worldbank.org/wbiep/decentralization/saslib/rao\\_federalism.pdf](http://www1.worldbank.org/wbiep/decentralization/saslib/rao_federalism.pdf)
- Rao, S. Rama. 2000. Municipal Affairs in India: A Critical Appraisal of Selected Issues. Working paper of International Studies Program, Andrew Young School of Policy Studies, Georgia State University.
- Rao, UA Vasanth. 2006. Is Area-Based Assessment An Alternative, An Intermediate Step, or An Impediment to Value-Based Taxation in India? Paper presented at the Conference on “Making the Property Tax Work in Developing and Transitional Countries”, organized by the Lincoln Institute of Land Policy, October 15-17, 2006, Atlanta, Georgia.
- Singh, Nirvikar. 2004. India’s System of Intergovernmental Fiscal Relations. Paper presented at the 10th Anniversary Conference of the Financial and Fiscal Commission of South Africa, August 10-12, 2004, Capetown, South Africa.

## Chapter 17: Israel

### Introduction

The local property tax in Israel<sup>1</sup>, known as the *Arnona*, is generally levied by municipalities on developed residential and non-residential property, occupied undeveloped land and agricultural land. Despite the fact that Israel has a well-developed real estate market sufficient for an ad valorem system, the Arnona has been implemented as a non-value area-based property tax since 1970<sup>2</sup>. The Arnona rate is determined annually by local councils within the upper and lower limits set by the Finance Committee of the Knesset (parliament). While Israeli law stipulates different types of exemptions from the tax, the municipalities are authorized to provide additional discounts upon approval of the Minister of Interior. Local authorities are fully responsible for the administration and collection of the tax.

Israel has two major levels of government, national and local, the latter being composed of municipalities, town councils, and regional or local councils. The Arnona has been the most important source of local revenue, supplemented by transfers from the central government (the second largest source of local revenue). In 1993 and 1994, income from the Arnona property tax constituted the largest share of local government's regular budget (44 percent and 42 percent respectively). For Tel Aviv, the second largest city in Israel, the Arnona represented 56% of the city's annual budget and amounted to 64 percent of its total municipal revenues in 1997. Although the area-based Arnona system may be considered inequitable as compared to taxation based on property value, it is merited with stable revenue supply with annual adjustment to inflation, and low administrative and compliance costs (Darin 1999). In spite of its arbitrary rates, the Arnona system appears to reflect certain realities of a market-oriented society, such as inter-urban differences in population income, population size and welfare (Portnov, McCluskey, and Deddis 2001).

### Taxpayers

Unlike in most countries, the property taxpayer in Israel is the user rather than the owner of taxable property.

### Tax Base

The Arnona is imposed on buildings, used undeveloped land and agricultural land. The tax base is the measured surface area of the property as expressed in square meters. Municipalities differ however, in their approach to estimating the tax base. In calculating the taxable area of an apartment, for instance, some municipalities include a portion of

---

<sup>1</sup> Israel also has a National Property Tax levied on all vacant plots not utilized for either residential, commercial, industrial or agricultural purposes, but it is rarely used today (Internadlan 1997; and Youngman and Malme 1994).

<sup>2</sup> Between 1948 and 1960, the Arnona was calculated as a percentage of a property's rental value. In response to the surge of public housing accommodating new immigrants between 1960 and 1970, the tax base of Arnona was changed to the number of rooms for residential use and the area of the premises for non-residential property (Darin 1999).

the common area (such as staircases, lobby, shared storage rooms, etc.), some include the internal and external walls but not the common area, and others measure only the usable space, or the floor area with neither the common area nor walls. This variation in measurement leads to 14 to 29 percent differences in the taxable size of the same property, creating barriers to inter-jurisdictional comparisons of property tax burden within the country of Israel (Darin 1999).

## **Tax Rates**

The Arnona rate per square meter is determined by a combination of four factors: the actual use of the property, its location, age, and the type of property. The actual use of a property, as opposed to its permitted use is generally distinguished between residential and nonresidential uses. Nonresidential property is further divided into over 30 land use subcategories, such as offices, warehouses, banks, insurance companies, theaters, restaurants, department stores, and so on. Nonresidential property is generally subject to higher tax rates than residential property, while the rate imposed on agricultural land is the lowest among all taxable properties.

The location of a property within a municipality is the most important determinant of tax rates. Each local government may divide its jurisdiction into specific zones. The city of Tel Aviv, for example, has established five residential zones and five nonresidential zones: best, better, average, poor, and poorest.<sup>3</sup> Be'er Sheva, the sixth largest city in Israel, has three residential and two industrial zones.

The age of the property is determined by the completion of construction or of significant addition (more than 50 percent). Basement apartments and sub-standard building units are treated separately. There are seven age brackets for residential property and three for nonresidential property. In general, the higher the relative wealth of the zone in which the property is located and the newer the building, the higher will be the tax rate applied.

The Arnona rate also varies by the type of a property. In Tel Aviv, for instance, there are four types of residential property in the best residential district (single family houses measuring over 110 square meters, apartments larger than 180 square meters, apartments between 110 and 180 square meters, and all other dwelling units), three types in the second-best residential district (single family houses over 110 square meters and apartments over 180 square meters, apartments measuring 110-180 square meters, and all other), and only one type in the other three residential districts. The type of nonresidential properties varies according to land use category and the criterion for division is size.

Each local authority in Israel has the power to set the annual rates of the Arnona within its jurisdiction, subject to the minimum and maximum rates mandated by the Knesset Finance Committee for different types of land use. The Committee determines the rate limits based on a proposal submitted by the Ministry of Finance. In recent years, the Committee has restricted rate increases to annual inflation, or the cost-of-living index.

---

<sup>3</sup> Darin (1999) suggests the five zones are reduced to three (best, better, and the rest) in practice, as zones 4 and 5 pay the same rate and rate in zone 3 is almost the same as zones 4 and 5.

Local authorities may be allowed to increase rates beyond inflation based on special needs or circumstances. The annual adjustment of the Arnona to inflation indicates moderate and gradual changes in the rates.

### **Exemptions**

The central government grants numerous exemptions and discounts for Arnona taxpayers. A property is exempt only if it is being used by an exempt organization, including the government, a religious or charitable organization, a hospital, a cemetery, a non-profit educational institution (provided that the property is used as a kindergarten, school or public library), and the like. Exemption is also available to an individual with the rights to a building that has not been used for six months and the user of new property for the first six months after completion.

The Israeli law prescribes around 17 different types of discounts that are tied to the user's socioeconomic status. Specific groups that receive tax discounts of this nature include retired and senior citizens, the disabled, single-parent families, new immigrants, newlyweds, soldiers out of compulsory service, etc. Discounts are also provided to residents of locations where development infrastructure is incomplete or where there are environmental hazards or other adverse conditions, such as excessive noise or traffic, or high apartment density. Local authorities may grant additional exemptions or reductions in consideration of personal circumstances, subject to the approval of the Minister of the Interior.

### **Tax Collection**

The Arnona tax is locally collected and administered. Municipalities regularly inspect properties to collect information about building age, size, actual and current use, geographic location, and other characteristics relevant to the determination of a property's rate schedule. Arnona bills are sent annually by mail to taxpayers and can be paid by one of three methods. Taxpayers may elect to pay the full amount on the first day of the fiscal year to save increases linked to the inflation rate. Some local governments provide five to ten percent discount as an incentive for advance payment. Alternatively, payments may be made in six installments and each bi-monthly payment will be adjusted to the monthly inflation rate. The tax may also be paid by standing order to the bank to honor the municipality's invoices. Failure to make payments on time shall entitle the municipality to impound movable property or to place a lien on the user's salary. In addition, a change of property ownership may not be registered until all debts have been paid off.

### **Appeal Procedures**

Taxpayers are entitled to the right to appeal if they believe that an error has been made regarding the measured size of the property, the location, the land use category or the actual user. Initial appeals are to be filed with the municipal Director of Arnona, who is required by law to respond to the appeal within 60 days. Failure to rule within the time

limit is considered acceptance of the taxpayer's claims. The taxpayer may further appeal the Director's decision to an appeals committee, which consists of three members nominated by the city council.<sup>4</sup> The taxpayer or the Director may appeal the committee's ruling to the district court within 60 days.

---

<sup>4</sup> Youngman and Malme (1994) describe the appeals committee as composed of seven members, while Darin (1999) states that the size of the committee is three.

## References

- Darin, D., 1999. A politician's appraisal of property taxation: Israel's experience with arnona. Research paper. Cambridge, MA: Lincoln Institute of Land Policy.
- Internadlan, 1997. Basic Information on Real Estate Taxation in Israel.  
<http://www.internadlan.co.il/tax.htm>
- Portnov, Boris A., William J. McCluskey, and William G. Deddis. 2001. Property Taxation in Israel: A Non Ad Valorem Approach. *Land Use Policy* 18: 351–364.
- The Koret Foundation. Toward Economic Reform in Israel. 2004. *Koret Perspectives* 1 (Fall): 1-4. [http://www.koretfoundation.org/pdfs/perspectives\\_fall\\_04.pdf](http://www.koretfoundation.org/pdfs/perspectives_fall_04.pdf)
- Youngman, Joan M. and Jane H. Malme. 1994. *An international survey of taxes on land and buildings*. Boston: Kluwer Law and Taxation Publishers.

## **Chapter 18: Kazakhstan**

### **Introduction**

Kazakhstan, the second largest republic of the former Soviet Union, declared its independence in 1991 and has since implemented a series of reform programs that constructed the legal, economic, and organizational frameworks for the transition to market economy, privatization, modernization of the taxation system, and fiscal decentralization. Local governments in Kazakhstan are currently organized into a multi-tier vertical hierarchy. Fourteen oblasts (regions) and two cities with special status (Almaty and Astana) report directly to the president and the central government; Subordinate to the oblast-tier are 160 rayons (districts) and 79 cities of raion status; And towns, villages and rural counties constitute the bottom tier (Makhmutova 2001).

Property taxes in Kazakhstan consist of land tax and property tax on legal and physical entities, which, along with tax on means of transportation, were termed local taxes until 1999, when the new Law on the Budget System terminated the division of taxes into national and local taxes. These taxes remain allocated to the local budgets, accounting for around 14 percent of local revenues. The land tax is imposed on both legal entities and individuals as a fixed annual payment based on the area of the parcel of land they own, while property tax on legal and physical entities applies to the average annual net book value of the assets. Local governing bodies in Kazakhstan are not given much discretion over tax rates and tax base, with the exception of the land tax, upon which the remainder of this chapter will focus.

### **Taxpayers**

Individuals and legal entities are subject to the land tax if they have the right of ownership, the right of permanent land use, or the right of primary temporary land use at no charge, associated with a parcel of taxable land.

### **Tax Base**

The tax base for determining the land tax is the area of a parcel of taxable land, including agricultural land, land in population centers, and land designated for industrial, transportation, communications, defense, and other nonagricultural use.

### **Tax Rates**

The basic tax rates for different classes of land are established in national legislation. Local governing bodies are entitled to lower or raise land tax rates by up to 50 percent of the basic rates on the basis of zoning plans or maps prepared in accordance with the land legislation of the Republic of Kazakhstan. Different rate schedules apply to agricultural land, land in population centers and industrial land.



The basic land tax rates for agricultural land, expressed as a price per hectare of land area, are differentiated on the basis of the quality of soil and the type of area in which the land is located. The basic tax rates are established in proportion to the soil quality scores. For land in steppe and arid-steppe zones in lowland areas with ordinary and southern Chernozem soils, dark Chestnut and Chestnut soils, and in piedmont areas with dark sierozem (gray-brown), Chestnut (brown) and Chernozem piedmont soils, the land tax rates range from KZT 0.48 for land with a quality score of 1 to KZT 202.65 for land with a quality score over 100. For land in semi-desert, desert, and piedmont-desert areas with light-Chestnut, brown, gray-brown, and light and ordinary sierozem soils, and in mountainous areas with mountain-steppe, mountain-meadow-steppe, and mountain alpine and sub-alpine soils, tax rates range from KZT 0.48 for land with a quality score of 1 to KZT 50.18 for land scored over 100 in quality. Basic tax rates are differentiated on the basis of size of the land plot rather than soil quality for agricultural land allocated to individuals for use as a personal household farming plot, gardening, and summer house construction, including land occupied by structures. A tax rate of KZT 20 per 0.01 hectare applies to parcels with an area up to and including 0.50 hectare and a rate of KZT 100 per 0.01 hectare applies to parcels with an area of more than 0.50 hectare. Non-agricultural land used for agricultural purposes shall be taxed at the same rates as agricultural land.

The basic rates for land in population centers are established as an amount per square meter of land area, depending on the geographical location of the land. For land located in population centers, with the exception of parcels of land adjacent to dwellings<sup>1</sup>, tax rates differ by specific cities, cities of different status (with oblast or rayon designation), towns, and villages. The basic land tax rates range from KTZ 0.48 per square meter for land in villages to KTZ 28.95 per square meter for land in the city of Almaty (most populous city and former capital of Kazakhstan). For parcels of land adjacent to dwellings that are located in the cities of Almaty and Astana (current capital of Kazakhstan) and cities with an oblast designation, the tax rate is KTZ 0.20 per square meter for land with an area up to and including 1,000 square meters, and is KTZ 6.00 per square meter for land with an area of more than 1,000 square meters. At the discretion of local governments, the tax rates for parcels of land in excess of 1,000 square meters may be reduced from KTZ 6.00 to KTZ 0.20 per square meter. For parcels of land adjacent to dwellings that are located in all other population centers, a tax rate of KTZ 0.20 per square meter applies to land with an area up to and including 5,000 square meters and a rate of KTZ 1.00 per square meter applies to land with an area of more than 5,000 square meters. The tax rates for parcels of land in excess of 5,000 square meters may be reduced from KTZ 1.00 to KTZ 0.20 per square meter by a decision of local governing bodies.

Industrial land located within and outside population centers are subject to different basic tax rates. The basic tax rates for industrial land located outside population centers are fixed as an amount per hectare of land area in proportion to quality scores. For instance, a parcel of industrial land with a quality score of 0 shall be taxed at KTZ 48.25 per hectare,

---

<sup>1</sup> A parcel of land adjacent to a dwelling is defined as the part of a parcel of land classified as land in population centers, which is intended for the servicing of a residential building and is not occupied by a residential building, including structures and structural installations associated with a residential building.

contrasted by a tax rate of KTZ 5790.00 for a parcel of industrial land with a quality score over 100. Industrial land, including mines and quarries, and their health and safety, technical, and other zones, which are located within the boundaries of population centers are subject to the same tax rates as land located in population centers other than parcels of land adjacent to dwellings. For industrial land located within population centers but outside the area of development, tax rates may be reduced by decisions of local governments by up to 30 percent. Industrial land located within a population center, which is occupied by airfields<sup>2</sup> (with the exception of airports) shall be taxed in the same manner as industrial land located outside population centers.

Land classified as land in specially protected natural areas, forest land, and land associated with water resources, shall be taxed in the same manner as agricultural land if used for agricultural purposes, or be taxed at the same basic rates as industrial land located outside population centers.

Land occupied by parking lots, filling stations, and open-air markets are subject to special tax rate adjustments. Parcels of land occupied by parking lots and filling stations are taxed at the basic rates for non-residential land in population centers (or for non-residential land in the nearest population center if the land parcels are located outside population centers), multiplied by 10. For land set aside for open-air markets on which trading stalls are directly located, the basic rates for non-residential land in population centers (or for non-residential land in the nearest population center if the land parcels are located outside population centers), multiplied by 10, apply, while the remaining grounds of open-air markets that are occupied by facilities for servicing the markets are taxed at the same rates as land in population centers with the exception of parcels of land adjacent to dwellings. Local governing bodies may reduce the tax rates for land occupied by parking lots, filling states, and open-air markets, but not below the levels established for land in population centers.

## **Exemptions**

Exempt from the land tax are land in specially protected natural areas, land designated for rehabilitation, recreational, historical and cultural use, forest land, land associated with water resources and reserve land, provided that these types of land, with the exception of reserve land, are not turned over for permanent land use or primary temporary land use at no charge.

The following types of individuals are also exempt from the tax: public institutions, state enterprises of correctional institutions, religious organizations, veterans of the Great Patriotic War and persons with equivalent status, disabled persons, one of the parents of a person disabled since childhood (on parcels of land occupied by residential buildings, including structures and structural installations associated with them; parcels of land adjacent to the dwellings; parcels of land granted for private housekeeping, gardening and building of a dacha, including the land occupied for structures; and parcels of land

---

<sup>2</sup> An airfield is defined as a parcel of land that has been specially prepared and equipped for the take-off, landing, taxiing, parking, and servicing of aircraft.

occupied for garages), mothers with a large number of children who have been awarded the title “Heroine-Mother,” and upon whom the “Altyn al-a” (illegible) medal has been conferred (on parcels of land occupied by residential buildings, including structures and structural installations associated with them, and parcels of land adjacent to the dwellings).

In addition, a coefficient of 0.1 shall apply to the respective tax rates on land owned or used by the following types of taxpayers: children’s rehabilitation institutions, government nature preserves (including biosphere preserves), government nature sanctuaries, government national parks, government nature parks, government zoological parks, government botanical gardens, government arboretums, nonprofit organizations with the exception of religious organizations, social organizations that provide medical, educational, cultural and library services, government enterprises whose principal activity involves forest fire protection and control operations, firefighting, combating pests and diseases affecting forests, reproduction of natural biological resources and enhancing the ecological potential of forests, government enterprises engaged in fish reproduction activities, government enterprise performing functions in the area of state certification of scientific personnel, and sheltered workshops operated by psycho-neurological and tuberculosis institutions. A zero coefficient shall apply to the respective tax rates for social organizations that meet the following conditions: (1) disabled persons account for at least 51 percent of the total number of employees during the given tax period; (2) expenditures on labor compensation for disabled persons during the tax period account for at least 51 percent of total expenditures on labor compensation (at least 35 percent at specialized organizations that employ persons with disabilities involving loss of hearing, speech, and vision).

### **Tax Collection**

The land tax is annually collected and administered by local governments. Filing and payment procedures differ for legal entities and individuals. Legal entities are required to file a statement of current land tax payments no later than February 15th of the current tax period (calendar year) and to file a tax return with the local tax authority no later than March 31 of the year following the tax reporting period. Land tax payments for legal entities are due in equal installments no later than February 20, May 20, August 20, and November 20 of the current year.

The amount of land tax payable by individuals, with the exception of individual entrepreneurs, private notaries, attorneys with respect to parcels of land used in their activity, shall be calculated by local tax authorities no later than August 1 of each year. Individual taxpayers are required to pay the tax no later than October 1 of the current year. Individual entrepreneurs, private notaries, attorneys shall calculate and pay the land tax on land used in their activity in the same manner as legal entities.

### **Appeal Procedures**

Every taxpayer in Kazakhstan is granted the right to appeal the actions or inaction of officials of tax authorities to a higher-level tax service authority or to file an appeal with the courts.

## References

- Chapurina, Lyubov. 2003. Enhancing Local Government Revenue Raising Capacity: A Way of Reaching More Accountable Local Government. Case Study: Kazakhstan. <http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN009143.pdf>
- Fuller, Donald. 2001. Local Government in the Post communist Era. <http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN004823.pdf>
- Makhmutova, Meruert. 2001. Local Government in Kazakhstan. In *Developing new rules in the old environment*, Igor Munteanu and Viktor Popa, eds. Budapest, Hungary: Local Government and Public Reform Initiative.
- \_\_\_\_\_. 2004. Developing Local Self-Government: Strategic Issues. <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN023582.pdf>
- Jones, Ward. 2004. Personal Income Tax and Other Taxes. In *Doing business with Kazakhstan*, 3<sup>rd</sup> Edition., Marat Terterov, ed. Kogan Page Ltd.
- The Code of the Republic of Kazakhstan on Taxes and Other Obligatory Payments to Revenue. 2004. <http://www.kazakhstanembassy.org.uk/files/Tax%20Code.doc>

## Chapter 19: Kenya

### Introduction

British colonial rule introduced property taxation in Kenya when creating local governments in the early 20<sup>th</sup> century. Mombasa, a coastal town, implemented an improvement rating (land and buildings) based on annual rental value in 1921, which was abandoned in 1928. Nairobi implemented the unimproved site value in 1928 and Mombasa followed suit to widen the tax base. The Local Government Act of 1963 (revised in 1986) (Cap 265 of the Laws of Kenya) empowered local authorities with the responsibility of raising revenue to provide infrastructure and public services. Two Acts of Parliament govern the operation of property valuation, rating (i.e. taxation), and enforcement by local authorities: the Valuation for Rating Act of 1984 (Cap 266 of the Laws of Kenya) and the Rating Act of 1986 (Cap 267 of the Laws of Kenya). Overall, the legal framework gives a great deal of autonomy and flexibility to the local authorities; however, the administration of property taxation operates in a more limited manner.

Legally, local authorities have a great deal of autonomy. In practice, urban areas realize their autonomy more so than rural areas. Rural areas depend on the central authority for much of the rating administration because of a lack of local administrative resources. As of 2000, 67 county councils (rural) had jurisdiction over 80 percent of the national population and 107 municipal councils (urban) had jurisdiction over 20 percent of the population. Administrative resources in rural areas are stretched thin.

On average, rates (i.e. property taxes) make up about 22 percent of the total local government revenue, which represents 1.3 percent of national tax revenue. The average annual revenue from municipal rates throughout the 1990s ranged from K£36.23 million to K£107.23 million. The average revenue from annual county council rates ranged from K£3.95 million to K£24.55 million. Similarly, revenue from rates as a percent of total local revenue ranged widely as well, from 6 percent to 35 percent. The amount fluctuates because after summing the revenue from other sources, local authorities apportion budgetary shortfalls to local property tax payers (McCluskey and Franzsen 2000, Kenya Economic Survey 2000).

### Taxpayers

Kenya essentially has three categories of taxpayers based on the different categories of land ownership: freeholds (i.e. private property), land leased from the government, and government land.

According to section 7 of the Valuation for Rating Act (Cap 266), the person liable for the property tax, the “rateable owner,” can be the owner of a registered freehold (privately owned land registered with the Ministry of Lands), the tenant for life (leased land), the registered lessee for at least 25 years, or the registered lessee of public land let by local authority for at least 10 years. The central government pays a Contribution in

Lieu of Rates to local governments for government land in their jurisdiction. The central government is not technically a taxpayer, but provides local revenue based on land.

The Act further specifies in section 20 that jointly registered owners or tenants are jointly liable for the rate due. When the rateable owner is absent from Kenya, any person in charge or control of the land, or receiving rent, is liable for the rate.

The Ministry of Lands regulates access to land by approving transfer (buying and selling), approving development plans, overseeing new land allocations, approving subdivisions of land, extending leases, and changing users. The Government Lands Act, cap 280 of the Laws of Kenya, stipulates that lands can be reserved for future use, both private and public, or for allocation as urban leaseholds. Lands in urban areas are mostly leased government land with a few freeholds. Freehold titles give the owner “absolute proprietorship subject to statutory and private limitations/interests.” The process of land ownership involves a great deal of bureaucracy including an initial declaration of a planning area, land use planning, survey, land allocation or allotment, infrastructure provision and registration.<sup>3</sup> Most freehold lands in urban areas are being converted to long leaseholds.

## **Tax Base**

The three main categories of land in Kenya include Government Land, Trust Land, and Private Land. Government Land constitutes 7.5 percent of the land area of in Kenya in the form of national parks and game reserves. The Government of the Republic of Kenya owns the title to this land. Trust Land is unregistered and occupied by ethnic communities. Trust Land covers 80 percent of the total land area in Kenya. The County Council (rural local authority) may grant freeholds or leaseholds of the Trust Land to individuals. In practice, the central Commissioner of Lands administers Trust Lands on behalf of the local authorities without their consent, using the legal authority of section 53 of Cap 288 (Konyimbih 2000). The current distribution of trust lands is detailed in Table 1. Private land can be obtained from government-leased land or registered trust land. Local governments garner revenue from all 3 types of land if registered.

