



LINCOLN INSTITUTE
OF LAND POLICY

International Perspective on the Property Tax

Issues and Trends

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Introduction

- Importance of property tax -
 - Country level
 - Decentralization policies
 - Domestic revenue mobilization
 - City level
 - Local revenue mobilization
 - Urbanization (**SDG 11**)
 - Development and redevelopment
- Overview of tax bases used internationally
- Regional/international trends

Levels of and Trends in Property Tax Revenues (Percent of GDP)

	1970s	1980s	1990s	2000s	2010s
OECD countries (number of countries)	1.24 (16)	1.31 (18)	1.44 (16)	2.12 (18)	
Developing countries (number of countries)	0.42 (20)	0.36 (27)	0.42 (23)	0.60 (29)	
Transition countries (number of countries)	0.34 (1)	0.59 (4)	0.54 (20)	0.68 (18)	0.63 (22)
All countries (number of countries)	0.77 (37)	0.73 (49)	0.75 (59)	1.04 (65)	

Sources: Bahl & Martinez-Vazquez, 2008; Plimmer, Radvan, McCluskey, Franzsen, forthcoming.

Importance of Property Tax (Percent of GDP)

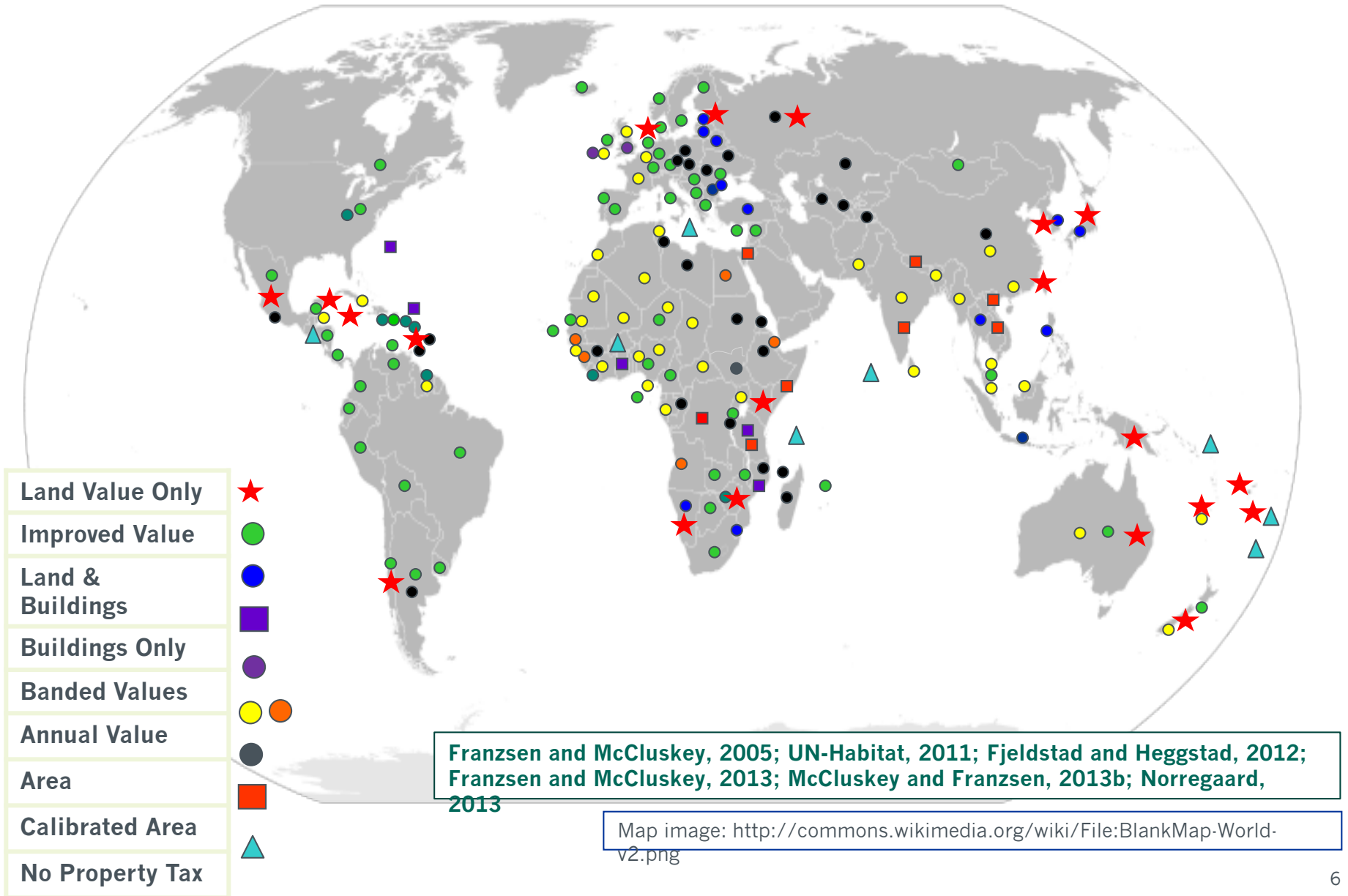
Country	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bulgaria	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Croatia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Rep.	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Estonia	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Hungary	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.5	0.6	0.5
Latvia	0.6	0.5	0.4	0.6	0.7	0.8	0.8	0.8	0.8	0.8
Lithuania	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3
Poland	1.3	1.2	1.2	1.2	1.1	1.1	1.2	1.3	1.2	1.2
Romania	0.6	0.7	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.6
Slovakia	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Slovenia	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.6	0.5	0.5