---

<sup>33</sup> “The process of obtaining freehold title to land requires, first of all, the adjudication of Trust Land (Adjudication Act, Cap 284 Section 3(1)) which involves identification of traditional interests in land and converting them into legal interest through a progressive system (involving local elders and government officials) of appeals and objections, recording, ascertainment of claims and demarcation on the adjudication map and on the ground. A Preliminary Index Diagram (PID) is prepared showing the identification index of each parcel corresponding to the owner’s name in the adjudication record book. This is then used as base data for the cadastral survey in order to prepare a Registry Index Map (RIM) to include the size configuration of each parcel of land to be included in the Chief Land Registrar’s deeds register from which land titles are issued. As of 31st December, 1992, a total of 2,127,968 titles had been issued under the Registered Land Act (Cap. 300) and Registration of Titles Act (Cap. 281) all over the country. Upon registration and issuance of a title deed by the Land Registrar, all customary rights to Trust land are extinguished in law and private rights are supposed to take over as defined under the Registered Land Act (Cap 300).” Konyimbih (2000)

**Table 1: Registration of Status of Trust Land in Kenya**  
**Status Area sq. km. Per Cent**

Status	Area sq. km.	Percent
Government Holdings	59,625	13.1
Registered Individual Holdings	27,729	6.0
Unregistered Holdings	370,087	80.9
Total	457,441	100

Source: Compiled from National Statistical Abstract, 1998.

Section 2 of the Rating Act (Cap 267 of the Laws of Kenya) outlines three options for valuation from which local authorities can choose for rating valuation: 1) area rating, 2) agriculture rental value 3) unimproved site value rating with the option of including an improvement rating. Local authorities have multiple options, but only two rating strategies are used in Kenya: the area tax and unimproved site rating. Mainly, rural areas use the area tax and urban areas use the unimproved site rating. Table 2 shows the prevalence of the two types of rating (valuation refers to the unimproved site rating).<sup>4</sup> Of the 175 local authorities, 102 use some form of property taxation. The focus here is on area-based property taxes. Fewer local authorities use area-rating than valuation rating. Counties are more likely to use area-rating than municipalities and towns.

**Table 2: Breakdown of Property Rating in Kenya (2001)**

Type of Local Authority Councils	Number of Rating Authorities	Number using Valuation Rating	Number using Area Rating	Number using both Area and Valuation Rating
Municipalities	36	36	8	9
Towns	27	22	12	9
Counties	39	15	35	11
Total	102	75	55	29

Source: Kelly, 2004.

All land exists under a local authority; however, the extent of decentralization and tax coverage remains unclear. While the laws give local governments a great deal of autonomy in land management, Konyimbih (2000) argues that the central government mainly manages the land in rural areas and serves as the *de facto* local administrative authority. In terms of tax coverage, most local authorities exclude freehold land, agricultural land less than 12 acres (except when subdivided into residential land), and most private land from the area rating rolls. Much of the peri-urban land consists of agricultural parcels less than 12 acres. Arguments behind not taxing these lands are: the

<sup>4</sup> Table extracted from Kelly (2004).



Agricultural Act exempts farm land less than 12 acres, these properties are already taxed through the agricultural cess, and these properties do not receive local authority services.

### Tax Rates

Thus far, a “rate” has referred to property tax. This section discusses the amount of tax per unit assigned to the taxpayers. The Rating Act (Cap 266 of the Laws of Kenya) provides local governments flexibility in figuring the amount of tax. Local authorities using the area tax have five options: they can impose 1) a flat rate upon the area of land, 2) a graduated rate 3) a differential flat rate 4) a graduated rate upon the area and use of land whether present or potential 5) or any other method of rating upon land or buildings that the rating authority may resolve.

Although the legal framework provides flexibility for area rating, most County Councils use a uniform area rate or a uniform tax rate structure. Only a few local governments apply a classified tax rate structure, notably Mombasa, which differentiates rates by location. Properties located on Mombasa Island pay a higher rate than those on the mainland. Table 3 shows the range of tax rates by type of local authority.<sup>5</sup> Since the valuation rolls are outdated, the Government has allowed the local authorities to increase the nominal tax rates over time.

**Table 3: Range of Tax Rates by Type of Local Authority, 2000**

Type of Local Authority	Range of Tax Rates (%)	Median Tax Rates
Nairobi City Council	14%	14%
Municipality	2% to 10%	6%
Towns	2% to 8%	6%
Counties	2% to 22%	5%

Source: Ministry of Local Government, 2001

### Exemptions

Government land is exempt from the Contribution in Lieu of Rates and subject to the property tax when the land is being used for public purposes or when the Minister reserves the land for public purposes. Section 27 of the Valuation of Rating Act exempts land used for the following purposes from rating, as determined by the Minister:

- (a) public religious worship;
- (b) cemeteries, crematoria and burial or burning grounds;
- (c) hospitals or other institutions for the treatment of the sick;
- (d) educational institutions (including public schools within the meaning of the Education Act) whether or not wholly supported by endowments or voluntary contributions, and including the residence of students provided directly by educational institutions or forming part of, or being ancillary to, educational

<sup>5</sup> Table extracted from Kelly  
<http://www1.worldbank.org/publicsector/decentralization/June2003Seminar/Kenya.pdf>

institutions;  
(e) charitable institutions, museums and libraries;  
(f) outdoor sports;  
(g) National Parks and National Reserves within the meaning of the Wildlife Conservation and Management) Act.

## **Tax Collection**

As stated in Section 15 of the Rating Act, rates become due on January 1 of the financial year for which it is levied. The payments day and the amount of rate should be made public by the rating authority with at least 30 days notice. Payers remit their rates at the offices of the rating authority or some other specified place.

Sections 17 through 20 of the Rating Act empower the rating authority with measures to enforce tax collection. If a rateable owner defaults, the rating authority can make a written demand notice requiring payment plus any interest that has accrued within 14 days after service of the written demand notice. If the ratepayer fails to comply, the rating authority can take proceedings in a subordinate court to secure the payment plus interest. The proceedings declare the particulars of the land, rate and interest and summon the defendant to appear in court to answer the claim. If the court rules in favor of the rating authority, it issues a decree. When the sum due under the decree is secured by a charge over the land, the authority may apply to the High Court to order the sale of the land in enforcement of the charge.

The proceedings to recover unpaid rates can start any time within 12 years of the day the rates are due and payable. The Rating Act provides an alternative to court action for the rating authority. Section 18 empowers the rating authority to recover unpaid rates from tenants or occupiers of the property. The authority can issue a notice requiring the occupiers to make all future payments of the rent directly to the rating authority until all unpaid rates plus accrued interest have been paid.

Rating authorities tend to passively rely on clearance certificates to catch defaulters. The clearance certificate relies on taxpayer initiative to clear outstanding debts. The clearance certificate is thus only effective when an owner or leaseholder transfers property, requests a local business permit or other local service because such actions require a clearance certificate. Other services with regard to property (e.g. water supply, electricity, garbage collection, insurance etc) do not require the rates clearance certificate. Despite the variety of legal options, poor administrative mechanisms combined with the long legal process involved in dealing with defaulters lead to a poor response by ratepayers. Collection rates range from 5 to 60 percent.

## **Appeal Procedures**

Any person who has appeared before a valuation court, has objected to the decision in writing to that valuation court, and disagrees with the court's judgment on the objection, may appeal against the decision of the valuation court within one month from the date of the notice to the High Court or a subordinate court held by a Chief Magistrate, Senior Resident Magistrate, or a Resident Magistrate, depending on the appointment of the valuation court. The decision of the High Court is final.

## References

- Kelly, Roy. 2004. "Property Taxation in Kenya," *International Handbook of Land and Property Taxation*, ed. Richard M. Bird and Enid Slack, Edward Elgar Publishing Limited: UK.
- Kelly, Roy. 2000. "Designing a property tax reform for Sub-Saharan Africa: an analytical framework applied to Kenya." *Public budgeting and finance* 20(4): 36-51.
- Kelly, Roy. 2000. "Property Taxation in East Africa: The tale of three reforms," Lincoln Institute of Land Policy Working Paper, product code WP00RK2.
- Konyimbih, Tom M. 2000. "Land Value Taxation: Rating Principles and Guidelines for Kenya," Lincoln Institute of Land Policy Working Paper, product code: WP00TK1.
- McCluskey William J. and Riel C.D. Franzsen. 2001. "Land Value Taxation: A Case Study Approach," Lincoln Institute of Land Policy Working Paper, product code: WP01WM1.
- McCluskey, William J. Riël C. D. Franzsen. 2005. "Land value taxation in Kenya," Land value taxation: an applied analysis, England: Ashgate Publishing, Ltd.
- Municipal Development Programme. 1995. "Property Tax in Eastern and Southern Africa: Challenges and Lessons Learned," Working Paper 2, Municipal Development Programme for Eastern and Southern Africa.
- Republic of Kenya. Valuation of Rating, Chapter 266 of the Laws of Kenya.  
<http://www.lawsokenya.com/app/frames.asp> (accessed January 28, 2008).
- Republic of Kenya. Rating, Chapter 267 of the Laws of Kenya.  
<http://www.lawsokenya.com/app/frames.asp> (accessed January 28, 2008).

## **Chapter 20: Kyrgyz Republic**

### **Introduction**

In 1991, Kyrgyz Republic, or Kyrgyzstan, became first of the five newly independent countries that emerged in Central Asia after the breakup of former Soviet Union. One of the major challenges that confronted the new country was the establishment of local self-government within a highly centralized system. A series of political and economic reforms have been under way to facilitate the transition. Currently the subnational governments in the Kyrgyz Republic consist of two hierarchical levels. The first level includes seven oblasts plus the capital city of Bishkek, which are divided into forty rayons and four capital city districts, while cities, towns and villages comprise the second level.

The single most important type of property tax in the country is the land tax, the revenues of which are shared by all levels of local governments. As an annual payment for the right to use a plot of land, the land tax is levied on the basis of the size of the plot, with adjustments for different types of land. A law authorizing the introduction of a value-based real property tax (on immovable property) was accepted by the Parliament in 2003, but it has not been implemented anywhere because the procedures for assessment was met with opposition in the Parliament. Local governments are authorized by the Tax Code to levy 16 types of local taxes and fees, none of which generates significant revenue. Localities remain heavily dependent on transfers from the national government to sustain the minimum local expenditure needs.

### **Taxpayers**

The land tax is imposed on land users irrespective of the forms of property. The right to use land must be certified by such special documents as a state act, temporary certificate, or legal certificate authorizing the use of a plot of land or a share of it. The land tax due on leased land shall be paid by the lessor.

### **Tax Base**

The tax base is the area of land plots subject to the land tax, including agricultural land, built-up areas, land used for industrial, transportation, communication and other purposes including defense, land used for nature protection, rehabilitation, recreation, historical and cultural purposes, and land of the forestry fund, the water fund and the reserve.

### **Tax Rates**

The basic tax rates are annually established by the central government. Different rate adjustments apply to agricultural and non-agricultural land. Rates on agricultural land are determined on the basis of the quality or fertility of soil and location of the land plot. For non-agricultural land, tax rates vary by use category and location. For built-up areas and agricultural land defined by the Legislative Chamber of the Jogorku Kenesh (Parliament) of the Kyrgyz Republic as high mountainous and remote areas, only half of the basic rate

of the unified agricultural tax shall apply to a specific area when land tax is paid. Land tax rates also differ from oblast to oblast. For instance, in the Osh Oblast, where land is scarce, the land tax is 1000 Soms per hectare. By contrast, land tax in the Naryn Oblast is only 300 Soms per hectare.

## **Exemptions**

Exempt from the tax are land used as reservations, natural, national and dendrological parks, botanical and zoological gardens, reserves by the tracing boundary zone of the state, populated built-up areas of general use, areas occupied by protective plantations, of the water and forestry funds, except those provided for agricultural use or other entrepreneurial activity; land used for cemeteries; cattle tracks and cattle stopping places; land of enterprises, organizations and establishments financed by the state budget; land of organizations of invalids, war veterans, and persons of a similar status and charitable organizations, and corrective labor institutions of the Government Department of Punishment Execution of the Home Affairs Ministry of the Kyrgyz Republic; land owned by the Society of blind and deaf; and land of enterprises, establishments, organizations and individuals, received for agricultural purposes in a rundown condition (requiring recultivation) for a period set by local keneshes (councils).

The land tax is not imposed on the following types of individuals for the use of personal plots and gardening plots of the dacha partnerships: invalids and participants of the Civil and Great Patriotic Wars, military persons, having participated under international agreements in the wars in Afghanistan and other countries, persons having taken part in eliminating the damages caused by the Chernobyl disaster, invalids from childhood, invalids of Categories I and II and persons having been awarded honorary titles; members of the of military persons' families and families of employees of the law enforcement bodies who perished or disappeared while performing their duties (under-age children), men and women of pension age, and families having 4 and more under-age children. Local councils are authorized to grant full or partial land tax exemptions for a certain period of time if part of the land is located in protected, sanitary, coastal and water-protected zones, depending on the extent to which economic activity is restricted; or if a land user incurs material losses as a result of natural and other calamities (for up to three years).

## **Tax Collection**

The land tax is centrally collected and administered. Payment procedures vary by the use of land. For agricultural land, land users are required to make payments in installments according to the following schedule, 10% on or before June 25, 35% on or before September 25, and 55% on or before December 25 of the current year. Land tax on built-up areas and non-agricultural land is payable in equal installments on or before the 20<sup>th</sup> day of each month. An annual payment of land tax on household land plots provided to urban and rural population is due on September 1 of the current year. The taxpayer is liable for a 5 percent penalty on the unpaid amount of tax for each month it remains

unpaid. Interests will be assessed on overdue tax payments at a rate equal to the discount rate of the National Bank of the Kyrgyz Republic from the day following the due date.

### **Appeal Procedures**

Taxpayers who disagree with an assessment are entitled to file an appeal in writing to the Tax Service within 30 days of the notice. The Tax Service shall make a decision regarding the appeal within 30 days. If dissatisfied by the decision of the Tax Service, the taxpayer may appeal to a higher administrative body. The final decision of the Tax Service or of a higher level body may be appealed further to the appropriate court.

## References

- Alymkulov, Emil and Marat Kulatov. 2001. Local Government in the Kyrgyz Republic. In *Developing new rules in the old environment*, Igor Munteanu and Viktor Popa, eds. Budapest, Hungary: Local Government and Public Reform Initiative.
- Barents/USAID Fiscal Reform Project. 2001. The Tax Law of the Kyrgyz Republic (Unofficial English Translation). <http://www.sti.gov.kg/eng/txlwcnte.htm>
- Bobukeeva, M. 2003. Taxes and Other Payments of Agricultural Entities. <http://www.basis.wisc.edu/live/institutions/Taxes%20Eng.pdf>
- International Land Coalition. Contextual Information for Kyrgyz Republic. <http://www.landcoalition.org/pdf/wbtcikyr.pdf>
- International Monetary Fund. 1998. Kyrgyz Republic: Enhanced Structural Adjustment Facility Policy Framework Paper, 1998–2000 <http://www.imf.org/external/np/pfp/kyrgyz/index.htm>
- Lauri, Bo. 2005. Land and Real Estate Registration Project in the Kyrgyz Republic. [http://www.fig.net/pub/cairo/papers/ts\\_23/ts23\\_04\\_lauri.pdf](http://www.fig.net/pub/cairo/papers/ts_23/ts23_04_lauri.pdf)
- United Nations Economic and Social Commission for Asia and the Pacific. Country Paper: Kyrgyzstan. In *Local government in Asia and the Pacific: A comparative study*. <http://www.unescap.org/huset/lgstudy/country/kyrgyzstan/kyrgyzstan.html>



## Chapter 21: Lao

### Introduction

The national community owns all land in Lao People's Democratic Republic. The State allocates land to individuals, families, and organizations for long-term use. The law provides Lao citizens up to 800 square meters per family member for residential construction, one hectare for each laborer in the family for rice farming and fish-raising, three hectares for each laborer in the family for industrial plants, 3 hectares for each laborer in a family for fruit tree plantation and other plants, and 15 hectares for each laborer in a family for animal raising.<sup>1</sup> Citizens pay ad valorem registration fees at a percentage of the land value, as determined by the national Valuation Information System.<sup>2</sup> The act of registering land protects the citizen's claim to hold and use the land. Citizens also pay an annual area-based land tax with adjustments for geography, location, and quality.

Lao is divided into 16 provinces and the Vientiane Capital and is subdivided into districts. The tax system operates in a decentralized manner. The village chief, or *Naiban*, and a tax collector managed land registration and tax collection at the village level. Described as a self-assessment system, the process of land registration provides information necessary for tax collection. The District Land Office monitors the village and reports to the Province, which reports to the Ministry of Finance.

Independent evaluators associated with the Land Titling Project II in Lao PDR<sup>3</sup> studied the land tax regime and recommended a transition to a market-based property tax. Researchers criticized the area-based tax as regressive and argued that the government could collect two to three times as much revenue with a land or building and land tax based on market value. The researchers, Keith et al. (2006), found evidence of "a strong, open and active property market in the main urban areas," however no data on property sales exist. The Law on Land, No. 01/97 NA, Part 1, Article 3 states, "No persons or organizations can take land as a commodity for the purpose of buying and selling." The Lao embassy states "individuals are prohibited from using land as a commodity for sale."

The Prime Minister, Khamtay Siphandone, issued a Decree on Land Tax, No. 52/PM, on March 13, 1993 to supersede the land tax regime provided in the Decree No. 47/CCM of 1989. The 1993 decree retained the area based tax regime with adjustments for land location and quality, but disallowed tax payments in the form of rice by kilogram and makes provisions for monetary payments only. The tax regime works in conjunction with the President of the National Assembly's Law on Land, No. 01/97 NA, April 12,

---

<sup>1</sup> Foreigners, stateless individuals, and citizens who wish to use a larger area of land can apply to lease land from the State.

<sup>2</sup> Citizens pay a registration fee ranging from .5% to 4% of the land value, as determined by the Valuation Information System, depending on the relationship of the two parties involved in the transfer of land rights (i.e. family inheritance, sibling transfer, husband to wife transfer, non-relative transfer, etc.).

<sup>3</sup>Keith, Simon, Pheuiphanh Ngaosrivathana, Bouakham Soulivanh, Onsy Phimsomphou, and Chanh Denuthai. 2006. "Study on Land Tax and Land Fees Policy in Lao PDR; Land Policy Study No. 3 under LLTP II." Sponsored by Lao-German Land Policy Development Project (the German Contribution to the Land Titling Project II in Lao PDR) February.

1997 that establishes land use rights and registration obligations. The tax regime has been updated with a Presidential Decree 03/PO of 12 August 2000, a Prime Minister's Decree No.150/PM of 22 October 2000 and a subsequent ministerial directive No.1665/MoF dated 6 November 2000.<sup>4</sup>

## **Taxpayers**

The State authorizes Lao citizens to lease land for up to thirty years, which may be extended on a case-by-case basis. The individual holding the land use right pays tax on the land. The land user has the following obligations: use land according to the declared objectives; not cause damage or allow degradation to land quality, natural or social environment; not violate the right and interest of other people; comply with the real situation<sup>5</sup>; pay land tax, transfer tax, income tax from lease, inheritance tax, fees for names transfer, fees for land legal documents registration, and other land fees on time; comply fully with other land regulations.

## **Tax Base**

All land within the Lao People's Democratic Republic allocated to an individual for holding and using is subject to land tax. The land tax is based on area, either square meter or hectare, with adjustments for land use, geographical position, and location. The categories for land use are: Agricultural land, Construction land, and Other Types of Land or Undeveloped Land. The third category includes any land not included in the first two categories, such as forest land, industrial land, communication land, cultural land, land for national defense and for peace-keeping, and water-area land. The three geographic classifications include the Plain Region, Plateau Region, and Mountainous Region. The three location categories are: Urban, Rural, and Specific economic regions.

Construction land<sup>6</sup> refers to land used for the construction of buildings. The area tax per square meter adjusts for the type of municipality (primary municipality, townships of other provinces, district townships, and village areas outside district towns) as well as the location (along a paved road, along other roads, and other places). The tax also adjusts for land use (construction of dwelling, construction of factory and production site, commerce or services, and land not yet used/vacant land).

---

<sup>4</sup> The writer did locate the latter three documents, but studies as recent as 2006 refer to these decrees as updates to the 1993 decree on land tax. The classifications for the area-based tax have not changed.

<sup>5</sup> Article 61 of the Land Law: "The Real Situation which as to be Accepted: In case the individual or organization is surrounded by the land of other persons and has no access to the road, such individual or organization has the right to make a request to the holder of use right of the land located nearest to the road for an access passage. The land use right holder shall provide the access passage at the place considered to be appropriate and has the right to request compensation for the losses caused to cultivation, construction assets or development on the land used for the access passage. In case there are installed electric wire, telephone cables, the digging of water canals, the laying of culverts or public water pipes, etc. ... across the land of the holder of land use right which cause destruction or damages to trees, cultivation products or construction assets, the concerned land use right holder has the right to request compensation for losses..."

<sup>6</sup> Land remaining from construction that exceeds 2,000 square meters is considered as "Other type of land"

Agricultural land includes lowland fields, orchards, and upland fields. The area tax per hectare adjusts for land use (lowland, orchard, upland) and geographic area (plains or mountains). In addition, the area based tax on lowland fields is adjusted for soil quality using three categories, 1 being the highest quality as known by the land's productivity in one single season. Irrigated fields, called double season fields, have the potential for growing two seasons in a year and therefore pay a higher tax than single season fields. Double season fields that only grow for one season pay the highest tax. Additional adjustment to the area tax in orchards is based on three types of use, in order from highest to lowest tax: long-term industrial trees, long-term fruit trees, and other orchards. Within each category of use, the tax adjusts according to the orchard's location, in order of highest to lowest tax: within village areas, next to other roads, and other places. Additional adjustment for upland fields, in order from highest to lowest tax, is based on the following classifications: fixed upland fields, rotation upland fields, and other types of upland fields.

Other Types of Land or Undeveloped Land refers to any land that does not fall into the categories of construction, lowland fields, upland fields, or orchards. This category includes land bordering planted land. "Other" or "undeveloped" land is taxed on a per hectare basis according to region (plains and mountains) and location, in order of highest tax to lowest: next to main roads, next to small roads, other places.

## **Tax Rates**

Tax rates for the three categories of land, Construction (Table 1), Agriculture (Tables 2A, 2B and 2C), and Other (Table 3), depend on geographical position, location and land use as shown in the tables below. The tables show rates as they appear in the Prime Minister's Decree on Land Tax signed on March 13, 1993. The Prime Minister signed the Decree No.150/PM of October 22, 2000 to update the rates for the same classifications. The exchange rate as of February 19, 2008 is US\$1= 9,132 kip.

**Table 1: Land Tax Rates for Construction Land**

Region	Location	Land Use			
		Construction of dwelling (kip/sq.m./year)	Construction of factory and production site (kip/sq. m./year)	Commerce or services (kip/sq. m./year)	Land not yet used, Vacant land (kip/sq. m./year)
1. Vientian Municipality*	1. Along paved road	5	4	10	6
	2. Along other roads	4	3	8	5
	3. Other places	3	2	6	4
2. Townships of other Provinces	1. Along paved road	4	3	8	5
	2. Along other roads	3	2	6	4
	3. Other places	2	1	4	3
3. District townships of provinces	1. Along paved road	3	2	6	3
	2. Along other roads	2	1	4	2
	3. Other places	1	0.5	2	1
4. Village areas outside district towns	1. Along paved road	2	1	4	2
	2. Along other roads	1	0.5	3	1
	3. Other places	0.5	0.3	2	0.5

\*Vientian Municipality includes Luang Prabang town, Thakhek township (Khammuane Province), Khanthabouly township (Savannakhet), and Pakse township (Champassak)

Source: Lao People's Democratic Republic, Prime Minister's Decree on Land Tax No. 52/PM.