Source: Eurostat, 2017; Brzeski, Romanova & Franzsen, 2019.

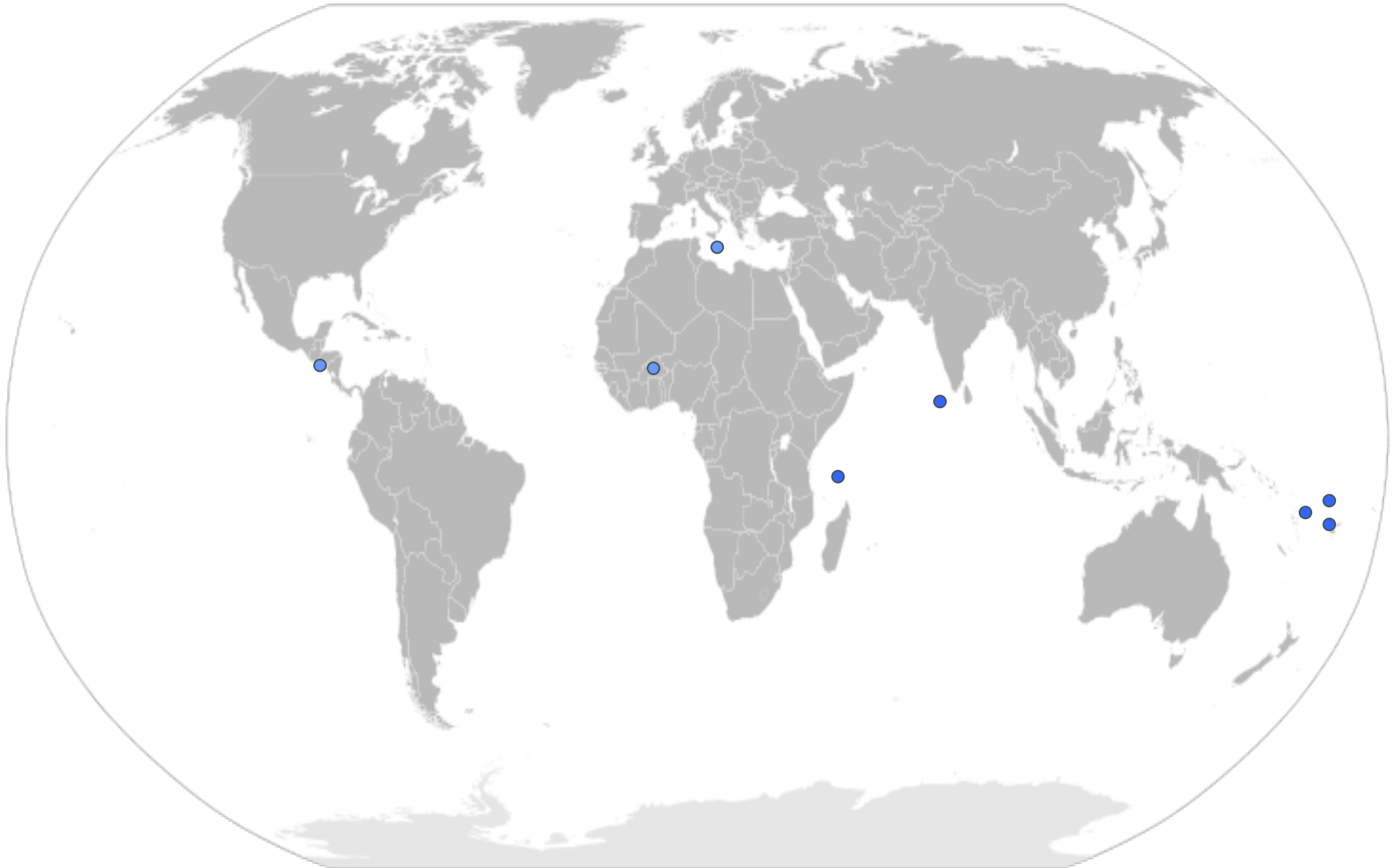
Property Tax Base Options

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