**Table 2A: Lowland Fields**

Region	Type of Field	Productivity in One Single Season (kg/ha)	Double Season Fields (Irrigated)		Single Season Fields (kip/ha)
			Single Season (kip/ha)	Double Season (kip/ha)	
1. Plains all over the country	1	Over 3,510	6,000	5,000	4,000
	2	3,000-5,000	5,000	4,000	3,000
	3	Under 3,000	4,000	3,000	2,000
2. Mountains all over the country	1	Over 3,001	5,000	4,000	3,000
	2	2,501-3,000	4,000	3,000	2,000
	3	Under 2,500	3,000	2,000	1,000

Source: Lao People's Democratic Republic, Prime Minister's Decree on Land Tax No. 52/PM.

**Table 2B: Orchards**

Region	Location	Orchards		
		Long-term Industrial Trees (kip/ha)	Long-term Fruit Trees (kip/ha)	Other Orchards (kip/ha)
1. Plains all over the country	1. Within village areas	5,000	4,000	3,000
	2. Next to other roads	4,000	3,000	2,000
	3. Other places	3,000	2,000	1,000
2. Mountains all over the country	1. Within village areas	4,000	3,000	2,000
	2. Next to other roads	3,000	2,000	1,000
	3. Other places	2,000	1,000	500

Source: Lao People's Democratic Republic, Prime Minister's Decree on Land Tax No. 52/PM.

**Table 2C: Upland Fields**

Region	Type of Upland Field	Tax Rate (kip/ha)
1. Plains all over the country	1. Fixed upland fields	3,000
	2. Rotation upland fields	4,000
	3. Other types of upland fields	5,000
2. Mountains all over the country	1. Fixed upland fields	1,000
	2. Rotation upland fields	1,500
	3. Other types of upland fields	2,000

Source: Lao People's Democratic Republic, Prime Minister's Decree on Land Tax No. 52/PM.

**Table 3: Other Types of Land or Undeveloped Land**

Region	Location	Tax Rate (kip/ha)
1. Plains	1. Next to main roads	6,000
	2. Next to small roads	5,000
	3. Other places	4,000
2. Mountains	1. Next to main roads	3,000
	2. Next to small roads	2,000
	3. Other places	1,000

Source: Lao People's Democratic Republic, Prime Minister's Decree on Land Tax No. 52/PM.

The Land Law makes a further specification that when an heir of developed land inherits land in addition to presently used land that exceeds the maximum allowed by law, the heir can use the land if he or she pays tax at a higher than normal rate for the surplus land.

## **Exemptions**

The Decree on Land Tax specifies exemptions for construction land and agricultural land.

### Exempt Construction Land

1. up to 5,000 meters of land used for construction of housing for heroes and invalids during official mission unable to work. The remaining land is still subject to tax
2. offices of state agencies, administrative and technical apparatus and public places
3. places of worship, cemeteries of all religions, other sacred places void of commercial features
4. diplomatic missions and international organizations

### Exempt Agricultural Land

1. state organizations for research and experimentation
2. land of two hectares or less being produced by families of civil servants, soldiers who have sacrificed their lives, or invalids unable to work. The remaining area (larger than 2 hectares) is subject to tax.
3. invalids, leprosy, unable to work in fields for commercial purpose, only enough for their subsistence.
4. Families cultivating lowland or upland fields with average yield per capita of 150 kg per year.
5. farmer families that are victims of natural disasters or pests receive a reduction according to their loss (21%-70% reduced according to percentage of loss; over 71% of loss, 100% reduction).
6. Newly cleared fields in mountainous area are exempt for 5 years.
7. newly cleared fields in plains are exempted for 3 years.
8. long-term industrial tree and fruit tree orchards are exempted for 2-5 years from day of planting based on type of tree.

The Land Tax Unit can present a case to exempt a village area to the district administrative authorities to study and forward the case to the provincial administrative authorities for a decision on the exemption.

## **Tax Collection**

Taxpayers pay the land tax annually. The Decree on Land Tax stated that the tax is computed and collected between January 1 and December 31 of each year, with tax collection starting in January through April.

The Law on Land requires individuals and organizations to register the land they hold and use in the Land Registration Book held by the Local Administrative Authority, or Land Tax Unit, at the village level. The Book contains the names and surnames of the husband and wife who received the land use right (or the organization), the land category, the land boundaries and area, the acquisition method, and the land location. The Book also contains the date, month and year of birth, nationality, profession, and present address; the names of the father and mother of the land use right holder; the number of the Land Title; the code number of the map; the land limits, the area and boundaries; and the Land map. Land registration is an attestation of legal land use right of an individual or organization. Any transfer of the right of land tenure must be declared to the Land Tax Unit in order to update the Land Register.

The Land Tax Unit establishes a land tax register for every village every year, and presents it to the provincial Land Management Unit for authorization of tax collection according to the computed figures. The village's tax register contains 28 columns showing the owner, the superficial area, the classification, the amount payable, amount paid, and arrears. The village Chief and village collector carry out the assessment and collection.

Individuals and organizations must declare land and pay tax within 120 days of the promulgation of the 1993 Decree on Land Tax. The land of anyone refusing to declare the land area under their tenure to the Land Management Unit after 120 days from the inauguration of the decree would be considered without users. After three years of no declaration, the State would retrieve the rights of use over that land. Anytime land tax goes unpaid for three years consecutively, the holder of the land loses his or her right to the land. Delayed tax payment results in a fine of 5 percent for the payable tax for each month of delay. In practice, enforcement comes down to peer pressure. Open to the public, the land register prevents potential tax delinquents from evading their neighbor's eye. The penalties under the law are rarely applied.

The land holder/user pays the tax in person at the District Land Tax Office. Outside the district towns, land tax officers coordinate with the village administrative authorities and volunteers to organize collection. The villages retain a proportion of the tax collected, 10 percent on average. The amount varies according to the perceived difficulty of collection such that remote areas may retain 15 percent while urban areas retain 6 percent. Of the retained portion, the collector keeps 60 percent and the rest goes to the village. Villages remit 90 percent of the total taxes collected to the District treasury every Friday, which reports revenue figures to the provinces and Central government. During the fiscal year 2004/2005, the Lao government collected US\$2.60 million in revenue from the land tax, US\$750,000 in subsequent registration fees, and US\$180,000 in other fees. Tax collection cost about half of the revenue from land tax.

## **Appeal Procedures**

Taxpayers challenge a mistake in the register by talking to their village chief. There is no independent appeal procedure, and no perceived need for one.



## References

- Lao People's Democratic Republic. Prime Minister's Decree on Land Tax No. 52/PM March 13, 1993, <http://faolex.fao.org/docs/pdf/lao18715.pdf> (accessed January 28, 2008).
- Embassy of the Lao People's Democratic Republic. "Law on Land in Lao PDR" <http://www.laoembassy.com/lawland.htm> (accessed February 18, 2008).
- International Land Coalition. "Comparative Study of Land Administration Systems – Lao PDR Case Study," <http://www.landcoalition.org/pdf/wbtcilao.pdf> (accessed February 18, 2008).
- Lao People's Democratic Republic. President of the National Assembly's Law on Land, No. 01/97 NA, April 12, 1997, [http://faolex.fao.org/cgi-bin/faolex.exe?rec\\_id=014979&database=FAOLEX&search\\_type=link&table=result&lang=eng&format\\_name=@ERALL](http://faolex.fao.org/cgi-bin/faolex.exe?rec_id=014979&database=FAOLEX&search_type=link&table=result&lang=eng&format_name=@ERALL) (accessed January 28, 2008).
- Keith, Simon, Pheuiphanh Ngaosrivathana, Bouakham Soulivanh, Onsy Phimsomphou, and Chanh Denuthai. 2006. "Study on Land Tax and Land Fees Policy in Lao PDR; Land Policy Study No. 3 under LLTP II," Sponsored by Lao-German Land Policy Development Project (German Contribution to the Land Titling Project II in Lao PDR), February, <http://www2.gtz.de/dokumente/bib/06-1112.pdf> (accessed February 18, 2008).
- Rural Development and Natural Resources Sector Unit. East Asia and Pacific Region. The World Bank. "Laos – Land Titling Project," World Bank report no. 36582, June 27, 2006. [http://www-ds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/07/25/000310607\\_20060725142614/Rendered/PDF/36582.pdf](http://www-ds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/07/25/000310607_20060725142614/Rendered/PDF/36582.pdf) (accessed February 18, 2008).
- Poverty Reduction and Economic Management Unit. East Asia and Pacific Region. The World Bank. "Lao – Financial Management Capacity Building Project," report no. 39670-LA, May 31, 2007. [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/06/08/000090341\\_20070608110837/Rendered/PDF/39670.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/06/08/000090341_20070608110837/Rendered/PDF/39670.pdf) (accessed February 18, 2008).

## Chapter 22: Lesotho

### Introduction

The Kingdom of Lesotho gained independence from Great Britain October 4, 1966 and established a constitutional monarchy. The current constitution was ratified April 2, 1993. As the head of state, the monarch has become a ceremonial position and the head of government, the prime minister, holds the executive authority. The upper house of the bicameral parliament, the Senate, has 22 principal chiefs with hereditary membership and eleven member appointed by the king acting at the advice of the prime minister. The National Assembly is composed of 165 members elected for 5 year terms. The country is subdivided into 10 administrative districts, each headed by a district administrator.<sup>1</sup> The districts are further subdivided into 80 constituencies and 129 local community councils. The Kingdom of Lesotho spans 30,355 sq. km.

Until 1979, all land belonged to the King Head of State who granted people usufruct or land use rights. The Constitution still considers all land the collective property of the Basotho Nation, but the Land Act of 1979 distributed the King's power of land allocation to the Community Councils. A later amendment clarified that a Community Council cannot exercise its power of granting land rights to commercial or industrial purposes without referring to the District Council, which has a representative from the Ministry of Trade and Industry, a representative from the Department of Lands Surveys and Physical Planning, and a representative from the Chamber of Commerce.<sup>2</sup>

The Constitution of Lesotho does not permit private property ownership. Individuals or legal persons apply for rights to land of the Basotho Nation from the government to occupy and use the land and its resources without interference. Urban Land Committees<sup>3</sup> grant titles to land in urban areas in the form of a lease. The Committees advertise available plots of urban land and people apply to lease the land as long-term occupiers. Urban leases are transferable and inheritable with permission of the Urban Land Committee that allocated the land. Essentially, urban lease holders may undertake normal commercial transactions; subject to the consent of the Minister.<sup>4</sup> Urban leaseholders pay property taxes. Rural land leased from the Nation includes the right to use and occupy, but not the right to transfer. Both urban and rural lease holders pay ground rent except owner-occupied residences.

The Lands Surveys and Physical Planning Department administers the Land Act of 1979, the Land Regulations of 1980, and the Valuation and Rating Act of 1980. The Department issues leases, processes applications for leases, monitors the occupation of land as well as lessees' compliance of statutes and lease contracts, establishes and maintains land records, assesses and collections ground rent and fees, prepares and

---

<sup>1</sup> Berea, Butha-Buthe, Leribe, Mafeteng, Maseru, Mohale's Hoek, Mokhotlong, Qacha's Nek, Quthing, Thaba-Tseka.

<sup>2</sup> The Land (Amendment) Order, 1992.

<sup>3</sup> Urban Land Committees consist of the Commissioner, the District Administrator, and three people appointed by the Minister.

<sup>4</sup> Minister refers to the Minister of Lands Surveys and Physical Planning Department.

maintains Valuation Rolls, conducts valuation assessment for mortgages as well as acquisitions and insurance, prepares and negotiates lease agreements for residential and commercial buildings on behalf of the government, and mediates and resolves land disputes.

The Finance and Administration Department administers the Deed registry, which involves maintaining a system of registering rights to land and keeping the national records of land and property rights safe. The Deeds Registry examines and registers grants, leases, sub-leases, cessions of immovable property and mortgage bonds. The Deed's Registry also collects revenue for the Government from stamp duties, transfer duty, and registration and search fees.

Land and property taxes include: Taxes on Property (urban), Ground Rents (rural), Tax on Transfer of Property, Estate Duty, and Succession duty. The relevant legislation is listed below:

- The Local Government Act 1997
- Taxes on Property: The Valuation and Rating Act 1980; Urban government Act 1993, and Legal Notice No. 10 of 1997
- Ground Rents: Land Act No. 17 of 1979;<sup>5</sup> Land Regulations, Legal Notice No. 15 of 1980; and Legal Notice No. 131 of 1991.
- Tax on transfer of property: Transfer Duty Act 1965, as amended; Transfer Duty Order, 1972, Order No. 1 of 1972
- Estate Duty: Proclamation No. 20 of 1935 as amended
- Succession duty: Proclamation No. 20 of 1935 as amended

Ground rents in rural areas are area based and, therefore, are the focus of the following discussion.

### **Taxpayers**

An individual or legal entity granted a lease or license by a property authority, or the holder of a lease or license transferred with the consent of the proper authority.

### **Tax Base**

The ground rent is a fee for the right to use and occupy land based on the area of land by square meter and the location.

### **Tax Rent**

For residential land, the annual rate of ground rent is 0.05-0.10 Maloti<sup>6</sup> per square meter. For commercial land, the annual rate of ground rent is 0.25-0.30 Maloti per square meter.

---

<sup>5</sup> The Land Act No. 17 of 1979 was the only legislation obtained for this chapter.

## **Exemptions**

Owner-occupiers of residences who are citizens of Lesotho and of the Mosotho race may lease and occupy land without paying ground rent

## **Tax Collection**

Ground rent is due March 31<sup>st</sup> each year prorated for partial year leases. The Land Act of 1979 declares that the amount of annual ground rent owed for each lease is subject to revision every ten years.

---

<sup>6</sup> One US dollar equals 7.93 Maloti.

## Reference

- Chairman of the Military Council and Council of Ministers. *The Land (Amendment) Order of 1992*, Government Gazette, <http://faolex.fao.org/docs/pdf/les41388.pdf> (accessed March 16, 2008).
- Franzsen, Riel C.D. 2002. "Property Assessment for Rating Purposes in Southern and East Africa: Present Status and Future Prospects," Paper to be presented at the 8<sup>th</sup> annual conference of the Pacific Rim Real Estate Society in Christchurch, New Zealand (January 21-23), [http://www.prres.net/Papers/Franzsen\\_Property\\_assess\\_for\\_rating\\_purposes\\_in\\_south&East\\_Africa.pdf](http://www.prres.net/Papers/Franzsen_Property_assess_for_rating_purposes_in_south&East_Africa.pdf) (accessed March 16, 2008).
- Franzsen, Riel C.D. and William J. McCluskey. 2005. "An Exploratory Overview of Property Taxation in the Commonwealth of Nations," Lincoln Institute of Land Policy Working Paper WP05RF1, [http://www.lincolninst.edu/pubs/dl/1069\\_Franzen\\_complete\\_web.pdf](http://www.lincolninst.edu/pubs/dl/1069_Franzen_complete_web.pdf) (accessed March 1, 2008)
- Hammond, Robert C. 2003. "ATS, Suppl. No. 129, December 2003," *African tax systems*. A project of the International Bureau of Fiscal Documentation, Amsterdam. Prepared at the request of the United Nations Economic Commission for Africa. 1970-(loose leaf).
- International Monetary Fund (IMF). 2006. "Kingdom of Lesotho: Statistical Appendix," IMF Country Report No. 06/405 (November), <http://www.imf.org/external/pubs/ft/scr/2006/cr06405.pdf> (March 16, 2008).
- Ministry of Local Government and Chieftainship, [http://www.localgovt.gov.ls/TheMinistry\\_Departments\\_LSPP.php](http://www.localgovt.gov.ls/TheMinistry_Departments_LSPP.php) (accessed March 16, 2008).
- Ministry of Local Government and Chieftainship, [http://www.localgovt.gov.ls/LocalGov\\_Structure\\_councilComp.php](http://www.localgovt.gov.ls/LocalGov_Structure_councilComp.php) (accessed March 16, 2008).
- Prime Minister. *The Land Act No. 17 of 1979, Supplement No. 1 to Gazette No. 41*, <http://faolex.fao.org/docs/texts/les18328.doc> (accessed March 16, 2008).
- Selebalo, Qhobela Cyprian. 2001. "Land Reform and Poverty Alleviation: Lesotho's experiences during the last two decades," Presented at the Regional Conference for Land Reform Poverty Alleviation in Southern Africa, June 4-5, <http://sarprn.org.za/EventPapers/Land/20010604Selebalo.pdf> (accessed March 16, 2008).

Seleblo, Qhobela Cyprian. 2002. "Integrating Land Issues in the Broader Development Agenda: Lesotho Case Study," Presented at the Regional Workshop on Land Issues in Africa,  
[http://lnweb18.worldbank.org/ESSD/ardext.nsf/24ByDocName/LesothoCCSDraft/\\$FILE/Lesotho\\_ccs\\_draft.pdf](http://lnweb18.worldbank.org/ESSD/ardext.nsf/24ByDocName/LesothoCCSDraft/$FILE/Lesotho_ccs_draft.pdf) (March 16, 2008).

U.S. Department of State. 2008. "Background Note: Lesotho," Bureau of African Affairs (February), <http://www.state.gov/r/pa/ei/bgn/2831.htm> (accessed March 16, 2008)

## Chapter 23: Lithuania

### Introduction

Lithuania embarked on its transition toward privatization, market economy, and strong local self-government after it achieved independence from the former Soviet Union in 1991. Along with massive policy changes, separate property taxes on land and buildings were introduced respectively in 1992 by the Law on Land Tax and in 1994 by the Law on Tax on the Immovable Property of Enterprises and Organizations. Both taxes were area-based with certain market adjustments until January 1, 2006, when the new Law on Immovable Property Tax replaced the old building tax with a market value-based tax. The adoption of a land tax based on market value is also under consideration by policymakers. There is also a third form of property tax on state-owned land leased to private parties.

Lithuania has a two-tiered local government structure, composed of 10 counties and 60 municipalities as of 2002.<sup>1</sup> Unlike in other Baltic countries, where small local governments dominate, the majority of Lithuanian municipalities have a population in the range of 20,000-90,000. Given that the administration of property taxes remains highly centralized, revenue from the property tax is relatively low, accounting for a bit over 10 percent of total local revenue in 2005. But the share of property tax revenue has steadily increased over the years.

Lithuania started a computerized land cadastre and register as early as 1992. A fully digitalized real property registration system was developed in 1998, which linked cadastre and register data on land and buildings into one unified system. The government agency in charge of the database, now known as the State Enterprise Center of Registers, started property mass valuation in 2002. All these developments have paved the way for a smooth transition from area-based to *ad valorem* value-based property taxation.

### Land Tax

All privately owned land in Lithuania is subject to the land tax. The tax yields are extremely low, as compared to the other two property taxes, amounting for only .04 percent of GDP in 2000.

#### Taxpayers

Taxpayers are owners of private land, including both individuals and legal entities.

#### Tax Base

The tax base is the taxable value of land, based on area and value per hectare assessed in accordance with the Land Evaluation Methodology established by the central government, and with adjustments by region and degree of urbanization.

---

<sup>1</sup> The number of municipalities is expected to increase to 93 in 2003 (Brown and Hepworth 2003).

## Tax Rates

The law fixes the annual tax rate at 1.5 percent of the taxable value of land with the exception of agricultural land, which is taxed at 0.5 percent.

## Exemptions

Exempt from the tax is forest land, land owned by the state or municipalities, land used for public roads, land owned by foreign embassies, and land under historical and cultural monuments. Exemptions are also available for landowners who are disabled, old-age pensioners and minors, provided that at the beginning of the taxation period, no persons in the families are capable of work and provided that the size of the land plot does not exceed the tax exempt area of land established by local government councils. Although local governments cannot change the tax rate, they are authorized to grant additional exemptions to property owners within their jurisdiction. The low level of revenue from land tax is due in part to the widespread use of exemptions by municipalities.

## Tax Collection

State Enterprise Centre of Registers conducts Land valuation for tax purposes annually and the tax is collected by the State Tax Inspectorate and remitted to municipalities. Tax payments are to be made in equal quarterly installments.

## **Tax on Immovable Property**

Tax on immovable property is equivalent to tax on buildings. Among the three taxes, it has the highest potential for generating revenue. In 2000, revenue from this tax accounted for about 5 percent of total local revenues. Reform of the tax in 2006 introduced changes to taxpayers, tax base, tax rates, and method of assessment.

## Taxpayers

The taxpayer was limited to corporate property owners before 2006. The new law requires that individuals are also liable for tax due on their property.

## Tax Base

The tax base was the taxable value of the property based on replacement value adjusted by location coefficients. Deducting depreciation from the construction costs of the property determines the replacement value. Starting from January 1<sup>st</sup>, 2006, the tax is based on market value of the property as estimated from mass valuation of property.

## Tax Rates



The law fixes the annual tax rate at 1 percent of the taxable value of the property until 2006. Now the tax rate ranges from 0.3 percent to 1 percent. Local governments now have the right to lower the rate.

### Exemptions

Exempt from the tax are buildings owned by the state or municipalities, buildings owned by foreign embassies, buildings owned by religious, charitable, educational, social care, and other public organizations, buildings used for cemeteries, for the disabled, and for environmental protection and fire prevention. Municipalities may grant additional exemptions at the expense of their own budget.

### Tax Collection

Similar to the case of land tax, the State Enterprise Centre of Registers is responsible for valuation of the property, and the State Tax Inspectorate is responsible for collection. Municipal governments ultimately receive the revenues. The new law requires that the immovable property tax return be submitted to the State Tax Inspectorate within one month after the date of acquisition. An annual tax return must be filed by February 1<sup>st</sup> of the next year. While individuals may pay the tax in equal quarterly installments, legal entities have to make advance payments equal to 1/4 of annual tax amount until 31 March, 30 June and 30 September.

### Appeal Procedures

The new law provides taxpayers with the right to challenge the valuation of their property to the State Enterprise Centre of Registers, which has set up the Appeals Investigation Commission to handle complaints. Further appeals can be filed with the Commission of Administrative Disputes and then to the County Administrative Court.

### **Land Lease Tax**

Land lease tax is imposed on state-owned land used by individuals and legal entities on a rental basis. Instead of the land tax, lessees of state-owned land are liable for the land lease tax at a rate of 6 percent annually. Yields from this tax amounted to 0.6% of the national budget in 2000. Much of the revenue is derived from property owners awaiting completion of the restitution process (World Bank 2002, 6).

## References

- Aleksiene, Albina and Arvydas Bagdonavicius. 2006. Lessons in Introducing Value-Based Property Taxes in Lithuania. Lithuania State Enterprise Centre of Registers working paper.
- Beksta, Arunas and Algirdas Petkevicius. 2000. Local Government in Lithuania. In *Decentralization: Experiments and Reforms*, Vol 1, Tamás M. Horváth, ed. Budapest, Hungary: Local Government and Public Reform Initiative
- Brown, P.K. and M.A. Hepworth. 2003. *A study of European property tax systems: Final report*. David C. Lincoln Fellowship Year 3 Report.
- Deveikis, Steponas and Arvydas Bagdonavicius. 2002. Towards an Efficient Property Markets in Lithuania – The Impact on Valuation. Prepared for the FIG XXII International Congress, April 19-26, 2002, Washington, D.C. USA.
- Ernst & Young. 2007. Doing Business in Lithuania: Tax Guide 2007. [www.ey.com/.../Lithuania\\_E/DB\\_Lithuania.\\_Tax\\_Guide\\_2007/\\$file/DB%20Lithuania.%20Tax%20Guide%202007.pdf](http://www.ey.com/.../Lithuania_E/DB_Lithuania._Tax_Guide_2007/$file/DB%20Lithuania.%20Tax%20Guide%202007.pdf)
- Republic of Lithuania. 1992. Law on Land Tax. <http://www.litlex.lt/Litlex/Eng/Frames/Laws/Documents/28.HTM>
- Martinez-Vazquez, Jorge. 2000. Municipal Finance in Lithuania. <http://www1.worldbank.org/wbiep/decentralization/ecalib/Municipal%20Finance%20in%20Lithuania.pdf>
- Sabaliauskas, Kestutis and Albina Aleksiene. 2002. Progress Toward Value-Based Taxation of Real Property in Lithuania. *Land Lines* 14 (October)
- World Bank. 2002. Lithuania: Issues in Municipal Finance. <http://www1.worldbank.org/wbiep/decentralization/ecalib/Lithuania.pdf>

## **Chapter 24: Moldova**

### **Introduction**

Moldova declared its independence from the former Soviet Union in August 1991 and has since taken active steps to establish local self-government. Subnational governments in Moldova are composed of judet councils (plus the Council of Chisinau and the Council of Territorial Administrative Unit Gagauzia) and local councils (communes, cities, and municipalities). While the Fiscal Code of 1997 and the Law on Local Taxes and Revenues of 1994 regulate the collection of local taxes and revenues, the Law on Local Public Finances of 1999 governs the assignment of expenditure functions and revenue sources to the regional and local governments. The current property tax system of Moldova comprises three types of taxes: commercial enterprise tax, personal property tax, and land tax. The first two taxes are based on the market value of the property, whereas the land tax is assessed on an area basis. With local revenues highly dependent on the regional budgets, the local property tax has yet to achieve its full potential as a stable source of autonomous local revenue. The remainder of this chapter will focus on the land tax.

### **Taxpayers**

The land tax is payable by either the owner or the user of the land.

### **Tax Base**

The tax base is the area of land as registered with the cadastre. The area is measured in hectares for agricultural land and in square meters for urban land.

### **Tax Rates**

Land tax rates are fixed every three years by local councils subject to centrally determined ceilings. Different rates apply to agricultural and non-agricultural land. The rate on agricultural land ranges from 16.97 roubles to 2.28 roubles per hectare, while land in urban areas is taxed between 0.05 roubles and 1.50 roubles per square meter.

## References

- Brown, P.K. and M.A. Hepworth. 2003. *A study of European property tax systems: Final report*. David C. Lincoln Fellowship Year 3 Report.
- Chiriac, Liubomir, Igor Munteanu, Victor Popa and Victor Mocanu. 2001. Local Government in Moldova. In *Stabilization of Local Governments*, Emilia Kandevea, ed. Budapest, Hungary: Local Government and Public Reform Initiative.
- De Mello, Luiz. 1999. Fiscal Federalism and Government Size in Transition Economies: The Case of Moldova. IMF Working Paper WP/99/176.
- Munteanu, Igor. 1999. Local Development in Moldova: Concepts and Practices. Local Government and Public Service Reform Initiative (LGI) Discussion Paper No: 12.
- Republic of Moldova. 1999. Land Code of the Republic of Moldova.  
<http://www.imf.md/laws/Land%20Code%20of%20the%20Republic%20of%20Moldova.doc>
- United Nations Online Network in Public Administration and Finance (UNPAN). 2003. Local Finances in Moldova.  
<http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN017652.pdf>

## **Chapter 25: Namibia**

### **Introduction**

Local government in Namibia is composed of 13 regional councils, 16 municipal councils, 8 town councils, and 24 village councils. Due to its colonial heritage, land and property taxation was not introduced to the reserves or black areas until 1990, when the country gained its independence from South Africa. The property tax has become a very significant source of revenue for local governments, accounting for 30 percent of total local own-source revenue as of 2005. The Local Authorities Act of 1992 provides for local option of an ad valorem tax or an area-based tax. While most Namibian local authorities choose to implement a value-based tax on land and improvements, known as the property rating system, small settlements in rural areas generally employ an area-based approach. The remainder of this chapter will focus on the latter type of property taxation.

### **Taxpayers**

The taxpayer is typically the owner of land or a building subject to taxation. But in cases where the property is owned by the local council, the occupier shall be liable for the any tax due on the property.

### **Tax Base**

Upon approval of the Minister of Local Government and Housing, a local council may utilize the surface area of land or the floor area of buildings as the tax base.

### **Tax Rates**

Tax rates in the form of a price per unit area of land and improvements are annually determined by local councils, subject to approval of the Minister of Local Government and Housing. Local governments are granted by law considerable discretion regarding the establishment of local property tax rates. A council may choose to apply either uniform or differential rates across different property use categories (e.g. residential or commercial). The rates on land may also differ from those on buildings.

### **Exemptions**

Tax exemptions are provided by law for state- or council-owned properties, churches, nonprofit schools or hostels, libraries or museums established and maintained by the state, and hospitals or similar institutions aided by the state or a charitable organization.

### **Tax Collection**

Local authorities in Namibia are fully responsible for the collection and administration of the property tax. The tax is payable in monthly installments. Interests shall be assessed on

arrears. No transfer of property shall be registered until all outstanding property taxes are paid, as evidenced by a clearance certificate.

## References

- Franzsen, Riel C.D. 2002. Property Assessment for Rating Purposes in Southern and East Africa: Present Status and Future Prospects. Paper presented at the 8th Annual Conference of the Pacific Rim Real Estate Society, January 21-23 2002, Christchurch, New Zealand.
- \_\_\_\_\_. 2003. Property Taxation within the Southern African Development Community (SADC): Current Status and Future Prospects of Land Value Taxation in Botswana, Lesotho, Namibia, South Africa and Swaziland. Lincoln Institute of Land Policy Working Paper
- \_\_\_\_\_. 2004. Property Taxation in SADC and Commonwealth Countries in Africa: Critical Issues.  
[www1.worldbank.org/wbiep/decentralization/afrlib/franzsen.pdf](http://www1.worldbank.org/wbiep/decentralization/afrlib/franzsen.pdf)
- Franzsen, Riel C.D. and William McCluskey. 2004. Ad Valorem Property Taxation in Sub-Saharan Africa. Paper presented at the International Property Tax Institute 7th International Conference, September 29 - October 1<sup>st</sup>, 2004, Guadalajara, Mexico.
- \_\_\_\_\_. 2005. An Explanatory Overview of Property Taxation in the Commonwealth of Nations. Lincoln Institute of Land Policy Working Paper.
- Howard, J.W. 1995. A Summary Review of Property Rating in Namibia. In *Property tax in Eastern and Southern Africa: Challenges and lessons learned*. Municipal Development Programme Working Paper 2.
- Parliament of Namibia. Local Authorities Act of 1992.

## Chapter 26: Nigeria

### Introduction

The Federal Republic of Nigeria is subdivided into 36 states and the Federal Capital Territory (Abuja), which are organized into 6 zones: South-West, South-South, South-East, North-West, North-Central, and North-East. Each state elects a governor and House of Assembly. The states further subdivide into 776 local government areas, each governed by a Council charged with supplying basic social services. Each state has a Commissioner for Local Government in charge of all the local authorities (Local Government Councils, LGC) in the state.

Nigeria's property tax is called a tenement rate and covers all land with buildings. Prior to 1976, the local government and state government shared rate revenue equally. Since the reform of 1976, all revenue from tenement rates goes to the local government, which uses it for general services. Since the local government does not use the tax in a way that directly benefits tenement owners, taxpayers show great reluctance to pay the tax. The Nigerian government faces widespread tax evasion.

The Local Government Edict No. 6 of 1976,<sup>1</sup> extracted from the Local Government Reform Law, attempted to create a coherent decentralized tax system for the country. Part III, section 98 through 140, of the Edict empowers rating authorities to levy and collect tenement rates. It gives the state-level Commissioners authority to decide the method of assessment, appoint appraisers, and establish assessment appeal tribunals for tenement rates. A valuation unit in the Local Government Ministry of each state carries out the valuation and assessment of all tenements. The local rating authorities collect the taxes. The Tenement Rating (Method of Assessment) Order 1977 No. 28 defines three methods from which states choose to assess the value of tenements: the capital value method, rental value method, and spot value method (area-based). The focus of the discussion below is on the spot method of valuation.

### Taxpayers

The tax payer is the owner of the tenement, even if occupied or rented by another person. The term, owner, refers to the person currently receiving rent on the tenement, whether it be the owner or agent. If the property is not being rented, the owner is defined as the person whose property would receive rent if he or she let the tenement. An owner is also an individual holding a tenement under lease or license from the State. If the tax remains unpaid at the time of ownership transfer, the subsequent owner becomes liable for the rate that year. Alternatively, if the owner does not pay within 3 months of the due date, an occupier will pay any unpaid rent to the tax authority. If an agent collects rent for the owner, the agent is liable for paying the tax out of rent payable that year minus the commission due to him for collecting the rents.

---

<sup>1</sup> The researcher did not obtain the Edict No. 6 nor Edict No. 28 verbatim. Most information is based on a summary of the Edicts by Iloabuchi (1991). The Edicts still govern Nigeria's property tax system in 2008.



## **Tax Base**

The base for assessment is the tenement, meaning land with buildings, held or occupied.

Section 98 of the 1976 Edict authorizes three basis of valuation for Nigeria rating purposes, specifically defined by The Tenement Rating (Method of Assessment) Order 1977 No. 28: 1) capital value basis 2) rental value basis 3) spot value (or area) basis. State Commissioners for Local Government tend to apply the rental value to urban areas and the spot value to less developed areas. The northern states tend to lag behind the other states in valuation expertise. As of 1991, most northern states had not enacted tenement rating.

The spot value basis is used for tenements in areas with less developed local governments. In order to apply the spot value method, the rental value is estimated according to the controlled rent for residential tenements and open market rent for commercial tenements. If less than N600, the tenement qualifies as a scheduled tenement and can be assessed with the spot value method. States use the spot value method in different ways. Some states use spot value rates per foot/square meter, provided by the Assessment Office, according to the category of property. The categories are based on the materials used in constructing the walls and roof of the building. The valuer assigns a cost to a cubic foot/meter of the building according to the building's category and multiplies it by the number of cubic feet/meters in the building. The cost per cubic foot/meter multiplied by the cubic capacity of the building is considered the capital cost of the tenement. Five percent of the capital cost, allowing for depreciation, is the assessed annual value.

Some states do not bother with differing rates according to categories. For example, Oyo State adopted an arbitrary flat rate method of assessment (naira per type of dwelling).

Other states use the spot value method to determine the assessed annual value according to a specified rate per room, depending on the tenement's form of construction. To calculate the number of rooms, the gross floor area of the tenement is divided by 11.5 square meters. In a schedule tenement, each family unit pays the rate according to the highest category of the family unit. Only one dwelling house is rated in a family unit, except if the building is used for commercial purposes, in which case, it is rated separately. For example, Ogun state uses floor space as its basis.

## **Tax Rates**

The rating authority chooses the rate for the tenement tax annually according to its revenue expectation and the aggregated value of tenements to tax that year. For example, if the amount required by the budget of the rating authority that year is N100,000 and the total assessed value of the area is N1,000,000, then the rating authority will choose a tax rate of 10 percent. Some rating authorities choose a tax rate arbitrarily based on political reasons.

## **Exemptions**

The Edict exempts the following tenements from assessment and rating:

- Land and buildings used exclusively for public worship
- Cemeteries and burial grounds
- Charitable and educational institutions certified by the commissioner
- Any tenement exempted specifically by the commissioner with a notice in the state Gazette.

With prior approval from the commissioner, the rating authority can provide the following reliefs:

- Reduce or remit the rate on account of a person's poverty
- Partially relieve residential tenements. The Order does not specify a percent. During the general valuation of 1978, the rating authority relieved residential tenements by 50 percent because the controlled rents brought in only 50 percent of the market rental value to the owner.

## **Tax Collection**

State governments, especially in the North, struggle to find the expertise necessary for valuation. Often, states use private valuers. Valuers have the power to require information, written or oral; to provide accounts and documentation of rent; to enter a tenement between 7am and 6pm of any working day for valuation purposes; to demand the occupier's name and the name and address of the owner; to require the owner or occupier to declare in writing the annual rent paid; to inquire upon the boundaries of the tenement; and to require the owner or occupier to provide any information that affects the annual value of the tenement in the opinion of the valuer.

The valuation division of the Ministry of Local Government provides a valuation list to the rating authority. The rating authority makes the list available to the public. The rate collector then serves each tenement owner with a demand notice of the listed assessed value, and any defaulter property rate notices if applicable.

As of 1991, only four states had established valuation units in the Ministry of Local Government. State civil servants staff the valuation units to organize the tenement rating, often contracted to private real estate surveyors, and prepare the valuation lists. The state sends the list to the local rating authorities to serve demand notices and collect the tenement rates.

The demand notice specifies the due date. If any ratepayer defaults, the rating authority can distrain the owner's property or recover the amount through legal proceedings in a court of competent jurisdiction. Even though tax authorities have enforcement authority, collection is a big problem. Tax authorities usually do not prosecute defaulters because

most are elites and political power brokers who the chairmen of local rating authorities cannot embarrass.

### **Appeal Procedures**

Under Section 120 of Edict No. 6, the Commissioner for Local Government may establish appeal tribunals to hear and decide on assessment appeals. The appeal tribunal can have between three and five members, including one chairman, appointed by the Commissioner for periods determined by the Commissioner. The Assessment Appeal Tribunal has the power to confirm, reduce, increase, or annul the valuation as well as remove the individual's name from the valuation list.

A taxpayer can appeal the decision of an Assessment Appeal Tribunal to a magistrate's court when the appraiser claims the correct valuation to be N600 or more.

The burden of proof for excessive rates is on the aggrieved tenement owner. There is no statutory requirement for professional valuers to represent the aggrieved owner. Since most tenement owners do not understand valuation, few appeals object to comparable properties assessed at lower rates. The appeal procedure does not ensure fair appraisal.

## References

- Achara, R.A.C.E. 2003. "Can Nigerian Local Government Councils Autonomously Impose Rates?" *Journal of African Law*, 47(2), 221-243, [http://journals.cambridge.org/download.php?file=%2FJAL%2FJAL47\\_02%2FS0021855303002109a.pdf&code=1bf0a8ea53d9b35491f4e05f6aebbcf2](http://journals.cambridge.org/download.php?file=%2FJAL%2FJAL47_02%2FS0021855303002109a.pdf&code=1bf0a8ea53d9b35491f4e05f6aebbcf2) (accessed March 1, 2008).
- Adedokun, Adenike A. "Local Government Tax Mobilization and Utilization in Nigeria: Problems and Prospects," Department of Public Administration and Local Government Studies, The Polytechnic, Ibadan, Nigeria, <http://visar.csustan.edu/aaba/Adedokun.pdf>, (accessed March 6, 2008).
- Akindele, S.T and Olaopa.. 2002. "Fiscal Federalism and Local Government Finance in Nigeria," United Nations Online Network in Public Administration and Finance (UNPAN), <http://unpan1.un.org/intradoc/groups/public/documents/cafrad/unpan008121.pdf> (accessed March 1, 2008).
- Franzen, Riël C.D. and William J. McCluskey. 2005. "An Exploratory Overview of Property Taxation in the Commonwealth of Nations," Lincoln Institute of Land Policy Working Paper WP05RF1, [http://www.lincolnst.edu/pubs/dl/1069\\_Franzen\\_complete\\_web.pdf](http://www.lincolnst.edu/pubs/dl/1069_Franzen_complete_web.pdf) (accessed March 1, 2008).
- Global Property Guide: The Investor's Guide to Residential Property Buying Abroad. "Rental Income Tax is High," November, 20, 2006, <http://www.globalpropertyguide.com/Africa/Nigeria/Taxes-and-Costs> (accessed March 1, 2008).
- Library of Congress. Federal Research Division. 2006. "Country Profile: Nigeria," (June), <http://lcweb2.loc.gov/frd/cs/profiles/Nigeria.pdf> (accessed March 1, 2008).
- Olubodun, Ayeni O. and Oluwaseun S. Adewale. 2006. "Evaluation of Tenement Rate Administration Using the GIS Tools," Promoting Land Administration and Good Governance 5th FIG Regional Conference, Accra, Ghana, March 8-11, [http://www.fig.net/pub/accra/papers/ts24/ts24\\_05\\_ayeni\\_adewale.pdf](http://www.fig.net/pub/accra/papers/ts24/ts24_05_ayeni_adewale.pdf) (accessed March 1, 2008).

## Chapter 27: Poland

### Introduction

The current property tax system in Poland consists of three taxes: (urban) real estate tax<sup>1</sup>, agricultural property tax, and forest property tax. As a legacy of the economic reforms ensuing from the Solidarity Revolution, the agricultural property tax was introduced in 1985, and the real estate tax was authorized in 1986 under the Law on Local Taxes and Fees. The forest property tax was added in 1992. All three taxes are levied on an area basis with certain adjustment factors.

Poland has a long tradition for using property tax as a source of revenue for local government. The significance of the tax however, declined dramatically under the Communist central planning system and was not regained until 1990, when local self-government was restituted in Poland (Brzeski 1999). The 1991 amendments to the Law on Local Taxes and Fees established property taxes as the sole source of local own-source revenue. According to Brzeski (2003), property taxes in Poland amount to 1.2 percent of GDP, 3.0 percent of government revenues, 13.9 percent of total local revenues, and 31.8 percent of local autonomous revenues. All figures are significantly greater than those of the average of Central European countries, while all percentages but the share of local autonomous revenues are higher than the averages of European Union member countries.

As a result of the decentralization reforms in 1990 (which introduced municipality into the local government system) and in 1999 (which introduced two additional tiers of elected sub-national governments), the current local government structure has three tiers: 2,489 municipalities, 373 counties, and 16 regions. Local self-governments are authorized to set property tax rates subject to upper and lower limits established by the central government in its annual budget law. Local governments also have the discretionary power to provide tax exemptions and abatements. Tax administration responsibilities are largely assigned to municipalities.

While the area-based property tax system has been functioning quite well in the past years when Poland lacked a well-developed real estate market, there have been repeated reform attempts to transform the current system into an *ad valorem* system of property taxation since mid-1990s. Arguing that the area-based system fails to capture the growth in tax base resulting from the growing local economy, advocates of the market value-based system have yet to win their political battle.

The ensuing sections discuss each of the three property taxes in detail.

---

<sup>1</sup> This tax is referred to somewhat differently in the literature. It is described as urban real estate tax in Brzeski (1999), as real estate tax in Malme (2001) and Brzeki (2003), and as property tax in Swianiewicz (2003). Brown and Hepworth (2003) however, include both an urban property tax and a real estate property tax in their country profile for Poland. Eckert, Frenzen and Epstein (2000), on the other hand, separate the tax on buildings and the tax on land.

## **Real Estate Tax**

Among the three types of property taxes, the real estate tax, or urban real estate tax, contributes most to the coffers of local governments in Poland. Over 80 percent of property tax revenues come from the real estate tax (Brzeski 2003).

### Taxpayers

The general rule is that the property owner is liable for the real estate tax assessed on the property, regardless of whether she is in occupation or not. Taxpayers include physical and legal persons, and organizational entities not having a separate legal status. For public sector properties, owned by the state or municipality, the taxpayer is the person who holds user rights to these properties. For council housing properties, the taxpayer is the municipal housing management company, who is the direct user of the property. In the case of perpetual land leaseholds, the land user, rather than the owner (the state or a municipality), pays the real estate tax.

### Tax Base

The real estate tax applies to all property that is not otherwise subject to either agricultural or forest property tax. The tax base includes the area of the building and the area of the land. Measured on a net internal basis, building area refers to usable living area of a building, excluding the area of staircases, corridors, and elevator shafts. For buildings with a storey height between 1.4m and 2.2m, only 50 percent of the area shall be taxed, while buildings lower than 1.4m shall be excluded from the tax base (Bzeski 1999). Also included in the tax base are commercial structures not classified as buildings, such as bridges, roads, railroad tracks, power lines, sport facilities, etc. The depreciation amount reported for income taxation is used for this property category. The tax base is reviewed on an annual basis.

### Tax Rates

Tax rates are determined by local municipal councils within the upper and lower bounds established by national legislation on an annual basis. The maximum allowable tax rates each year have been adjusted by the average rate of inflation over the preceding three quarters, while the minimum rates are 50 percent of the national ceilings (effective since 1997). Tax rates are expressed as a price per square meter and are differentiated by use categories both for land and buildings. Land and buildings used for economic/commercial uses are typically taxed at much higher rates than those used for residential purposes. The maximum tax rates set by the Ministry of Finance also differ between different property categories. In 2003, for instance, the ceiling for residential buildings is 0.51 PLN/sq.m.; for commercial buildings is 17.31 PLN/sq.m.; and for nonresidential structures is 2 percent of the depreciation value for income tax (Swianiewicz 2003). The maximum rates for commercial properties are 34 times greater than the limits for residential properties.

## Exemptions

Local governments in Poland may grant real estate tax exemptions in addition to those granted by the Law on Local Taxes and Fees and by other national laws (Brzeski 1999, 414-415).

### *Exemptions Granted by the Law on Local Taxes and Fees*

- Properties used by local self-governments;<sup>2</sup>
- Properties owned by foreign governments and international organizations under treaties;
- Public roads and rights of way;
- Structures used for public transport and public utilities;
- Sewage including their rights of way;
- Land used by water reservoirs or by hydroelectric stations and land under flowing waters and sailing canals;
- Buildings used for agricultural and forestry purposes;
- Properties used by non-governmental organizations for statutory activities benefiting children and young people, but not having commercial purposes; and
- Properties listed in the historic heritage registry provided that they are in compliance with historic preservation regulations and not being used for commercial purposes.

### *Exemptions Granted by Other National Laws*

- Properties used by religious organizations for non-commercial purposes;
- Properties used by schools, public institutions, institutions of higher learning, research and development institutions for non-commercial purposes;
- Properties used by enterprises for the disabled;
- Enterprise garden plots; and
- Institutions related to filmmaking.

### *Exemptions Granted by Local Governments (e.g. the City of Kraków)*

- Properties used for charitable activities;
- Properties used by theaters, libraries, clubs, cultural centers, kindergartens, and social assistance centers, all of which are financed through city budget; and
- Communal rental apartments.

## Tax Collection

The tax collection procedures are different for physical and legal persons. Physical persons receive an assessment notice and tax bill and are required to pay the real estate tax due in four installments on the 15<sup>th</sup> of March, May, September, and November. Legal persons do self-assessment for their tax liabilities, file their returns by the 15<sup>th</sup> of January each year, and make payments on the 15<sup>th</sup> of each month. Large cities usually have the

---

<sup>2</sup> Properties used by the central government are not automatically exempt (Malme 2001).

authority to collect the tax themselves, whereas smaller municipalities rely on the National Tax Service to carry out the administration of the tax collection.

### Appeal Procedures

Taxpayers may protest against their tax burdens through general appeals procedures for tax assessments and tax bill as provided by the Administrative Procedures Code. Appeals are filed initially with a local government president, or mayor, and subsequently with a regional appeals board for local governments, whose decision can be appealed further to the highest Administrative Appeals Court. The taxpayer still needs to pay the tax under protest unless the appeals body rules that the payment be postponed.

### **Agricultural Property Tax**

The agricultural property tax is the second most important type of property tax, accounting for approximately 18 percent of total property tax revenues in Poland (Brzeski 1999).

### Taxpayers

The taxpayer is the owner of the agricultural property or the person who rents the property.

### Tax Base

The agricultural property tax applies to farmland exceeding one hectare. The tax base is the conversion hectare, the actual area of usable land adjusted by a coefficient reflecting the quality of soil, the usage class (registered in the technical cadastre), the type of land, and the allocation to a tax zone (an indicator of economic and climate environment for farming activity). According to Malme and Young, four tax zones have been established, including rural localities, cities, and urban districts, depending on the economic and production-climate conditions. The Ministry of Finance determines the location of the farm in a given zone. There are ten usage classes and two types of land: arable land (eight classes of soil) and meadows and pastures (six classes).

### Tax Rates

Annual tax rates are expressed as a price per conversion hectare, equal to the average market price of 250 kg of rye for the first three quarters of the preceding year. Local governments may elect to levy the tax at a lower rate.

### Exemptions and Abatements

Exempt from the tax is:

- Land occupied by the state or municipality;
- Farms on soils of lowest quality (V and VI classes);



- Land along the border line;
- Plough land, meadows, pasture with drainage system
- Land under lakes, flowing water, reservoirs, flood dikes, and boundary strips;
- Water land;
- Land used for activity other than agricultural;
- Land of no worth for agricultural activity;
- Land surrounding the homesteads of elderly members of farm cooperatives;
- Land bought to enlarge an existing farm or to create a new one (5-year exemption, limited to farms no larger than 100 hectares);
- Land on which farm production has been stopped for no more than 3 years;
- Land that used to be a waste land but was brought into cultivation (5-year exemption, followed by 2-year relief); and
- Land received as a result of exchange or merge (one-year exemption, followed by 2-year relief).

There are also a number of tax abatements available to encourage farm improvements and to provide relief for certain individuals. Farm owners may be granted a 15-year tax reduction equivalent to 25 percent of the value of the investment in the modernization of the farm. Soldiers who serve their compulsory military service are eligible for a 60-percent tax reduction for the farms they own. Farms in mountain areas may receive a tax reduction of 30 or 60 percent, depending on the quality of soil. Tax abatements are typically granted in the case of a natural disaster (Swianiewicz 2003).

### Tax Collection

Municipalities collect the agricultural tax. Individual taxpayers receive an assessment notice and tax bill and pay the tax in four installments on the 15<sup>th</sup> of March, May, September, and November.

### Appeal Procedures

Taxpayers are provided by law with the rights to challenge the valuation or assessment of their property. The appeals procedures are the same as those for the real estate tax. They apply to appeals with regard to the forest property tax as well.

### **Forest Property Tax**

Forest property tax is levied on land greater than 0.1 hectare “that is used for production of forest vegetation, that constitutes a nature reserve, that is part of a national park, or that is on the list of heritage sites” (Malme 2001, 18).

### Taxpayers

Taxpayers include all owners of forests and occupiers of forests owned by the state or municipality.

### Tax Base

The tax base is the actual area of land for forests not under formal management; It is the conversion hectare for forests under a registered forest management plan. The conversion hectare is calculated by multiplying the actual hectares of the land by a coefficient reflecting the fertility of the land and the major tree species growing in the forest. The coefficient ranges from 2.30 (firs) to 0.20 (aspen) [Brown and Hepworth 2003].

### Tax Rates

Tax rates vary between forests with and without a forest management plan. For land with a management plan, tax rates are expressed as a price per conversion hectare, equivalent to the average market price of 0.2 cubic meters of coniferous wood used in saw mills for the first three quarters of the preceding year. For land without a plan, tax rate is the market price of 30 kg of rye per hectare per half year (Malme 2001).

### Tax Reliefs

Limited reliefs are granted to forests that are at least 40 years old and forests that are considered historical monuments (Brown and Hepworth 2003).

### Tax Collection

Municipalities collect the forest property tax. Individual taxpayers receive an assessment notice and tax bill and pay the tax in four installments on the 15<sup>th</sup> of March, May, September, and November.

## References

- Brown, P.K. and M.A. Hepworth. 2003. *A study of European property tax systems: Final report*. David C. Lincoln Fellowship Year 3 Report.
- Brzeski, Jan. 1999. Real Property Taxation in Poland. In *Property tax: An international comparative review*, William McCluskey, ed. Aldershot, VT: Ashgate.
- \_\_\_\_\_. 2003. Property Taxes in Poland and Other Transition Countries. Presentation at World Bank Seminar on Innovations in Local Revenue Mobilization, June 23-24, 2003.  
[www1.worldbank.org/publicsector/decentralization/June2003SeminarPresentations/Brzeski-1.ppt](http://www1.worldbank.org/publicsector/decentralization/June2003SeminarPresentations/Brzeski-1.ppt)
- Eckert, Joseph K, Renata Frenzen and Jeff Epstein. 2000. Strategic Plan and Cost-Benefit Analysis for Reform of the Polish Property Tax System. Prepared for the USAID Project Assistance with Implementation of the Ad Valorem Property Tax in Poland and the Ministry of Finance of Poland. Barents Group of KPMG Consulting, LLC.
- Malme, Jane H. with W. Jan Brzeski. 2001. Property Tax Developments in Poland. In *The development of property taxation in economies in transition: Case studies from Central and Eastern Europe*, Jane H. Malme and Joan M. Youngman, eds. Washington, DC: The World Bank.
- Swianiewicz, Pawel. 2003. Local Taxes in Poland: Base for Local Accountability? Paper prepared for the NISPACEE Annual Conference Bucarest, April 2003.  
<http://unpan1.un.org/intradoc/groups/public/documents/nispacee/unpan009152.pdf>

## **Chapter 28: Romania**

### **Introduction**

The law 45/1992 established two property taxes in the post-communist Romania: one on buildings and one on land. While the building tax is levied on the value of the property, the tax on land adopts an area-based approach. Both taxes are imposed annually on property owners, with rates being set by the state and revenues entering the coffers of local governments.

Local government in Romania is organized by two-tiers: 41 county councils and 2,948 local councils. Municipalities, towns and communes constitute the basic units of local government. Local governments in Romania traditionally depended heavily on intergovernmental transfers for their revenues. The Law on Local Public Finance of 1998 (amended in 2001) and the 1997 and 1998 Amendments to the Law on Local Taxes and Fees of 1994 greatly expanded local control over their revenues and authorized local councils to administer local taxes. Individual and business property taxes have become an increasingly important revenue source for local councils, accounting for over 80 percent of total revenues from local taxes and fees. The surge in property tax revenues may have resulted from the revaluation of the tax base by 270 percent in 1999. The amendment to the Law on Local Taxes and Fees also allowed local councils to increase their tax base annually by inflation (Romanik and Conway 2002).

For the purpose of this study, the remainder of the chapter will focus on the area-based land tax.

### **Taxpayers**

Owners of taxable land located in Romania are liable for all property taxes due on the property.

### **Tax Base**

The tax base is the area of the land, adjusted by the rank of the locality where the land is located (e.g. a city versus a town) and the zone in which the property is assigned to by the local government. Each locality is divided into four zones A through D and within each zone, location is ranked from 0 to V. The ranking system may be represented in a 4\*6 matrix, with location A-0 ranking highest and location D-V ranking lowest. Holding land area constant, tax liability goes down with the rank of the locality.

### **Tax Rates**

Tax rates are established by the central government as unit price per square meter. Rates may vary depending on the rank of the locality, zone, and/or use category of the land, in accordance with the classification made by the local council. For land located in the

intravilan<sup>1</sup>, the tax rate ranges from ROL 5,900 per square meter for location A-0 to ROL 100 per square meter for location D-V (see table 1).

**Table 1: Tax rates on Land Located in Intravilan (ROL/m<sup>2</sup>)**

Zone within locality	Rank of locality					
	0	I	II	III	IV	V
A	5,900	4,900	4,300	3,700	500	400
B	4,900	3,700	3,000	2,500	400	300
C	3,700	2,500	1,900	1,200	300	200
D	2,500	1,200	1,000	700	200	100

Source: Fiscal Code of Romania 2003 Art. 258 (2)

For land located in the intravilan and registered in the agricultural registry for use other than land with construction, tax rate is determined first by use category and zone assignment, and then by a correction coefficient reflecting the rank of locality.

Agricultural land breaks down into nine use categories and a tax rate is specified for each category associated with each zone location (see table 2). The correction coefficient for the rank of locality ranges from 8 to 1 (see table 3). A uniform rate of ROL 10,000 per hectare applies to land located in extravilan<sup>2</sup>.

**Table 2. Tax Rates on Agricultural Land Located in Intravilan (ROL/ m<sup>2</sup>)**

Use category	Zone				
	I	II	III	IV	
Arable land	15	12	10	8	
Grazing field	12	10	8	6	
Hay field	12	10	8	6	
Vineyard	25	20	15	10	
Orchard	30	25	20	15	
Forest or other land with forest vegetation	15	12	10	8	
Land with water	8	6	4	X	
Roads and railways	X	X	X	X	
Unproductive land	X	X	X	X	

Source: Fiscal Code of Romania 2003 Art. 258 (4)

**Table 3. Correction Coefficients by Rank of Locality**

Rank of locality	Correction coefficient
0	8.00
I	5.00
II	4.00
III	3.00
IV	1.10

Source: Fiscal Code of Romania 2003 Art. 258 (5)

<sup>1</sup> The Romanian term “intravilan” means within the built-up areas/incorporated area.

<sup>2</sup> The Romanian term “extravilan” means outside the built-up areas/incorporated area.

## **Exemptions**

Exemptions include land owned by churches, schools, health care facilities, and public institutions, land owned by the state or the local government, land used for cemeteries, land used for public transport, land not suitable for buildings or farming, land used for sports and recreation, land used to host buildings or special constructions used for agricultural activities, and land used for tax-exempt buildings for non-commercial activities. As of 2007, local councils may grant an exemption from land tax for up to five years for investments exceeding EUR 500,000.

## **Tax Collection**

The tax is payable to the local council in two equal installments on or before March 31<sup>st</sup> and September 30<sup>th</sup>. If the land tax due for the entire year is paid in advance by March 31<sup>st</sup>, a reduction of up to 10% may be granted, at the discretion of the local council.

## **Appeal Procedures**

Taxpayers may appeal their property tax assessment through a four-step procedure as provided by Article 29 of Government Decree 70/1994. A written revision request may be filed with the General Department for Public Finance and Financial State Control of a county or of Bucharest within 20 days of receipt of the assessment notice. The decision of the General Department may be further appealed to the Ministry of Finance within 20 days of receipt. The aggrieved taxpayer may present a case against the Ministry of Finance to the Court of Appeal within 15 days of receiving written communication. Ultimately, the appeal may be made to the Supreme Court of Justice within 15 days from the initial appeal.

## References

Brown, P.K. and M.A. Hepworth. 2003. *A study of European property tax systems: Final report*. David C. Lincoln Fellowship Year 3 Report.

Business Guide to Romania. 2007 Edition.

<http://www.roembus.org/Economic/2007/Business%20Guide%20to%20Romania%202007.pdf>

Cismaru, Sorin, Ioan Alexandru, C.M. Dragan, Gica Grosu, G. Teodorof, Ovidiu Popoviciu and Dragos Ialou. 2000. Local and Regional Tax Administration in Romania. In *Local and regional tax administration in transition countries*, Mihály Hógye, ed. Budapest, Hungary: Local Government and Public Service Reform Initiative Open Society Institute.

Fiscal Code of Romania. Law 571/2003. Part I of the Official Gazette of Romania.

<http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN015627.pdf>

Romanik, Clare and Francis Conway. 2002. Grant Transfers and Financial Supervision in Romania: a Focus on Major Reforms Introduced by the Law on Local Public Finance.

<http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN004617.pdf>

## Chapter 29: Rwanda

### Introduction

The property tax was first introduced to Rwanda in 1974 and remained as a national tax on buildings and registered vacant land until 2002, when fiscal decentralization was implemented with political decentralization for the purpose of promoting economic development. The law No. 17/2002 authorized the city of Kigali and other districts to collect property tax on any registered building or land. The tax is calculated on the basis of area and the rates are to be determined by district, town or city councils with adjustments for location and use category. The decentralized property tax is expected to compensate for the abolished poll tax of RWF 400 per adult person and to generate more revenue to subsidize local public services.

### Taxpayers

The property tax is, by default, payable by the owner of the property. But in cases where the owner is unknown, the occupier shall be liable for the tax.

### Tax Base

The local property tax is imposed both on occupied houses and undeveloped registered or unregistered land plots. The tax base is the floor area of houses or the surface area of land, both of which are measured in square meters.

### Tax Rates

Local councils fix tax rates for both land and buildings annually as a tax amount per square meter. Rates may vary by location of the property (Kigali, other urban areas, trading centers, and rural areas) and its use (residential, commercial, and agricultural).

**Table 1. Tax Rates by Location and Type of Property**

Location	Tax rates per m <sup>2</sup> (RWF)	
	Occupied houses	Unbuilt land
Kigali	50-210	20-50
Other urban areas	50-130	10-20
Trading centers	25-96	1-10
Rural areas	5-55	Up to 1000 (per hectare)

Source: Rwanda Revenue Authority

Table 1 represents the centrally established ranges of tax rates for land and buildings located in different types of jurisdictions. Land is consistently subject to lower rates than occupied houses, while urban properties are more heavily taxed than rural properties. The national law also stipulates that the tax rate, for a multi-level house, shall be reduced by 50 percent for the first floor above the ground level, and by 75 percent for the second floor upwards, until the reduction reaches 100 percent for each additional floor built



upwards. For unused land that exceeds 20 hectares in extent, the tax rate shall range from RWF 1001 to 2000 for each additional hectare.

### **Exemptions**

Exempt from the tax are underground houses or basements, land used exclusively for not-for-profit educational, medical, research and sporting activities, land on which state or local government infrastructures are affected or to be affected, land used by foreign embassies, and land used for charitable activities.

### **Tax Collection**

As a result of fiscal decentralization, the property tax has become locally collected and administered. Taxpayers are required to annually report changes in their immovable property to local authorities, who may then keep the fixed asset register up-to-date. Tax bills are distributed each year to taxpayers, who become liable from the date of receipt of tax notices.

## References

- Franzsen, Riel C.D. 2002. Property Assessment for Rating Purposes in Southern and East Africa: Present Status and Future Prospects. Paper presented at the 8th Annual Conference of the Pacific Rim Real Estate Society, January 21-23 2002, Christchurch, New Zealand.
- \_\_\_\_\_. 2004. Property Taxation in SADC and Commonwealth Countries in Africa: Critical Issues. [www1.worldbank.org/wbiep/decentralization/afplib/franzsen.pdf](http://www1.worldbank.org/wbiep/decentralization/afplib/franzsen.pdf)
- Franzsen, Riel C.D. and William McCluskey. 2004. Ad Valorem Property Taxation in Sub-Saharan Africa. Paper presented at the International Property Tax Institute 7th International Conference, September 29 - October 1<sup>st</sup>, 2004, Guadalajara, Mexico.
- Minister of State for Good Governance, Rwanda. 2004. Organising Decentralised Governance for Effective Grass-roots Service Delivery : Rwanda's Experience. Paper prepared for the High-level Resource Experts Post-Conference Workshop on "Decentralised Governance for Effective and Responsive Service Delivery: Pre-requisites, Trends, Approaches, Policies and Capacity Building Strategies", September 17-18, 2004, Florence, Italy.
- Rwanda Revenue Authority. Decentralized Taxes.  
<http://www.rra.gov.rw/en/decentralise.html>
- Rwanda Revenue Authority. Property Tax.  
<http://www.rra.gov.rw/en/property.html>

## Chapter 30: Saint Lucia

### Introduction

St. Lucia spans a land area of 619 sq. km. A Westminster-style parliamentary democracy governs the island nation that gained independence as a sovereign state within the Commonwealth on February 22, 1979. In the executive branch, the Governor General represents Queen Elizabeth II as head of state and the Prime Minister heads the government and cabinet. The country is subdivided into 10 administrative divisions, including the capital, Castries located on the northern end of the island. Popularly elected local governments govern most towns and villages in the regulation of sanitation, markets, and the maintenance of cemeteries and secondary roads.

Only the central government of St. Lucia has the authority to enact tax laws, which are usually introduced in the parliament by the Governor General and Minister of Finance in annual budgetary proposals. Any alteration of taxation, increase or reduction, and any expenditure from the Consolidated Fund must be approved through this process according to the Constitution. Changes can also be introduced by a “money bill,” a public bill that deals with the imposition, repeal, remission, alteration or regulation of taxation.

Prior to 1999, St. Lucia had a decentralized property tax system. The District Councils collected the tax in urban areas and the Inland Revenue Department collected in rural areas. Pervasive tax evasion and massive arrears motivated the Inland Revenue Department to centralize the property tax system by establishing the Property Tax Unit. The Mayor of Castries welcomed the change because it freed the local Council to focus its attention on other matters of the City.<sup>1</sup> The move ushered in the Land and House Tax Ordinance Chapter 217 of 1999, which had not been revised since 1957.

After 1999, revenue from property tax increased from ECD 0.946 million in 1999/2000 to ECD 4.673 million in 2001/2002 (St. Lucia, National Land Policy). The Land and House Tax (Amendment) Act 2001 was passed, which mainly updated exemptions. Tax revenue from both land and house taxes, however, continued to only accrue less than one percent of all tax revenue. The government taxed houses based on rental value and undeveloped land based on area. In recent years, the IMF has been pressuring St. Lucia to adopt a market valuation-based property tax to increase revenue, make the tax system more equitable, and improve tax collection. The IMF is working with the government of St. Lucia to develop the necessary cadastral surveys, reduce the extensive range of exemptions, and introduce a market valuation-based property tax system tentatively scheduled for mid-2008. The IMF projects that after the move to market valuation, St. Lucia will yield \$EC 8.5 million, 0.2 percent of GDP, in property taxes.

St. Lucia does not tax capital, wealth, inheritance, or gifts. There is a tax, however, on property transfer based on the sale of the property.

---

<sup>1</sup> Explanations and local support for the centralization of property taxes were documented on St. Lucia’s website: Emmanuel (1999) and Taxpayer Relations Unit.

## Taxpayers

The owner or individual licensed to hold the property is the taxpayer.

## Tax Base

Under the Land and House Tax Ordinance Chapter 217, as amended in 2001, St. Lucia applied a combination of methods. The government levied the property tax on residential properties based on rental value, commercial properties based on market value, and undeveloped land based on a specific rate on the acreage of the land. The transfer of property ownership is subject to the property transfer tax and a stamp duty payable on the sale of immovable property.

## Tax Rates

Under the Land and House Tax Ordinance Chapter 217, as amended in 2001, residential property was taxed at 5 percent of annual rental value and commercial property at 0.25 percent of open market value. The rates for undeveloped land are displayed in the table below.

**Table 1: Land Tax Rates**

<u>Acres</u>	<u>Rate</u>
0-10	None
10-50	ECD 0.25 per acre
50-100	ECD 0.50 per acre
100-500	ECD 0.75 per acre
Exceeding 500	ECD 1 per acre

## Exemptions

The Land and House Tax (Amendment) Act 2001 was passed, which mainly updated exemptions.

- Churches
- government properties
- public cemeteries
- educational institutions
- property used for church activities
- residence of the minister of religion
- public shelters
- property owned by approved charitable organizations
- buildings used by the University of the West Indies.

- Pensioners over the age of 60 whose sole income is a national insurance retirement or survivor's benefit or similar benefit
- Owner occupier(s) with a combined income of a residence is not more than ECD 6,000 per year.
- Land less than 10 acres is exempt from land tax

### Relief

- Exemptions of between 25 and 100 percent of the tax are available to first time buyers of property, progressively based on mortgage value, which they occupy themselves for a period of 3 years.
- No land and house tax will be charged for a period of 3 years on new commercial property completed after 1 April 2001

### Tax Collection

The Property Tax Unit of the Inland Revenue Department assesses the value of property, prepares a Property Tax Roll, sends notices of tax owed to owners, prepares a Delinquent Property Tax Roll and uses means of enforcement to collect taxes if necessary. The Constitution authorizes officers of the Government or local government authority to enter people's premises with the purpose of inspection for tax assessments. The taxpayer has the right to ask the Department questions about the assessment and the Department has the duty to explain the basis of the assessment. The taxpayer has the right to appeal if they disagree with the Department's valuation.

The property owner must declare the property to the Inland Revenue Department within 30 days of coming to possession of the property. The taxpayer must provide a description, block and parcel number, area and value of the land, the rental value if it is a house, the mailing address and a contact number of the owner.

St. Lucia has had a lot of tax collection problems as mentioned in the introduction. The government hopes that centralizing the tax collection and making it fairer by basing valuation on market value that tax collection will improve.

### Appeal Procedures

A taxpayer who objects to the Inland Revenue Department's assessment may appeal to the Taxpayer Appeals Department. If dissatisfied with the Taxpayer Appeals Department, the taxpayer may appeal to the Revenue Court that will hold a hearing of the taxpayer versus representative of the Taxpayer Appeals Department.

## References

- de Brauw, Elizabeth, ed. 1991-. Taxation and Investment in the Caribbean, Amsterdam: International Bureau of Fiscal Documentation, (loose leaf).
- 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.), pp. 106-107; pp. 190-192. [http://caricom.org/jsp/community/cota/general\\_assembly/18cota-caricom-tax-system-survey.pdf](http://caricom.org/jsp/community/cota/general_assembly/18cota-caricom-tax-system-survey.pdf) (accessed March 7, 2008)
- Emmanuel, John. 1999. "Inland Revenue to Administer Property Tax from April," Press Release, Official Website of the Government of Saint Lucia (January 11). [http://www.stlucia.gov.lc/pr1999/inland\\_revenue\\_to\\_administer\\_property\\_tax\\_from\\_april.htm](http://www.stlucia.gov.lc/pr1999/inland_revenue_to_administer_property_tax_from_april.htm).
- International Monetary Fund (IMF). 2008. "St. Lucia: 2007 Article IV Consultation— Staff Report; Staff Supplement; and Public Information Notice on the Executive Board Discussion," IMF Country Report No. 08/67 (February), <http://www.imf.org/external/pubs/ft/scr/2008/cr0867.pdf> (accessed March 10, 2008).
- Taxpayer Relations Unit of the Inland Revenue Department of Saint Lucia. 2000. "Property Tax: Our Vision for the Future," (March), <http://irdstlucia.gov.lc/PDF%20Files/Property%20Tax%20Vision.pdf>; [http://irdstlucia.gov.lc/property\\_tax.htm](http://irdstlucia.gov.lc/property_tax.htm) (accessed March 10, 2008)
- The Saint Lucia Constitution Order 1978: Statutory Instruments 1978 No. 1901, [http://www.stlucia.gov.lc/saint\\_lucia/saintluciaconstitution/the\\_saint\\_lucia\\_constitution.htm](http://www.stlucia.gov.lc/saint_lucia/saintluciaconstitution/the_saint_lucia_constitution.htm) (accessed March 10, 2008).
- The Government of Saint Lucia. 2003. "National Land Policy: Green Paper," (December), [http://www.stlucia.gov.lc/docs/green\\_paper\\_draft\\_of\\_12\\_dec\\_2003.pdf](http://www.stlucia.gov.lc/docs/green_paper_draft_of_12_dec_2003.pdf) (accessed March 10, 2008)
- Government of Saint Lucia. "Law Revision for Saint Lucia," official website, [http://www.stlucia.gov.lc/features/agchambers/law\\_revision\\_for\\_saint\\_lucia.htm](http://www.stlucia.gov.lc/features/agchambers/law_revision_for_saint_lucia.htm) (accessed March 10, 2008)
- Property Tax Unit of the Inland Revenue Department, 2007, "General Press Releases," (March), <http://irdstlucia.gov.lc/press.htm> (accessed March 10, 2008).

U.S. State Department. 2007. "Background Note: Saint Lucia," Bureau of Western Hemisphere Affairs (December) <http://www.state.gov/r/pa/ei/bgn/2344.htm> (accessed March 10, 2008).

Legislation:

Land and House Tax Ordinance (Cap 217), 1999 and

Land and House Tax (Amendment) Act 2001

Forthcoming: Property Tax Act of 2008

The first two pieces of legislation are published in: *Laws of St. Lucia. 2001 revised edition. Comprising all of the acts and subsidiary legislation in force on 31 Dec. 2001.* Prepared by Eyre and Spottiswoode for the government of St. Lucia, 2001-. 20 volumes (loose leaf). Located in the Library of Congress.

## Chapter 31: Saint Vincent & the Grenadines

### Introduction

As an island country in the Caribbean Sea, St Vincent and the Grenadines consists of six parishes, which perform a limited number of services on behalf of the national government. Currently two types of property taxes are nationally collected in the country: property tax and land tax. The property tax is imposed on all developed land (i.e. land with buildings) and land in urban districts on the basis of the Annual Rental Value (ARV) of the property, estimated by the prevailing rent in the market. The land tax, in accordance with the Land Tax Ordinance (Chapter 316), is levied on undeveloped land outside urban areas on the basis of size. Property taxes are not considered important central taxes, amounting for only one percent of total revenue (Franzsen and McCluskey 2005). The remainder of this chapter focuses on the area-based land tax.

### Taxpayers

The land tax is payable by the owner of undeveloped land located outside urban areas.

### Tax Base

The tax base is the area or size of undeveloped land outside urban areas, as measured in acres.

### Tax Rates

The land tax rates per acre of land are prescribed in Chapter 316 of the Land Tax Ordinance. There are four scales of tax rates based on location and size of the land (see table 1). A minimum tax of \$10.00 per year shall be collected on undeveloped land outside urban areas.

**Table 1. Land Tax Rates**

<b>Location</b>	<b>Land area</b>	<b>Land tax rate per acre</b>
St. Vincent	First 10 acres	\$1.50
	Next 90 acres	\$3.00
	Next 400 acres	\$6.00
	Next 500 acres	\$9.00
Bequia, Union Island and Mustique	First 10 acres	\$0.75
	Over 10 acres	\$1.20
Canouan	First 10 acres	\$0.60
	Over 10 acres	\$1.20
Balliceaux, Petit Nevis, Savanne, Isle-a-Quatre at Myreau	First 10 acres	\$0.30
	Over 10 acres	\$0.60



## References

Franzsen, Riel C.D. and William McCluskey. 2005. An Explanatory Overview of Property Taxation in the Commonwealth of Nations. Lincoln Institute of Land Policy working paper.

Ministry of Finance and Economic Planning of St. Vincent and the Grenadines. Property Valuation and Property Tax.  
<http://www.gov.vc/Govt/Government/Executive/Ministries/FinancePlanning&Development/InlandRev/Inland.asp?z=261&a=1680>

## Chapter 32: Slovakia

### Introduction

Under the strong influence of policy traditions of the former Czechoslovakia, the Slovak property tax system remains fairly centralized and still shares a lot in common with the Czech Republic. Act No. 317/1992 on Real Estate Tax established the legal framework for the property tax system in Slovakia. Property taxes are levied separately on land and buildings, but both are based on area rather than market value. Property tax regulations, tax rates, and mandatory exemptions are established by the central government, while local municipalities are responsible for tax collection and administration.

There are 2,871 municipalities in Slovakia, of which 136 have the status of a city. The vast majority of the municipalities have very small populations and lack the personnel and necessary resources for effective tax administration. The property tax revenue in the Slovak Republic is relatively low by all measures. In 1996 for instance, property tax yield amounted to only 0.65 percent of GDP, 1.93 percent of total tax revenues, and 11.42 percent of total revenues of local budgets. The current level of property tax receipts is far from providing adequate funding of local public services. As a result, municipalities remain highly dependent on intergovernmental transfers and local fees for revenues.

### Real Estate Tax—Buildings

A real estate tax is assessed annually on buildings located in the Slovak Republic.

#### Taxpayers

The tax on buildings is the responsibility of property owners, or users of the property if ownership is hard to determine.

#### Tax Base

The real estate tax is based on the floor space of buildings, including the land area under the buildings. Local tax administrators may make adjustments to the tax base by applying coefficients that reflect the size of the city in which the property is located and the quality of the location of the property within the city. The city size coefficient ranges from 0.3 for municipalities with less than 300 residents to 3.5 for municipalities with over 50,000 residents. The coefficient for the capital city of Bratislava is 4.5, far greater than that for the smallest towns. The adjustments make it possible for local administrators to raise the tax bill by up to 150 percent or lower the amount by up to 50 percent.

#### Tax Rates

Buildings are categorized into six classes for property tax purposes. Tax rates range from SKK 1 to SKK 10 per square meter, depending on the property's use class. Residential buildings, and buildings used for agricultural production, forestry or water enterprises are

taxed at SKK 1 per square meter. Weekend and recreation buildings are subject to a tax rate of SKK 3 per square meter and detached garages are taxed at SKK 4 per square meter. The tax rate for industrial and energy buildings is SKK 5 per square meter and that for buildings used for other business purposes is SKK 10 per square meter. All other buildings are taxed at SKK 3 per square meter. Industrial and commercial property is noticeably taxed at a much higher rate than residential or agricultural property. For buildings of multiple floors, the basic tax rate increases by SKK 0.75 per square meter for each floor above the ground level.

### Exemptions

The central government grants a range of permanent or temporary exemptions from the building tax. Permanent exemptions apply to buildings owned by the state or municipalities, by churches, schools, museums, galleries, libraries, social institutions, and cultural monuments; residential houses owned by disabled persons; buildings used for public transport and ecology; and structures such as barrages, water supply systems, sewers, energy constructions and public thoroughfares. These exemptions represent a considerable portion of the potential property tax base for larger cities.

All newly constructed and recently renovated homes and residential houses restituted to their original owners may receive a 15-year exemption from the buildings tax. A 5-year exemption is available for buildings that have changed the heating system from coal to alternative energy sources. Exemptions from residential property tax may also be granted to senior citizens who are aged over 70 and who demonstrate that their property tax burden is excessive relative to their income.

### Tax Collection

Every year taxpayers receive tax forms along with an instruction book from the central government and are expected to submit the completed forms to municipalities by January 31st of the current year. The tax administrator will issue the tax assessment by March 15<sup>th</sup>. Tax liability is calculated based on the area of the property multiplied by a prescribed rate and any locally determined adjustment coefficient (s). Since 40 percent of municipalities do not have a computerized recordkeeping system, the tax return data in their jurisdictions are recorded by hand. The poor quality of the cadastre in Slovakia prevents the Ministry of Finance from verifying information received from taxpayers. Tax evasion can be a serious problem.

Taxpayers may make tax payments in four equal installments on or before March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup>, and November 30<sup>th</sup> for the current year. The tax must be paid in a lump sum by March 31<sup>st</sup> if the tax bill is lower than SKK 500 for individuals or SKK 5,000 for legal entities.

### Appeal Procedures

Taxpayers may protest against their tax burdens through formal appeal procedures established by relevant legislation. Appeals should be initiated with the local tax administrator and be subsequently handled by the District Council and then by the Ministry of Finance. Further appeals of the local administrator's decision however, may be pursued only if new information has become available since the original appeal or it is agreed that incorrect information was used in the original appeal.

### **Real Estate Tax—Land**

In addition to the tax on buildings, land registered in the Slovak Republic is also subject to the annual real estate tax.

#### Taxpayers

The taxpayer is the owner of land or user of land in cases where land is owned by the state or ownership is uncertain. The lessee of agricultural or forest land that has been let for over five years is responsible for property tax due on the land.

#### Tax Base

The tax base is the area of land calculated in square meters except for agricultural land, the tax on which is based on the purchase price of the land. The taxable value of non-agricultural land may be adjusted by a geographic location coefficient related to the population of the municipality where the land is located (same as the coefficient for buildings).

#### Tax Rates

There are 11 classifications of land for tax purposes and the taxable value of 8 of them can be adjusted for land quality, based on estimates by the Ministry of Agriculture. Different tax rates apply to different land use classes. For instance, tax rates for agricultural land range from 0.25 percent (meadows, pastures, forests and lakes with fish farming) to 0.75 percent of the purchase price (arable land, hop-fields, vineyards, gardens and orchards). Land with planning permission is taxed at SKK 1 per square meter and all other land is taxed at SKK 0.10 per square meter. It is apparent that buildings are taxed more heavily than land in Slovakia. Data suggest that per capita revenues from land tax decline as the size of the municipality grows, while the opposite trend emerges for tax on buildings (Bryson and Cornia 2001, 58).

#### Exemptions

Exempt from the land tax is state- or city-owned land, land used by churches, schools, museums, galleries, libraries, state archives, health and social institutions, parks, natural reservations, and land used for public transport. Newly cultivated forests may receive a 25-year exemption while a 5-year exemption may be granted to newly cultivated land other than forests.

## Tax Collection

Tax regulations of the tax on buildings with regard to filing procedures, payment schedules, etc. also apply to the land tax. The only exception is the tax on agricultural land, which may be paid in three installments: 20 percent due on or before April 30<sup>th</sup>, 30 percent on or before August 31<sup>st</sup> and the remaining 50 percent on or before November 30<sup>th</sup> for the current year.

## Appeal Procedures

Taxpayers who are aggrieved of their land tax bill may file appeals in accordance with law. The same procedures for building tax appeals apply.

## References

- Brown, P.K. and M.A. Hepworth. 2003. *A study of European property tax systems: Final report*. David C. Lincoln Fellowship Year 3 Report.
- Bryson, Phillip J. and Gary C. Cornia. 2000. Fiscal Decentralization and the Property Tax. In *National forum on fiscal decentralization: possibilities and preconditions of fiscal decentralization in the Slovak Republic*, Alexander Thurzo, ed. Washington, DC: The Fiscal Decentralization Initiative for Central and Eastern Europe
- \_\_\_\_\_. 2000. Fiscal Decentralization in Economic Transformation: The Czech and Slovak Cases. *Euro-Asia Studies*, 52 (May): 507-522.
- \_\_\_\_\_. 2003. The Property Tax—A Missed Opportunity for Fiscal Decentralization in Transition Countries? The Czech and Slovak Cases.  
[unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN009016.pdf](http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN009016.pdf)
- \_\_\_\_\_. 2003. Moral Hazard in Property Tax Administration: A Comparative Analysis of the Czech and Slovak Republics. *Comparative Economic Studies*, 45: 44-62.
- Bryson, Phillip J. and Gary C. Cornia with Soňa Čapková and Miloš Konček. 2001. Land and Building Taxes in the Republic of Slovakia. In *The development of property taxation in economies in transition: Case studies from Central and Eastern Europe*, Jane H. Malme and Joan M. Youngman, eds. Washington, DC: The World Bank.
- McCluskey, William and Frances Plimmer. 2007. The Potential for the Property Tax in the 2004 Accession Countries of Central and Eastern Europe. *RICS Research Paper Series*, 7(17): 1-36.  
[http://www.rics.org/NR/rdonlyres/A9361A22-2E7C-4D83-9A70-C403349665DA/0/40707\\_Prop\\_Taxwebversion.pdf](http://www.rics.org/NR/rdonlyres/A9361A22-2E7C-4D83-9A70-C403349665DA/0/40707_Prop_Taxwebversion.pdf)
- Pocket Tax Book Slovakia. 2004.  
<http://www.slovakembassy-us.org/text/TaxBook2004.pdf>
- Taxes and Social Security Slovakia.  
<http://www.slovakembassy-cd-london.co.uk/gfx/documents/Taxes%20&%20Social%20Security.pdf>

## Chapter 33: Slovenia

### Introduction

Slovenia declared its independence from the former Yugoslavia in 1991 and emerged as another post-communist transition country. The Constitution of the Republic of Slovenia and the Law on Local Self-Government provide for municipalities as the basic level of local government.<sup>1</sup> Municipal councils may by means of a town meeting or referendum establish narrower constituencies, such as local, village or ward communities. The local administrative structure in Slovenia currently consists of 210 municipalities, eleven of which have urban status. Local government finances remain highly centralized, with municipalities having no discretion over tax base or tax rates with the exception of property taxes.

Local governments in Slovenia currently levy two types of property taxes: the property tax on buildings and the compensation tax for the use of building land. The property tax on buildings is levied on the basis of type and value of premises ascertained according to special criteria issued by the government and local communities (not market value). Imposed solely on individuals, the tax on buildings suffers from a poorly defined tax base and numerous exemptions. In practice, the tax base is composed primarily of weekend houses in municipalities where tourism is well developed. As a result, the property tax on buildings accounted for only 0.4 percent of all local revenues in 1997 (Setnikar-Canka, Vlaj and Klun 2000). By contrast, the compensation tax for the use of building land, an area-based tax on developed and undeveloped building land possessed by both legal and natural persons, constitute the most important local tax revenue, representing 15 percent of total local taxes and 10 percent of total local revenue in 2002 (Oplotnik and Brezovnik 2004). A new uniform real property tax based on market value has been proposed to replace the current property tax on buildings and compensation tax for the use of building land. As of the time of this writing however, the new tax has not been implemented. The remainder of this chapter will focus on the area-based compensation tax.

### Taxpayers

Legal persons and individuals who own or use vacant and constructed building land are liable for the compensation tax on the use of building land.

### Tax Base

The compensation tax is levied on vacant building land on the basis of the area of building land planned for building, and on constructed building land on the basis of the useful area of the residential house or business premises thereon.

### Tax Rates

---

<sup>1</sup> Laws creating regional governments have been proposed but are not yet in effect.

Compensation tax rates are autonomously determined by municipalities every year. The central government leaves the tax exclusively local, imposing no restrictions with regard to tax rates.

### **Exemptions**

Exemptions from the compensation tax are granted for land and buildings used by the Army, churches, embassies and international organizations. Temporary or new buildings or apartments are exempt for five years. In addition, partial or full exemption may be provided, at the discretion of municipalities, for people with low incomes, building land planned for public infrastructure (health, social security, schools, culture, science, sports and public and public administration, etc.) and developed building land under public infrastructure.

### **Tax Collection**

Representative of an autonomous source of local revenue, the compensation tax is collected and administered by municipalities. Tax authorities assess the tax by March 31 for the present year. Taxpayers are expected to pay the tax in installments for the year in advance. In practice, the tax is poorly administered however, because land register is incomplete and local governments lack the incentive to collect it (as it will reduce the amount of fiscal equalization allocated from the state). Besides, the tax is not consistently collected by all local governments and tax collection is disproportionately distributed across regions due to the lack of knowledge or tax base. Research showed that only 28% of municipalities were able to collect more than 80% of the average amount in Slovenia, which is about € 34 per capita per year (Oplotnik and Brezovnik 2004).



## References

- McCluskey, William and Frances Plimmer. 2007. The Potential for the Property Tax in the 2004 Accession Countries of Central and Eastern Europe. *RICS Research Paper Series*, 7(17): 1-36.  
[http://www.rics.org/NR/rdonlyres/A9361A22-2E7C-4D83-9A70-C403349665DA/0/40707\\_Prop\\_Taxwebversion.pdf](http://www.rics.org/NR/rdonlyres/A9361A22-2E7C-4D83-9A70-C403349665DA/0/40707_Prop_Taxwebversion.pdf)
- Ministry of Finance of the Republic of Slovenia. 2007. Taxation in Slovenia 2007.  
[http://www.mf.gov.si/slov/dav\\_car/Taxation\\_in\\_Slovenia\\_2007.pdf](http://www.mf.gov.si/slov/dav_car/Taxation_in_Slovenia_2007.pdf)
- Oplotnik, Zan and Bostjan Brezovnik. 2004. Financing local government in Slovenia. *Post-Communist Economies*, 16 (4): 483-496.
- Republic of Slovenia. 2000. The Law on Local Self-Government.  
<http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN015730.pdf>
- Republic of Slovenia. 1999. The Law on the Financing of Municipalities.  
<http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN015732.pdf>
- Setnikar-Canka, Stanka, Stane Vlaj and Maja Klun. 2000. Local Government in Slovenia. In *Decentralization: Experiments and Reforms*, Vol 1, Tamás M. Horváth, ed. Budapest, Hungary: Local Government and Public Reform Initiative.
- Žibik, Neva and Dušan Mitrović. 2006. Development of a Real Property Appraisal and Taxation System in Slovenia. In *Reforming property taxation in Southeast Europe*, Henri Schreurs, ed. Budapest, Hungary: Fiscal Decentralization Initiative for Central and Eastern Europe.

## Chapter 34: Tajikistan

### Introduction

Tajikistan declared its independence from the former Soviet Union and emerged as a sovereign Central Asian country in September 1991. The administrative-territorial structure following the Soviet tradition was then replaced by a new system of local self-government, composed of oblasts directly subordinate to the central government (the Gorno-Badakhshan Autonomous Region, the Leninabad oblast [renamed as Sogdian], the Khatlon oblast, and the capital city of Dushanbe), cities and rayons subordinate to oblasts along with Dushanbe city districts and thirteen rayons directly subordinate to the national government, and villages and towns in rural areas. Local governments are entitled by law to levy local taxes, set methods of tax collection and grant exemptions and abatements. While local councils are responsible for drafting and approving local budgets, the Law on the State Budget determines the relationship between central and local budgets annually. On the basis of local revenue and expenditure estimates, Parliament establishes the share of nationally collected taxes to be allocated to local budgets and the amount of targeted transfers to cover local budget deficits. Despite the recent increases in local revenues, local governments in Tajikistan remain financially dependent on the central government.

Tajikistan currently has three area-based property taxes: land tax, uniform tax for producers of agricultural products, and real estate tax<sup>2</sup>. The former two are national taxes while the latter is a local levy. According to the State Budget Law of 2000, 85 percent of land tax revenues were allocated to local budgets. Proceeds from the real estate tax are reserved entirely for the respective local budget. Property tax revenues, along with other taxes, increased as a percentage of local budget revenue, from 8.5 percent in 1996 to 13.5 percent in 1999. The regions of Khatlon and Leninabad have particularly high reliance on property taxes, which amounted to 24.4 and 18.5 of their respective local budgets in 1999 (Mamadsho and Khudoiyev 2001).

### Land Tax

The land tax in Tajikistan is an annual national tax imposed on all allocated land plots, including agricultural and non-agricultural land, urban and rural land, undeveloped and occupied land. The amount of tax shall not depend on the results of the landholder's economic activities.

### Taxpayers

Taxpayers of the land tax are landholders who have been allotted parcels of land for tenure on an indefinite basis, for limited-time tenure, or for lifetime inheritable tenure.

---

<sup>2</sup> The real estate tax used to be divided into two separate taxes: enterprise property tax and personal real estate tax. The enterprise property tax was a national tax, but 100 percent of its proceeds were allocated to local budgets. The enterprise property tax and personal real estate tax are listed respectively under national and local taxes in Mamadsho and Khudoiyev (2001). The tax code of 2004 defines the real estate tax as a single local tax on buildings of both legal entities and physical persons. It is hard to tell from these references exactly when the former two taxes were combined into one.

## Tax Base

The land tax is levied on the basis of the area or size of taxable land plots as measured in hectares. The grounds for determining the tax shall be the area of a parcel of land as documented in the land registry. In the event that the area of land actually in use exceeds the area of land as indicated in the taxpayer's land registry documentation, the former shall be applied for land tax purposes. For land used for housing construction by individuals in cities and urban-type settlements and household plots outside cities and urban-type settlements, the area of each parcel or plot under a separate title shall be treated separately for taxation purposes, unless these parcels or plots are contiguous, the cases in which the area of parcels or plots shall be combined for land tax purposes.

## Tax Rates

The tax rates per hectare of land are fixed annually by the central government. Tax rates vary by the quality and location of the parcel of land, the land registry appraisal of the land, the nature of its use, and the environmental aspects of the parcel of land. Land in cities and urban-type settlements is subject to the tax rates described in table 1.

**Table 1. Land Tax Rates for Land in Cities and Urban-Type Settlements**

<b>Location</b>	<b>Tax rate per hectare (somon)</b>
Dushanbe	400
Khudzhand, Kurgant'yube, and Kulyab	300
Cities under republican and oblast jurisdiction and the city of Khorog	200
Other cities and urban-type settlements	150

Source: Tax Code 2004

Agricultural land and land covered with woods and shrubbery in cities and urban-type settlements are either taxed at the same rates as land outside cities and urban-type settlements or subject to the uniform tax for producers of agricultural products.

Tax rates on land used for housing by individuals in cities and urban-type settlements vary by the size of the land parcel. Land area up to 800 square meters is subject to the same tax rates as those in table 1. Land area in excess of 800 square meters but up to 2000 square meters is taxed at twice the rates in table 1. Land area in excess of 2000 square meters is subject to tax rates five times higher than those in table 1.

If land in a population center is reclassified from one settlement category to another during a tax year, the land tax for the current year is calculated at the rates previously established for these population centers, and in the following year it shall be collected at the rates established for the new settlement category. In the event that a population center is dissolved and its territory is included as part of another population center, the new rate shall apply to land in the dissolved population center as of January 1 of the year following the dissolution of the population center.

For land outside cities and urban-type settlements, the average tax rates per hectare are determined on the basis of land registry zones and types of land, as illustrated in table 2.

**Table 2. Land Tax Rates for Land Outside Cities and Urban-Type Settlements**

<b>Type of land Land registry zone</b>	<b>Arable land and perennial plantings: irrigated/dry</b>	<b>Pastures and hayfields</b>	<b>Roads, streets, public buildings, forests, squares, canals, irrigations ditches, and reservoirs</b>	<b>Other land not used in the production of agricultural products</b>
Sogdi	30.0/5.5	4.0	12.0	3.75
Gissar	32.0/13.0	4.0	9.0	2.75
Rasht	26.0/19.0	4.0	6.0	1.25
Kulyab	33.0/15.5	4.0	9.0	2.75
Vakhsh	46.5/11.5	4.0	13.0	4.25
Gorno-Badakhshan Autonomous Oblast (not including Murgab zone)	9.0/4.0	2.0	6.0	1.25

Source: Tax Code 2004

Note: All rates are expressed in somoni per hectare.

For household plots outside cities and urban-type settlements, tax rates are also tied to the area of the land plots. Rates in table 2 shall apply if the size of the household plot is within the norms established by the Land Code of the Republic of Tajikistan. Any land area in excess of the norms shall be taxed at twice the rates in table 2.

The land tax rates for the coming budget year shall be indexed to the rates in effect in the current budget year, based on a figure of 0.7 percentage point for each percentage point of inflation taken into account in the compilation of the State Budget for the coming budget year.

### Exemptions

The following classes of land are exempt from the land tax.

- Grounds of nature preserves, national and forest parks, and botanical gardens in accordance with a list of these organizations and the size of their grounds established by the Republic of Tajikistan government;
- Land used by budgetary organizations and the National Bank of Tajikistan and its branch offices for the performance of the objectives, tasks, and functions set forth in the charter documents of these organizations and institutions;
- Land held by organizations and occupied by buildings used by them that are protected by the state as historical, cultural, and architectural monuments, based

on a list of organizations and in accordance with the size of parcels of land established by the Republic of Tajikistan government;

- Disturbed land (in need of restoration) which has been obtained for use in accordance with a finding issued by the Republic of Tajikistan State Land Use Committee in consultation with the authorized government body, and land that is in the agricultural development stage during the year it is obtained for use (for development) and for five years immediately following the year the land was obtained (the year development was initiated);
- Land occupied by the surveillance zone along the state border;
- Public land in population centers and land used for municipal services, including cemeteries, with the exception of such land used for commercial activity;
- Land covered by glaciers, landslides, rivers, and lakes;
- Land in the free state reserve;
- Land occupied by public highways and railroads, as well as land occupied by public water supply facilities and hydraulic structures;
- Land allocated to support the operation of government executive and administrative bodies, and also to provide for the defense and security of the Republic of Tajikistan, in accordance with the location and size of such parcels of land as established by the Republic of Tajikistan government;
- Household plots and land for housing construction allocated to veterans of the Great Patriotic War and persons with equivalent status;
- Household plots allocated to citizens arriving (being resettled) from other regions of the Republic of Tajikistan for permanent residence in regions identified by the Republic of Tajikistan government, in the year they are allocated and for a period of 3 calendar years immediately following the year in which the land is allocated;
- Household plots and land for housing construction allocated to teachers working in rural areas at general education institutions for the period they are employed at such institutions;
- Land used directly for scientific and educational purposes, and also for testing varieties of agricultural crops by scientific organizations, experimental and scientific-testing farms, scientific research institutions, and educational institutions specializing in agriculture and forestry, within the land size specifications and based on a list of landholders determined by the Republic of Tajikistan government;
- Household plots and land for housing construction allocated to disabled persons in all categories in the absence of an able-bodied family member;
- Household plots allocated to military personnel, members of the rank-and-file and command staff of the ministries of defense, internal affairs, security, emergency situations, and civil defense, the Committee for Protection of the State Border, the Main Tax Police Administration, and the Customs Department of the Ministry of State Revenues and Fees of the Republic of Tajikistan, the National Guard, reservists called up for training duty or inspections, and their family members, as well as officers, warrant officers, and military personnel serving beyond the regular tour of duty, and female military personnel, who have been discharged (retired) due to age, health, or as a result of a reduction in force, who have served

for more than 20 years, within the norms established by the Land Code of the Republic of Tajikistan; and

- Land allocated to enterprises and organizations if disabled persons account for at least 50 percent of their employees.

### Tax Collection

The tax authorities serving the area in which the land parcel is located collect the land tax annually. Different procedures apply to legal entities and individuals. Taxpayers other than individuals are required to submit a statement of the land tax owed by them to the tax authorities no later than March 1 of the current year. Tax authorities shall prepare a statement of land tax for individuals and notify them of their tax obligations no later than June 1 of the current year. Tax authorities in Tajikistan maintain a register of payers of the land tax and monitor the correct and timely calculation and payment of the land tax.

For taxpayers other than individuals, payments for land tax due on land in cities and urban-type settlements shall be made no later than March 15, June 15, and September 15 of the current year in an amount equal to at least 25 percent of the tax due for the year, and no later than December 15 of the current year in an amount equal to the remaining balance of the annual amount; payments for land tax due on land outside cities and urban-type settlements shall be made no later than March 15 in an amount equal to at least 15 percent, no later than June 15 in an amount equal to at least 20 percent, no later than September 15 in an amount equal to at least 25 percent, and December 15 in an amount equal to the remaining balance of the annual amount. Individuals are required to pay their land tax, regardless of where the land is located, no later than June 15 in an amount equal to at least 33 percent, no later than September 15 in an amount equal to at least 33 percent, and December 15 of the current year in an amount equal to the remaining balance of the annual amount. In the event that the notification of land tax obligations is not provided to an individual before June 1 of the current year, the individual is required to inform the relevant tax authority and to pay the entire amount of land tax for the current tax year no later than December 15 of the current year.

### Appeal Procedures

Taxpayers in Tajikistan are entitled to the right of appeal if they disagree with a tax audit report, the assessment of tax, penalties, and interest, or other decisions by a tax authority. An appeal may be filed with the tax authority that made the decision in dispute, a higher-level tax authority, the authorized government body, or the courts. An appeal against the decision by a tax authority must be filed in writing within 30 days of receipt of the decision. The deadline may be extended by a higher-level tax authority, the authorized government body, or a court at the request of the person filing the appeal. The taxpayer may file a simultaneous or subsequent appeal with a higher-level tax authority or with the courts. The same procedures apply to the uniform tax for agricultural producers, and the real estate tax.

### **Uniform Tax for Producers of Agricultural Products**

The uniform tax for producers of agricultural products, or the uniform tax for agricultural producers, is an annual tax levied on land used for agricultural activities. Agricultural producers that pay the uniformed tax shall be exempt from the land tax, the value-added tax on deliveries of agricultural products grown on land subject to the uniform tax, the highway user tax on deliveries of agricultural products grown on land subject to the uniform tax, the corporate profit tax, the minimum business income tax, and tax paid under the simplified system. The amount of the uniform tax shall not depend on the results of an agricultural producer's economic activities, except in cases of natural disasters or catastrophes.

### Taxpayers

Payers of the uniform tax are agricultural producers, defined by law as legal entities and peasant (owner-operated) farms established on the basis of farming partnerships and/or production cooperatives for which land is the main means of production.

### Tax Base

The tax base is the area of land held by agricultural producers. The uniform tax for agricultural producers applies only to the part of the activities of agricultural producers that is related to the production and supply of agricultural products (i.e. agricultural activity). The tax shall not apply to the raising and delivery of animals in the agricultural sector if 1) more than 50 percent of the main feed base (according to feed unit norms established by the Republic of Tajikistan government) of the livestock is provided by outside feed deliveries (not from products obtained from the agricultural producer's own land); or 2) the average annual number of standard livestock units, in accordance with the coefficients for the conversion of livestock into standard units established by the Republic of Tajikistan government, per hectare of the agricultural producer's land exceeds the norms established by the Republic of Tajikistan government.

### Tax Rates

The uniform tax rates shall be set at four times the land tax rates established for land outside the cities and urban-type settlements. The tax rates on land actually used for the cultivation of raw cotton shall be set at half the rates of other agricultural land, equivalent to twice the land tax rates for land outside the cities and urban-type settlements.

### Tax Collection

Tax collection procedures for the uniform tax for agricultural producers are similar to those applicable to legal persons for the land tax for land outside cities and urban-type settlements. Each year agricultural producers are required to submit a statement of the amount of uniform tax due in the current year to the appropriate tax authority, along with a statement of the amount of social tax due in the current year. Agricultural producers of raw cotton shall submit a revised statement of the amount of uniform tax due in the current year before June 1 of the current year. The payment of the amount of tax due as

of June 15 shall take into account an adjustment of the tax payment made as of March 15 of the current year. The uniform tax for agricultural producers shall be paid no later than March 15 in an amount equal to at least 15 percent, no later than June 15 in an amount equal to at least 20 percent, no later than September 15 in an amount equal to at least 25 percent, and December 15 in an amount equal to the remaining balance of the annual amount.

## **Real Estate Tax**

The real estate tax is a local tax assessed on real estate, including residential buildings, apartments, summer homes, garages, and other buildings, constructions, and structures.

### Taxpayers

The real estate tax is payable by individuals and legal entities that own real estate that is subject to the tax.

### Tax Base

The tax is based on the area of all the floors of a piece of real estate, adjusted by coefficients specified in the Tax Code. The size of a property shall be determined on the basis of the relevant technical or other documentation for this property or on the basis of a measurement taken by the appropriate tax authority in accordance with the procedure established by the authorized government body in consultation with the Republic of Tajikistan State Committee for Architecture and Construction.

The area under the first floor of a piece of real estate is determined in accordance with an exterior measurement of the dimensions of the real estate if possible, or based on the total usable area of the interior premises of the piece of real estate, multiplied by a coefficient of 1.25.

A basement is not included in the tax base unless the height between the basement floor and the ceiling is at least 2 meters. An attic is taken into account when determining the tax base only if the height between the attic floor and the lowest point of the ceiling is at least 2 meters. The area of taxable basement or attic is treated as equal to 50 percent of the area under the first floor as measured in accordance with the methods described in the preceding paragraph.

When calculating the tax base, the area of the second and third floors of a piece of real estate is treated as equal to 100 percent of the area under the first floor, the area of the fourth and fifth floors is treated as equal to 90 percent of the area under the first floor, and the area of the sixth and higher floors is treated as equal to 80 percent of the area under the first floor.

If the height between the floor and the lowest point of the ceiling on any of the floors of a piece of real estate is in the range of 4 to 6 meters, the area of this floor is treated as equal



to 150 percent of the area under the first floor, adjusted by the appropriate floor coefficients expressed as a percentage in the preceding paragraph. If the height between the floor and the lowest point of the ceiling on any of the floors exceeds 6 meters, the area of this floor is treated as equal to 200 percent of the area under the first floor, adjusted by the appropriate floor coefficients.

When calculating the tax base for individuals, the area of free-standing nonresidential premises (e.g. garages, sheds, and the like) is treated as equal to 50–70 percent, and the area of premises for housing animals shall be treated as equal to 20–50 percent of the area determined in accordance with the methods described above.

### Tax Rates

The real estate tax rates are locally determined with the ranges established by the central government. Local governments may set the rate in the range of 10 times to 50 times the land tax rates established for urban and rural land. For the purposes of the real estate tax, the land tax rates for the Murgab Zone is treated as equal to the average land tax rates for the Gorno-Badakhshan Autonomous Oblast.

### Exemptions

Exempt from the real estate tax is real estate that is owned and used directly by a budgetary organization for the performance of its chartered tasks, and that has not been leased to or placed in the possession of another person, with the exception of leasing or transfer to a budgetary organization.

### Tax Collection

The tax authorities serving the area in which the property is located collect the real estate tax annually. Legal entities and individuals are subject to different filing and payment requirements. Based on self-assessment, legal entities shall submit calculation of their tax obligations to the tax authorities and pay the amount due for the current year by April 1 of the current year. The amount of real estate tax due shall be calculated as the product of the tax base (floor area) and the tax rate (price per hectare). Tax authorities shall notify individuals of the amount of real estate tax due on their property by July 1 of the current year. Individuals must tax payments by October 1 of the current year, regardless of whether a notice of assessment has been received by July 1 of the current year.

## References

- Aliev, Zarif. 2002. Regional Government in Tajikistan (Centre and Regions). In *Tajikistan at a crossroad: The politics of decentralization*.  
<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN020513.pdf>
- Avezov, Azizullo. 2002. Economic Aspects of the Interrelation Between Centre and Regions in Tajikistan. In *Tajikistan at a crossroad: The politics of decentralization*.  
<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN020512.pdf>
- Freizer, Sabine. 2002. Tajikistan local self-governance: a potential bridge between government and civil society? In *Tajikistan at a crossroad: The politics of decentralization*.  
<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN020514.pdf>
- Ilolov, Mamadsho and Mirodasen Khudoiyev. 2001. Local Government in Tajikistan. In *Developing new rules in the old environment*, Igor Munteanu and Viktor Popa, eds. Budapest, Hungary: Local Government and Public Reform Initiative.
- Kamoludin, Abdullaev. 2002. Current Local Government Policy Situation in Tajikistan. In *Tajikistan at a crossroad: The politics of decentralization*.  
<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN020515.pdf>
- Tax Code of the Republic of Tajikistan. 2004.  
[http://www.lex.tj/Laws\\_eng/Tax%20Code%202004%20English.DOC](http://www.lex.tj/Laws_eng/Tax%20Code%202004%20English.DOC)
- The Law of the Republic of Tajikistan—On Payment for Land. 1997.  
<http://faolex.fao.org/docs/texts/taj34386.doc>

## Chapter 35: Trinidad and Tobago

### Introduction

Trinidad and Tobago, a two-island independent republic within the British Commonwealth, has a two-chamber parliamentary democracy. Trinidad covers 4,800 sq. km. and Tobago covers 300 sq. km. The capital, Port-of-Spain, is located on Trinidad.

Only the central government has the authority to levy and collect taxes. Local authorities levy the lands and buildings tax under the Lands and Buildings Taxes Act of 1920 and the Municipal Corporations Act of 1990 on behalf of the central government. The central government retains authority over the revenue collected via land and building taxes. The municipality government, referred to as the Corporation, collects fees, rates and as prescribed by Order of the President. The Corporation may retain a portion of the fees, rates, and taxes determined by Order by the Minister of Finance. The Minister can raise rates by Order, not exceeding 10 percent of annual taxable value of any building liable to tax.

Trinidad and Tobago levy two kinds of property taxes, one for properties within cities and one for properties outside of cities. Corporations levy a property tax, called the house tax, based on annual rental value for property within the city boundary under the Municipal Corporations Act of 1990. The Act first applied to only four municipalities and extended the house tax to 9 more municipalities in 1996.<sup>1</sup> By Order and with approval of Parliament, the President can extend the Act to any town, district, or place.

For property outside the city, the Land and Buildings Act of 1920 authorizes an area-based tax by acreage for land, a building tax based on rental value, and a flat tax on barracks. The land tax is paid to the Comptroller of Accounts for the use of the State. Trinidad and Tobago do not tax property transfer, wealth, gift or inheritance. The focus of the rest of this chapter is on the area based land tax.

On average from 1990 to 2003, property taxes brought in TTD 67 million<sup>2</sup> in annual revenue. The country's annual total revenue averaged TTD 8,823 million. Property taxes account for 0.76 percent of all revenue, on average. The total tax burden averages at 23.1 percent of GDP and the tax burden of property tax averages at .2 percent of GDP.

---

<sup>1</sup> The first four municipalities: City of Port-of-Spain, City of San Fernando, the Borough of Arima, the Borough of Point Fortin. The municipalities that adopted the house tax in 1996 include the Region of Diego Martin, the Region of San Juan/Laventille, the Region of Tunapuna/Piarco, the Region of Sangre Grande, the Region of Mayaro/Rio Claro, the Region of Princes Town, the Region of Couva/Tabaquite/Talparo, the Region of Penal/Debe, and the Region of Siparia.

<sup>2</sup> Trinidad and Tobago current is TTD, the Trinidad Dollar.

## Taxpayers

The taxpayer for the land tax on property outside the city is the owner, lessee or occupier of any land or building. In the event that the owner places the property in possession of an attorney, agent, manager, guardian or committee, that person becomes liable for the property tax.

## Tax Base

Outside of the cities, the land tax applies to undeveloped land and land with buildings based on a rate per acre of land. Buildings commonly referred to as barracks with separate tenements severally occupied are taxed according to a flat rate, an amount added to the area-based tax for the land upon which the barracks sit.

## Tax Rates

A taxpayer with 500 acres would pay \$10.00 per acre for the first 10 acres, \$15.00 per acre for the next 90 acres, and \$20 for every acre in excess of 100.

**Table 1: Rate per acre of Land**

<u>Land</u>	<u>Rate per acre</u>
Up to 10 acres	\$10.00
10 to 100 acres	\$15.00
In excess of 100 acres	\$20.00

Buildings usually described as barracks that contain separate tenements are taxed at a flat rate.

## Exemptions

The following lands and buildings are exempt from tax in both the Municipal Corporation Act and the Lands and Buildings Act:

- buildings occupied solely as churches, chapels, and places of public worship of any religious denomination;
- school buildings, offices, and playgrounds of any school established under the Education Act;
- hospitals, whether public or estates', asylums, alms-houses, and institutions for the relief of the poor whether occupied for such purposes by public officers or private persons;

- lands and buildings belonging to and in the occupation of the State or its immediate servants for public purposes;
- lands and buildings belonging to and in the occupation of the Council of Legal Education;
- public cemeteries; and
- residence of the minister of religion.

The following exemption applies to the countryside land and building tax:

- lands and buildings belonging to and in the occupation of the University College of the West Indies or its immediate servants;

### Tax Collection

Owners of taxable land submit a return to the District Revenue Officer (DRO) of the Ward by October 31<sup>st</sup> with the name of the occupier and owner of every building on land and the annual value of every building. In the event of a transfer of ownership, change of agreement or lease, the owner must make the DRO of the Ward aware within one month.

Every 15 years after 1948, every District Revenue Officer prepares an assessment roll for each Ward in his district from office records, returns, and the lists the Registrar General under the Real Property Act, of all lands and buildings within Wards liable to taxes. The DRO publishes and circulates a notice in the *Gazette*, and in one other newspaper circulating in Trinidad and Tobago, specifying the times and places at which such inspection may be made. The DRO publishes the assessment roll by February 15<sup>th</sup> of the year it comes into operation. The DRO can make re-assessments of lands and buildings at any time during the 15-year period of operation.

The DRO issues a notice to every taxpayer on the roll with the location for payment of tax, the amount, and the due date. Taxes for the year ending December 31<sup>st</sup> are due March 31<sup>st</sup> every year. The notice also includes information about fines for late payment. As of 1994, if the tax is not paid within 3 months of the due date, ten percent is added to the tax. If not paid by July 1<sup>st</sup>, 15 percent interest is added until payment. If not paid by March 31<sup>st</sup> of the following year, the lands and buildings in respect of which tax is payable are liable to be forfeited to the State.

Lands or buildings liable to any tax omitted from any assessment roll are liable for the tax.

The District Revenue Officer can use various measures to coerce uncooperative taxpayers. The DRO fines a taxpayer who does not cooperate with assessment \$400, if the complaint occurs within three years of the offense. Three months past the due date, the Comptroller of Accounts or District Revenue Officer can levy the goods, chattels, and

effects of the owner, or anything on the land or in the building, including an occupier or tenant, before forfeiture. The DRO or Comptroller can use force if necessary such as breaking into a building during the daytime and seek assistance from constables to carry out the penalty. If the owner does not pay the tax within four days, the land and buildings are sold.

### Appeal Procedures

If a taxpayer does not pay the tax on time, he or she forgoes his or her right to appeal the assessment of lands and buildings. The taxpayer must provide the payment of the assessment or an adequate security in advance of an appeal. An owner who objects to the assessment of any lands or buildings on grounds of unfairness or incorrectness may appeal to the District Revenue Officer of the Ward. The appeal must be submitted in writing within 30 days after the publication of the assessment.

The DRO requires evidence from both parties necessary to make a decision. Uncooperative taxpayers face a fine of four thousand dollars and/or imprisonment for two years. The DRO will hear both parties and decide whether to uphold the assessment, alter or amend it. Either party may appeal the DRO's decision to the Appeal Board in accordance with the Tax Appeal Board Act. The Tax Appeal Board, a court of law by authority of the Constitution, exists solely for purposes of settling tax assessment disputes. If the DRO or any party is unsatisfied with the decision of the Appeal Board, the DRO or the owner may appeal to the Court of Appeal within twenty-one days of the date of the Appeal Board's decision. Otherwise the Appeal Board's decision is final and binding.

If a taxpayer appeals to the Court of Appeal, the appellant must offer a surety of \$1500 conditioned on appearing, prosecuting, and abiding the order of and paying the costs as awarded by the Court at the sitting or adjournment.

## References

- 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.), pp. 144-147, pp. 202-204. [http://caricom.org/jsp/community/cota/general\\_assembly/18cota-caricom-tax-system-survey.pdf](http://caricom.org/jsp/community/cota/general_assembly/18cota-caricom-tax-system-survey.pdf) (accessed March 7, 2008)
- Franzsen, Riël C.D. and William J. McCluskey. 2005. "An Exploratory Overview of Property Taxation in the Commonwealth of Nations," Lincoln Institute of Land Policy Working Paper WP05RF1, [http://www.lincolninst.edu/pubs/dl/1069\\_Franzen\\_complete\\_web.pdf](http://www.lincolninst.edu/pubs/dl/1069_Franzen_complete_web.pdf) (accessed March 1, 2008).
- Land and Buildings Taxes Act, An Act relating to taxes on Lands and Buildings outside the limits of the Municipal Areas, Chapter 76:04, Act No. 14 of 1920, as amended 1996, <http://rgd.legalaffairs.gov.tt/Laws/Chs.%2074-78/76.04/76.04.htm#sec1> (accessed March 7, 2008)
- Municipal Corporations Act, Chapter 25:04, Act No. 21 of 1990, as amended 2003, <http://rgd.legalaffairs.gov.tt/Laws/Chs.%2025-27/25.04/25.04%20aos.htm>, (accessed March 7, 2008).
- Rates and Charges Recovery Act, An Act to provide for the Recovery of Rates and Charges by Public Authorities, Chapter 74:03, Act No. 36 of 1913, as amended 1981, <http://rgd.legalaffairs.gov.tt/Laws/Chs.%2074-78/74.03/74.03%20aos.htm>, (accessed March 7, 2008).
- XX, ed. 1991-(loose leaf). Taxation and Investment in the Caribbean, Amsterdam: International Bureau of Fiscal Documentation.

## Chapter 36: Tunisia

### Introduction

Tunisia reformed its land and property tax system<sup>3</sup> in early 1997 and as a result, the country switched from a rental value-based approach to an area-based approach. Currently, there are three major types of property taxes: the tax on housing (TIB), the tax on industrial and commercial buildings or local business tax (TCL), and the tax on unbuilt land (TTNB). Under the new system, local governments use national values assigned to the surface area of a property to establish tax rolls and calculate property tax liabilities based on centrally determined tax rates. Property taxes in Tunisia are primarily collected and administered by the Ministry of Finance and its regional and local offices, while local governments may voluntarily offer assistance for implementation.

Local governments in Tunisia consist of two tiers: 23 regional councils and 257 urban municipalities. While both levels of local authorities levy property taxes, only municipalities are able to raise significant revenues from the taxes as housing units in regional councils have a relatively low value and agricultural land is not taxed. In 2000, property tax receipts represented over 27 percent of total municipal revenues. The property tax reform has successfully reduced local reliance on transfers from 34 percent in 1995 to 27 percent in 2000 and reduced the share of housing tax relative to business property tax.

### Tax on Housing (TIB)

TIB is imposed on housing units and its yield accounted for 9 percent of total municipal revenues and one third of total property tax revenues in 2000.

#### Taxpayers

The taxpayer is the owner of the housing unit that is subject to TIB.

#### Tax Base

One of the major goals of the Tunisia's 1997 tax reform was to standardize and simplify the taxation of housing units. To achieve this goal, the tax base of TIB was changed from rental value to administrative value based on the size of a housing unit as measured in square meters. The national government set by presidential decree the range of nominal values, within which municipal governments assign specific values to the surface area of owner-occupied buildings (See table 1). The Ministry of Finance staff, using a 10 percent sample of the tax rolls of large Tunisian cities, develops the national values. Local authorities are responsible for establishing their local tax rolls based on a decennial census (with its inception in 1997) within annual updates.

---

<sup>3</sup> The reform was inspired by the city of Sfax's experiment with the area-based property taxation, which was considered illegal but was tolerated for years.



**Table 1. Area-Based Administrative Values Used to Calculate the Tax Base for Owner-Occupied Buildings**

Area (m <sup>2</sup> )	Reference Price per m <sup>2</sup>	Rental Value per m <sup>2</sup>
Under 100	100-150	2-3
100-200	151-200	3-4
201-400	201-250	4-5
Over 401	251-300	5-6

Source: Decree 97-431 (Vaillancourt 2003)

Table 1 illustrates the schedule for estimating the tax base for housing units subject to TIB. For each property size category, the central government suggests a range of reference prices per square meter. Local councils are entitled to choose the exact price from that range to be applied in the calculation of rental value in a specific area of a municipality. The chosen price should reflect the quality of the houses in the neighborhood. An overwhelming majority of municipalities (73 percent) chose the minimum price allowed by the national government, possibly for political considerations. Rental values are derived by multiplying the price per square meter by the depreciation rate (2 percent).

### Tax Rates

TIB rates are centrally determined with no local discretion. There are currently four tax rates applied on an area basis. Areas are categorized according to the availability of six services: garbage collection, street lighting, covered roadway, covered sidewalk, sanitary sewers and rain water sewers. Tax rates are established according to the number of services being offered, as shown in table 2.

**Table 2. TIB Tax Rates**

Number of Services	Rate per m <sup>2</sup>
1-2	8%
3-4	10%
5-6	12%
5-6 + other/better quality services	14%

### Exemptions

Exempt from the tax on housing are buildings owned by the state, the municipality, religious and welfare organizations, and foreign governments, low income housing units, and unserved housing units. Empty units may receive 25 percent abatement if vacant for one year.

### Tax Collection

The Ministry of Finance and its regional and local offices are responsible for collection and administration of property taxes, with voluntary assistance from municipal governments. In practice, most local authorities choose to assist the central government

with their own staff. Taxpayers are expected to return a self declaration form regarding the size of their properties. The housing unit would be assumed to be having 400 square meters if no information was provided. Local governments calculate each property's TIB tax liability based on its size, nominal price per square meter, and the appropriate tax rate. Tax bills are then distributed to each housing unit.

### Appeal Procedures

Taxpayers may appeal their property tax liabilities by the end of the month following the month of receipt of the tax bills. Appeals are often represented by attempts to move property classification from one size category with a higher price to one with a lower price.

### **Tax on Industrial and Commercial Buildings (TCL)**

TCL is a property tax levied on nonresidential buildings in Tunisia. As the most important type of local property tax, it generated about 61 percent of total property tax revenues in 2000, which accounted for 17 percent of total local revenues.

### Taxpayers

TCL is payable by business property owners, typically individuals who pay income tax on profits or professional income, and partnerships and corporations, except those paying the hotel tax.

### Tax Base

There are three alternative tax bases for TCL: local gross business income, corporate income tax, or rental value based on the area of the property. The rental value is used only to calculate the minimum TCL due on a business establishment as if the property were subject to the area-based TIB. Central government mandates by decree the rental value per square meter, which depends on the type of nonresidential building and the number of available services in the area where the building is located (see table 3).

**Table 3. Area-based Rental Values for Industrial and Commercial Buildings**

Type of Building	Tax per m <sup>2</sup> (TND)			
Applicable TIB Rate	8%	10%	12%	14%
Administrative or Commercial	0.76	0.95	1.14	1.33
Industrial				
-Light Structure	0.52	0.65	0.78	0.91
-Heavy Structure ≤ 5,000 m <sup>2</sup>	0.64	0.80	0.96	1.12
-Heavy >5,000 m <sup>2</sup>	0.84	1.05	1.26	1.47

Source: Decree 97-433 (Vaillancourt 2003)

The type of nonresidential buildings are distinguished between administrative or commercial buildings and industrial buildings, the latter of which are further classified by

property size and the nature of structure (e.g. a light building has a wooden structure, while a medium or heavy building has a concrete structure). The rental value is calculated by multiplying the price per square meter by a depreciation rate of 5 percent. It should be noted that the area-based tax roll is only indicative and used by a local authority to check the TCL paid by businesses when paying central government taxes and the amounts transferred from other jurisdictions, where TCL is collected from head offices but paid for both head office buildings in their municipality and buildings in other municipalities. TCL can be deducted from the property owner's corporate income tax.

### Tax Rates

TCL rates vary by the tax base being applied. The rate can be 2/10 of 1% of local gross business income or 1/10 of 1% of the same base if a business's gross profit margin is not more than 4 percent (by regulation). Alternatively, the rate will be 25 percent of either the lump sum income tax (ranging from TND 15 to 700), or the minimum income tax on individuals or corporations, which means 1/2 of 1% of business income with a maximum of TND 5 for individuals and TND 1,000 for corporations. The maximum TCL liability was increased from TND 20,000 to TND 50,000 per business as a result of the 1997 tax reform, while the minimum is determined based on the schedule in table 3.

### Tax Collection

TCL is centrally collected and administered. Businesses are required to report the area of each building along with their tax return to the national government. Local governments will receive a copy of these business tax returns and may impose a penalty if the business fails to report the size of property located in their jurisdiction. Before the tax reform, TCL collection was highly concentrated in municipalities where the head offices were located. Now with better information on the area of business property, the central government may distribute TCL revenues according to the location and size of the various establishments of one business entity.

### **Tax on Unbuilt Land (TTNB)**

The tax on land is a rather insignificant source of local revenue as compared to the two building taxes described above. Its receipts represented only 1.6 percent of total local revenues and 6 percent of total property tax revenues.

### Taxpayers

Owners of unbuilt land are liable for TTNB. Since there is considerable problem with establishing the ownership of land in Tunisia, it is preferable to withhold payment of tax until a building permit is requested (with little penalty).

### Tax Base

The tax base is either the market value of the land or the surface area of the land when market value is not available, which is often the case.

### Tax Rates

The TTNB tax rate is 3/10 of 1 percent of the market value of the unbuilt land (i.e. 10 percent of rental value which is 3 percent of the land value). When the area-based approach has to be applied, the central government sets by decree the tax amount per square meter, which varies by city according to the urban plan set by the Ministry of Urban Affairs. The tax rates are TND 0.3 per square meter, TND 0.09 per square meter, and TND 0.03 per square meter for land located in high, medium and low urbanization zones respectively.

### Exemptions

TTNB exemptions apply to agricultural land, land in no-building zones, land reserves, land subdivided into lots until ceded by the developer, and land owned by the state or the municipality.

## References

- Bird, Richard M. and Enid Slack. 2004. Introduction and Overview. In *International handbook of land and property taxation*, Richard M. Bird and Enid Slack, eds. Northampton, MA: Edward Elgar
- François Vaillancourt. 1998. Morocco and Tunisia: Financing Local Governments—The Impact on Infrastructure Finance. In *Fiscal Decentralization in Developing Countries*, Richard M. Bird and François Vaillancourt, eds. Cambridge University Press.
- \_\_\_\_\_. 1998. Local Government Finance Reforms in Morocco AND Tunisia: 1992-1998 What? Why? And How? Paper prepared for the Governance: Efficiency and Participation Session of the “Mediterranean Development Forum”, September 4, 1998, Marrakech, Morocco.
- \_\_\_\_\_. 2004. Land and Property Taxation in Tunisia. In *International handbook of land and property taxation*, Richard M. Bird and Enid Slack, eds. Northampton, MA: Edward Elgar

## Chapter 37: Ukraine

### Introduction

Ukraine has undergone significant political and economic reforms since it regained sovereignty from the former Soviet Union. As a unitary state in the form of a republic, Ukraine has adopted a two-tier system of local administration, which consists of regional governments or *oblasts* (including the Autonomous Republic of Crimean, the Cities of Kyiv and Sevastapol) and local governments (including rayons, cities, city districts, townships and villages). The local fiscal structure however, remains highly centralized. With limited local tax autonomy, local governments derive almost all of their revenues from shares of national taxes. Although local governments are authorized to levy a number of fees on commercial and recreational properties, the proceeds typically represent an extremely small share of local budget. The major property tax in Ukraine is the centrally imposed land tax, as defined in the 1992 Law on Payment for Land. Levied on the basis of area or cadastral value per unit area, the land tax accounted for 9 percent of total local revenue and 3 percent of total government revenues in 2002.

### Taxpayers

The taxpayer of the land tax is either the owner or the user of the land, including both legal entities and physical persons. Physical persons and legal entities who opt for simplified taxes<sup>1</sup> or who pay the fixed agricultural tax<sup>2</sup> are not subject to the land tax.

### Tax Base

The tax base is the area of land or the cadastral value per unit of land as determined by the State Committee on Land Resources<sup>3</sup>.

### Tax Rates

The average tax rates are established every year by the central government while the regional governments may fix specific rates with certain adjustment factors. Different rates apply to agricultural and non-agricultural land. Rates on agricultural land are determined by its use (e.g. arable land, plantations, or hayfields and pastures) and its fertility as defined in the land cadastre. Rates on non-agricultural land are based on the category of settlement indicated by population and location within the settlement. In 1999, the area-based rates ranged from UAH 0.015 (in localities with fewer than 200 inhabitants) to 0.21 per square meter (in cities with over one million residents), or 1 percent of cadastral value. The city of Kyiv was divided into 1483 zones, each being

---

<sup>1</sup> Physical persons who employ fewer than ten people and have sales below UAH 500,000, and legal entities with fewer than 50 employees and sales below UAH 1 million may choose to pay the simplified tax at fixed rates set locally (for physical persons) or at a percentage of sales (for legal entities).

<sup>2</sup> The fixed agricultural tax is payable by agricultural enterprises with sales not in excess of 50 percent of gross revenues. The rates are based on cadastral value per hectare and the type of land. The tax was scheduled to expire in 2004.

<sup>3</sup> Little is known about the method of assessment used by the state agency (Bird 2004).

assigned a land value. The rate of 1 percent of cadastral value then translated into UAH 4 to 4000 per square meter for land in different locations of the city.

### Exemptions

Exemptions are granted to enterprises in the state sector, cultural, scientific, educated, health care and charitable organizations, military units, and to businesses as part of a tax incentive package. The revenue loss from tax exemptions was estimated to be UAH 1.3 billion in 2002, amounting to 72 percent of land tax levies. Local authorities may provide exemptions for their share of the land tax, but such exemptions only represented 2-3 percent of the total revenue cost.

### Tax Collection

The land tax is centrally collected and administered, with different procedures for legal entities and physical persons. Legal entities self-assess their tax liabilities and file annual returns to the state tax office nearest to land plot location. Physical persons, on the other hand, receive payment notices from the state tax offices by July 15th of each year. For agricultural enterprises and physical persons, the tax is payable in two installments by August 30<sup>th</sup> and November 30<sup>th</sup>. For legal entities other than agricultural enterprises, the tax is due by the 15<sup>th</sup> of each month following the month in question.<sup>4</sup> The state budget code determines the share of land tax for each level of government. In 2003, for instance, 60 percent of land tax revenue was assigned to towns and settlements, 15 percent to rayons and 25 percent to oblasts. Alternatively, 75 percent went to cities of “oblast significance” and 25 percent to oblasts.

### Appeal Procedures

Taxpayers are entitled to settle tax disputes in the courts. In practice, there are very few instances of land tax appeals.

---

<sup>4</sup> The state tax administration website lists August 30 and November 30 as the due dates for agricultural enterprises and physical persons, and the 30<sup>th</sup> of each month for all other taxpayers. It also states that the 2000 state budget code establishes the 15<sup>th</sup> of each month as the deadline for non-agricultural enterprises. Both Bird (2004) and Tax guide to Ukraine (1997) however, suggests August 15 and November 15 as the due dates for agricultural enterprises.

## References

- Bird, Richard. 2004. Property Tax in Ukraine. In *International Handbook of Land and Property Taxation*, Richard M. Bird and Enid Slack, eds. Northampton, MA: Edward Elgar.
- Navruzov, Yury. 2001. Local Government in Ukraine. In *Developing new rules in the old environment*, Igor Munteanu and Viktor Popa, eds. Budapest, Hungary: Local Government and Public Reform Initiative.
- Slukhai, Sergii. 2003. Building-up Fiscally Strong Local Governments: A Challenge For Ukraine. Paper prepared for the 11th NISPAcee Annual Conference, April 10-12, 2003, Bucharest, Romania.
- State Tax Administration of Ukraine. State Duty—Land Fee  
<http://dpa.sta.gov.ua/english/page.php3?r=8&id=add8>
- Tax Guide to Ukraine. 1997. <http://www3.sympatico.ca/tem-ukraine/taxguide.htm>
- Zaychykova, Vitalina and Ivan Khomra. 2005. Comparative Analysis of Local Self-Government Finance in Ukraine and European Countries.  
<http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN022185.pdf>
- \_\_\_\_\_. 2006. Diversification of Local Government Revenue Sources: Adaptation of EU Countries Experience in Ukraine.  
<http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN027492.pdf>



## Chapter 38: Uzbekistan

### Introduction

Since its independence from the former Soviet Union, Uzbekistan has been undertaking various political and economic reforms, which were initially governed by the principle that “the state is the major reformer” but are currently characterized by a combination of central and local regulation (Kuatbay and Rahimov 2001). Local government in Uzbekistan is characterized by a multi-tier system. Directly subordinate to the national government are 12 oblasts (regions), the capital city of Tashkent, and the Autonomous Republic of Karakalpakstan. The oblast-level governments are divided into cities of oblast subordination and rayons, which are further divided into cities of rayon subordination and villages. The community self governments, known as Mahallyas, operate locally, but are not part of the public administration system. The local budget process in Uzbekistan is highly centralized, with local revenues and expenditures defined by the Ministry of Finance. Local budgets are closely tied to the national budget, composed of funding from the central budget and local tax revenue, the latter of which represents only a small portion of local budget revenues.

The Tax Code of the Republic of Uzbekistan establishes a number of local taxes, including property tax and land tax, the two major components of the property tax system in Uzbekistan. Both taxes are collected nationally while local governments are authorized to fix tax rates within the boundaries of national legislation. The property tax is levied on the basis of depreciated cost of fixed assets and non-material assets for legal entities, or on the basis of inventory cost of buildings and structures owned by individuals. The land tax is based on the area of land plots. For the purpose of this study, the remainder of the chapter will focus on the area-based land tax in Uzbekistan.

### Taxpayers

The land tax is payable by both legal and physical entities having land plots within the right of ownership, property, use or rent. When renting immovable property, the taxpayer of the land tax for legal entities shall be the tenant for life. When using a land plot on common bases by several legal entities, each legal entity shall be the taxpayer of the land tax for its share of used area of the land plot. Physical entities residing in multi-apartment block houses are not taxpayers for land tax. The land tax shall apply however, if apartments in multi-apartment housing blocks are used with a purpose not related to residence of people.

### Tax Base

The tax base is the area of land plots subject to the land tax, including land of non-residential use owned by legal entities; land provided for lifetime inheritance to run dekhkan economies both within a residing house and at common lands, for lifetime inheritable property for individual housing construction, for collective horticulture, viticulture and truck farming, and for working purposes; land for which the right of

ownership and use was inherited with a housing and constructions from the testator as a result of granting or obtaining; land purchased for ownership; land provided for use or rent to run business activity; and land plots used without documents confirming the right to use the land.

Areas of subsidiary land plots provided to physical entities to run dekhkan economies in rural area are accepted along with data of public authority with annual clarification of changes that occurred. Areas of additionally provided land plots at public lands are accepted along with data on agricultural undertakings and forest economies. The list of citizens and areas of land provided for running of collective truck farming and viticulture and similar areas under individual garages are accepted on the data of departments of administration of these organizations. Areas of office land plots are accepted on the data of undertakings, establishments and organizations that provide land plots to their employees.

### **Tax Rates**

Local governments set the land tax rates for legal entities annually while the rates for physical entities are established by the enactment of the President of the Republic of Uzbekistan. The rates are expressed in sums per hectare of land and vary by use and location. In case of worsening of the quality of agricultural lands (reduction of rate, yield class) caused by the fault of the land owner, land proprietor or land user, the land tax for legal entities is paid on rates established prior to worsening of land quality. For agricultural land located within administrative borders of cities and villages, the land tax for legal entities is paid in twofold size of rates established for agricultural land. Physical entities are subject to the same land tax rate as legal entities when using the land plot for entrepreneurial activity, when leasing houses, apartments, summer residences, garages and other buildings, erections, premises or when using apartments in multi-block houses not for residence of people.

### **Exemptions**

The Tax Code grants numerous exemptions for both legal and physical entities. The following legal entities are exempt from the land tax:

- Organizations of culture, education, health care, labor and social protection of population for land used to carry out the tasks imposed on them;
- Undertakings owned by the public associations of disabled people, the Fund “Nuroni””, the Association of “Chernobylzi Uzbekistana”, provided that the total amount of disabled employees, veterans of war and the labor front of 1941-1945 among the total amount of employees is not less than fifty percent;
- Newly established dekhkan economies for two years from the month in which public registration was carried out; and

- Legal entities liquidating voluntarily from the day of taking the decision on voluntary liquidation.

The following physical persons are exempt from the land tax:

- Herders, shepherds, machine-operators, veterinarians and veterinarian technicians, other specialists and workers of cattle breeding;
- Persons awarded with the title “Uzbekiston Qahramoni” (Hero of Uzbekistan), the Hero of the Soviet Union, the Hero of Labor, persons awarded with the Order of Glory of all the three levels;
- Disabled veterans or participants of the Great Patriotic War and other persons equal to them;
- Disabled persons of I and II groups;
- Single pensioners. Under single pensioners with the purpose of taxation shall be considered the pensioners living alone or together with underage children or with a disabled child in separate house, apartment or dormitory;
- Families with many children that lost the breadwinner. Families with many children that lost the breadwinner with the purpose of taxation shall be the families where one of parents or both parents died and where there are five and more children under the age of 16;
- Persons suffering from the Chernobyl catastrophe;
- Persons awarded with personal pension;
- Re-settlers-citizens on land plots at places of residence for over five years from the moment of submission of land plots to them;
- Persons on land provided within norms established by the legislation for individual housing construction and maintaining dekhkan economies, for two years from the month following the month of provision of the land plot;
- Military men of fixed-period service and their families (for the period of service);

In addition, the following land plots are not subject to the land tax:

- Land of general use for collective horticulture, viticulture and truck farming (spur tracks, irrigators, collectors and other land of general use), collective garages;
- Land of specially guarded territories, including land for natural preservation purpose, sanitation purpose, recreational purpose, and historical-cultural purpose;
- Land of water fund;
- Land under lines of electricity transmission, sub-stations and facilities constructed on them;
- Land under objects of culture, national education and health care;

- Land under vehicle roads of general use, including diversion paths and facilities built on them, provided to undertakings and organizations of road economy for permanent or temporary use;
- Lands under railways of general use, including station and sorting railways consisting of land plot, artificial constructions, line-road buildings, facilities of railway communication and electricity supply, buildings and road facilities, as well as protective afforestation, provided for permanent or temporary use to undertakings, organizations of railway transport;
- Land occupied by ways of municipal electricity transportation and lines of subway (including land under bus stations and subway stations) and buildings on them;
- Land under sports and physical culture – recreation complexes, places of recreation and treatment of mothers and/or children, recreation houses and training, education bases;
- Land under water supply facilities and sewerage facilities for residence areas: water mains, water supply network, sewerage collectors and erections on them, pump stations, water collectors and disposal facilities, inspection chambers and aqueducts on water supply and sewerage networks, water towers and other similar erections;
- Land under oil mains and gas mains, including compressor, pump, anti-fire and anti-accident stations, stations for cathodic protection of pipelines with the spots of their connection, facilities for pipelines rectification and other similar erections;
- Land under heat route mains, including pump stations (increasing, reducing, mixing, drainage), devices for record and control of heat, heaters, turnover pumps of hot water supply and other similar erections;
- Land under take-off and landing strips, taxi tracks, fleets for aircraft, radio navigation and electric lighting facility of airports of civic aviation;
- Land under construction of objects, included into the Investment Program of the Republic of Uzbekistan for the period of normative term of construction determined by design organizations;
- Land under objects conserved by enactments of the Cabinet of Ministers of the Republic of Uzbekistan for the term of conservation;
- Land under hydro meteorological and hydro geological stations and posts;
- Land under separately located objects of civic protection and mobilization purpose, accounted in the balance of legal entities and not used in economic activity;
- Land under protective afforestations, including prohibited areas of forests on the banks of rivers, lakes, water reservoirs and other water objects protecting of valuable breeding grounds of the fish sold commercially, along railways and roads, anti-erosion forests, forests of desert and semi-desert areas; town forests and forest-parks, forests of green zones around residence areas and industrial centers, forests of areas of sanitary protection of resorts, especially valuable forest areas, and forests having scientific or historical significance;

- Land newly cultivated for agricultural purposes for the period of execution of works on their cultivation and within five years from the time of their cultivation;
- Land with existing irrigation on which land-improvement works are carried out within five years from the moment of initiating of land improvement works;
- Land with new plantations of gardens, vineyards, mulberries for three years regardless of the use of raw-spacing for planting of agricultural crops;
- Land of agricultural destination and forest fund of scientific organizations, experimental, practicing and educational—practicing economies of scientific research organizations and educational institutions of agricultural and forestry profile used immediately for scientific and educational purposes. Lands plots under plants and greenery used for scientific experiments, experimental activities, selection of new types of plants and other scientific and educational purposes, the topics of which is approved shall be eligible for exemption from the land tax.

### **Tax Collection**

The land tax is collected and administered by departments of public tax authority serving the jurisdiction in which the land is located. Different procedures apply to legal and physical entities. Legal entities shall estimate their tax liabilities by January 1<sup>st</sup> of the current year and submit the estimation of land tax to departments of public tax authority before February 15<sup>th</sup> of the current year. The land tax for legal entities shall be paid in equal quarterly installments before the 15<sup>th</sup> of the second month of a quarter. For land tax on agricultural undertakings not paying the single land tax, legal entities may make payments before July 1<sup>st</sup> of the current year in an amount equal to 20 percent, before September 1<sup>st</sup> of the current year in an amount equal to 30 percent, and before December 1<sup>st</sup> of the current year in an amount equal to the remaining amount of the tax due.

Departments of public tax authority are responsible for estimating land tax obligations for physical entities and shall send payment notifications to taxpayers on an annual basis no later than May 1<sup>st</sup> of the current year. Physical entities shall pay their land tax in two equal installments by June 15<sup>th</sup> and December 15<sup>th</sup> of the current year.

### **Appeal Procedures**

Every taxpayer has the right to appeal acts of tax authorities of non-normative nature to the superior agency, superior official of tax department or the court. Administrative appeals to the higher tax authority or a higher official of the same tax authority must be filed in writing within one month from the day when the taxpayer learned or ought to have learned of the violation of their interests. The superior agency shall review the appeal and inform the taxpayer of its decision within one month from the day of receipt of the written appeal.

## References

- Aminova, Munira. 2003. Elements of Local Government Finance in Uzbekistan.  
<http://www1.worldbank.org/wbiep/decentralization/ecalib/munira.pdf>
- Bektemirov, Kuvatbay and Eduard Rahimov. 2001. Local Government in Uzbekistan. In *Developing new rules in the old environment*, Igor Munteanu and Viktor Popa, eds. Budapest, Hungary: Local Government and Public Reform Initiative.
- Passer, Juliette, Esq. Taxation in Uzbekistan. Business Information Service for the Newly Independent States (BISNIS).  
<http://permanent.access.gpo.gov/lps3997/9607utax.htm>
- Tax Code of the Republic of Uzbekistan.  
<http://www.publicfinance.uz/en/codex/index.php?aid=520>

## **Chapter 39: Zimbabwe**

### **Introduction**

Local government area in Zimbabwe consists of three types: urban council areas, rural council areas and district council areas. Representative of areas previously designated for white settlers, urban council areas include four cities (Harare, Bulawayo, Mutare and Gweru) and larger towns (Masvingo, Marondera, Chinhoyi and Kadoma). The remaining land historically designated for white occupation is located in rural council areas, which are mostly agricultural land with a few small towns and villages as centers of administration. District council areas cover previous Tribal Trust Lands allocated for black settlement, now known as the Communal Lands.

The property tax system in Zimbabwe is as diverse as its local government structure. Four types of property taxes are currently in effect: urban rates, rural rates, supplementary charges, and communal land rates. Urban rates are value-based taxes imposed on land and improvements in urban council areas and designated land within rural council areas. Rural rates, or Land Development Levy, are area-based taxes applicable to rural land. Supplementary charges are imposed on users of immovable property located in any Incorporated Area (formerly African Township Areas) and may be calculated on the basis of property value or size, at the discretion of the relevant local council. Finally, communal land rates, or the Development Levy, are levied on Communal Lands on a per capita basis or on the value of the land. For the purpose of this study, the remainder of this chapter will focus on the area-based tax on rural land.

### **Taxpayers**

The taxpayer for the Land Development Levy can be an owner of rural land as defined in the Rural District Councils Act of 1988, an owner of mining properties located on rural land, an owner of land determined to be rural land by a resolution of the rural council, or an owner of rural land on which a specified business is carried on.

### **Tax Base**

The tax is based on the area of rural land owned, or the number of employees or output for mining properties, or the number of licenses or permits issued for use of rural land. The tax is also known as a unit tax as the Third Schedule of the Rural District Councils Act defines a unit of land as the common basis of assessing the levy for different use categories.

### **Tax Rates**

Rural rates are annually determined by rural councils according to their expenditure needs, which depend on their public service duties prescribed in regulations and reflected in their budgetary estimates. In principle, tax rates can be easily derived by dividing the amount of revenue required by the total number of units of land in the tax base.

## **Exemptions**

No exemption is provided by the national law, but a rural council may grant one unit reduction for land in excess of 120 hectares, on which a church or school is maintained by a religious body or a society or association striving for the spiritual, physical, intellectual welfare of individuals.

## **Tax Collection**

The Land Development Levy is locally collected and administered. The tax is due once a year on the date specified by the rural council. Taxpayers may choose to make a lump sum payment or to pay in monthly installments. If the tax is past due for 30 days, a rural council may charge interest at a prescribed rate, or take legal action against the property owner. The local council may request the court to attach the delinquent property and to have it sold by public auction. In addition, no transfer of land ownership can be registered without a clearance certificate, which indicates that all levies on the property have been paid during the last five years.



## References

- Brakspear, Geoff. 1999. Property Taxation in Zimbabwe. In *Property tax: An international comparative review*, William McCluskey, ed. Aldershot, VT: Ashgate.
- Franzsen, Riel C.D. and William McCluskey. 2004. Ad Valorem Property Taxation in Sub-Saharan Africa. Paper presented at the International Property Tax Institute 7th International Conference, September 29 - October 1<sup>st</sup>, 2004, Guadalajara, Mexico.
- \_\_\_\_\_. 2005. An Explanatory Overview of Property Taxation in the Commonwealth of Nations. Lincoln Institute of Land Policy working paper.
- Kamocha, L.N. 1995. Legal Aspects of Property Rating in Sub-Saharan Africa with Specific Reference to Zimbabwe. In *Property tax in Eastern and Southern Africa: Challenges and lessons learned*. Municipal Development Programme Working Paper 2.