Property Tax Systems



No Property Tax System



Per Unit ('Flat') Tax System



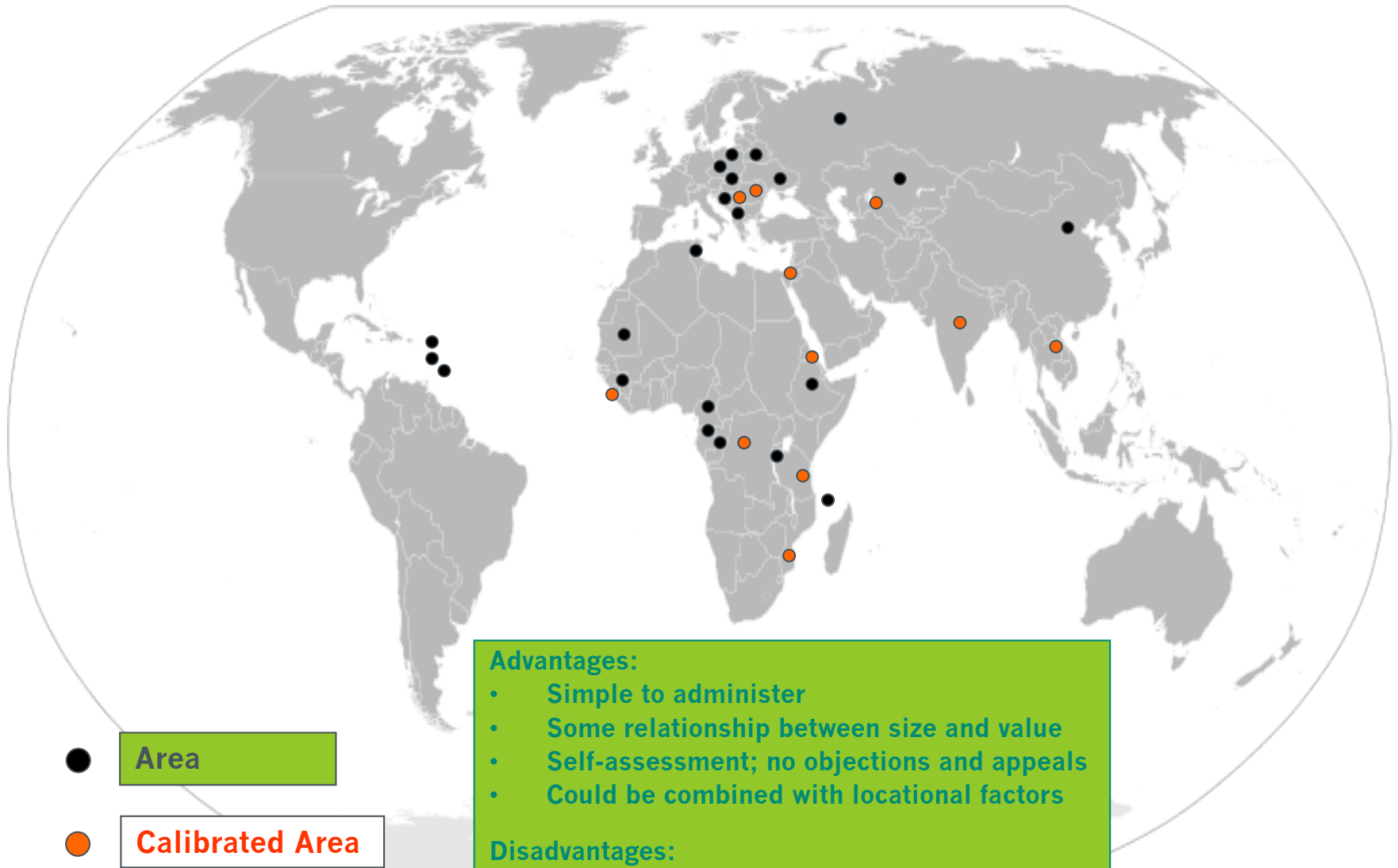
Advantages:

- Simple to administer

Disadvantages:

- Inequitable
- Lack of buoyancy
- Regressive

Area-Based Tax System



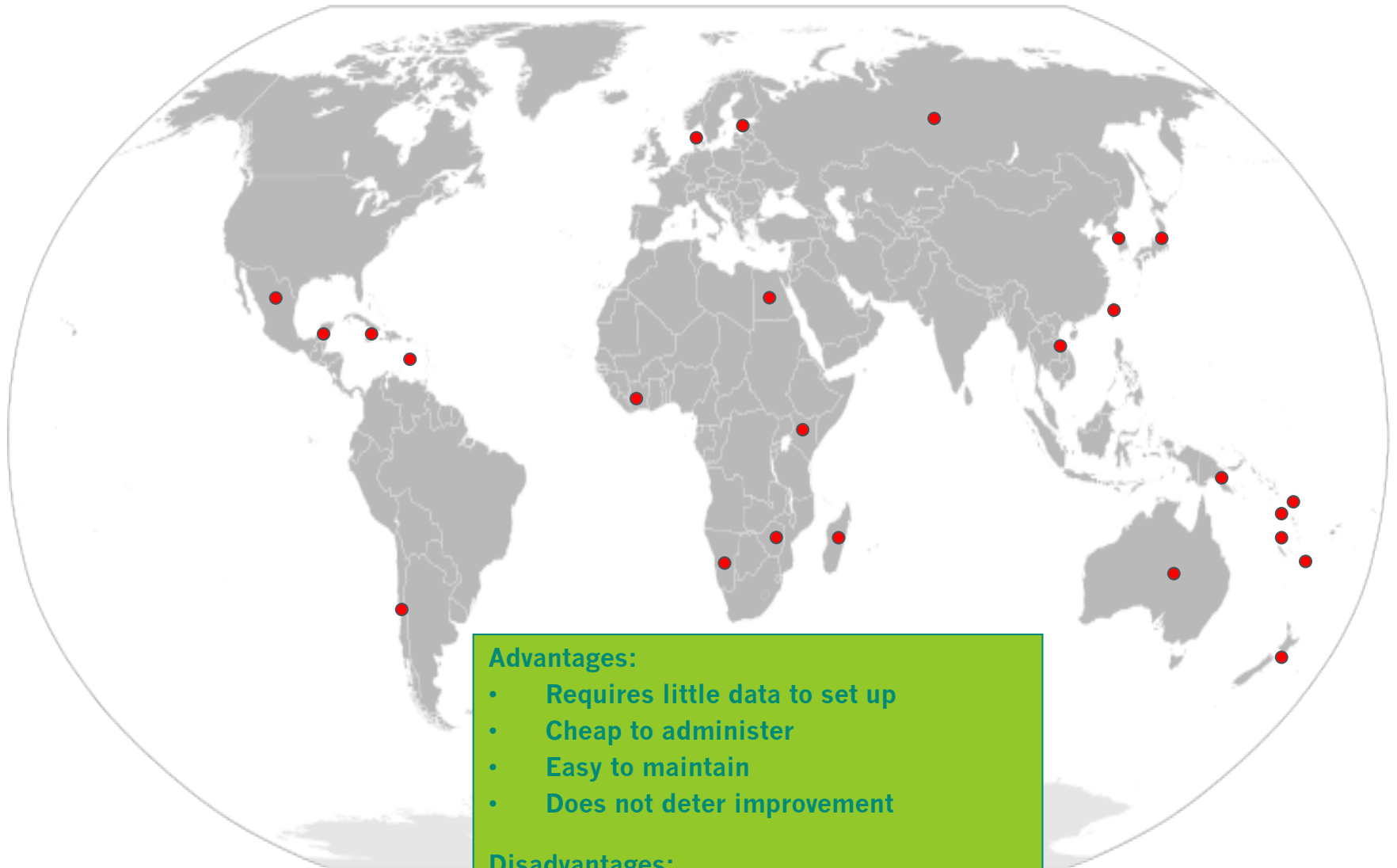
Advantages:

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

Disadvantages:

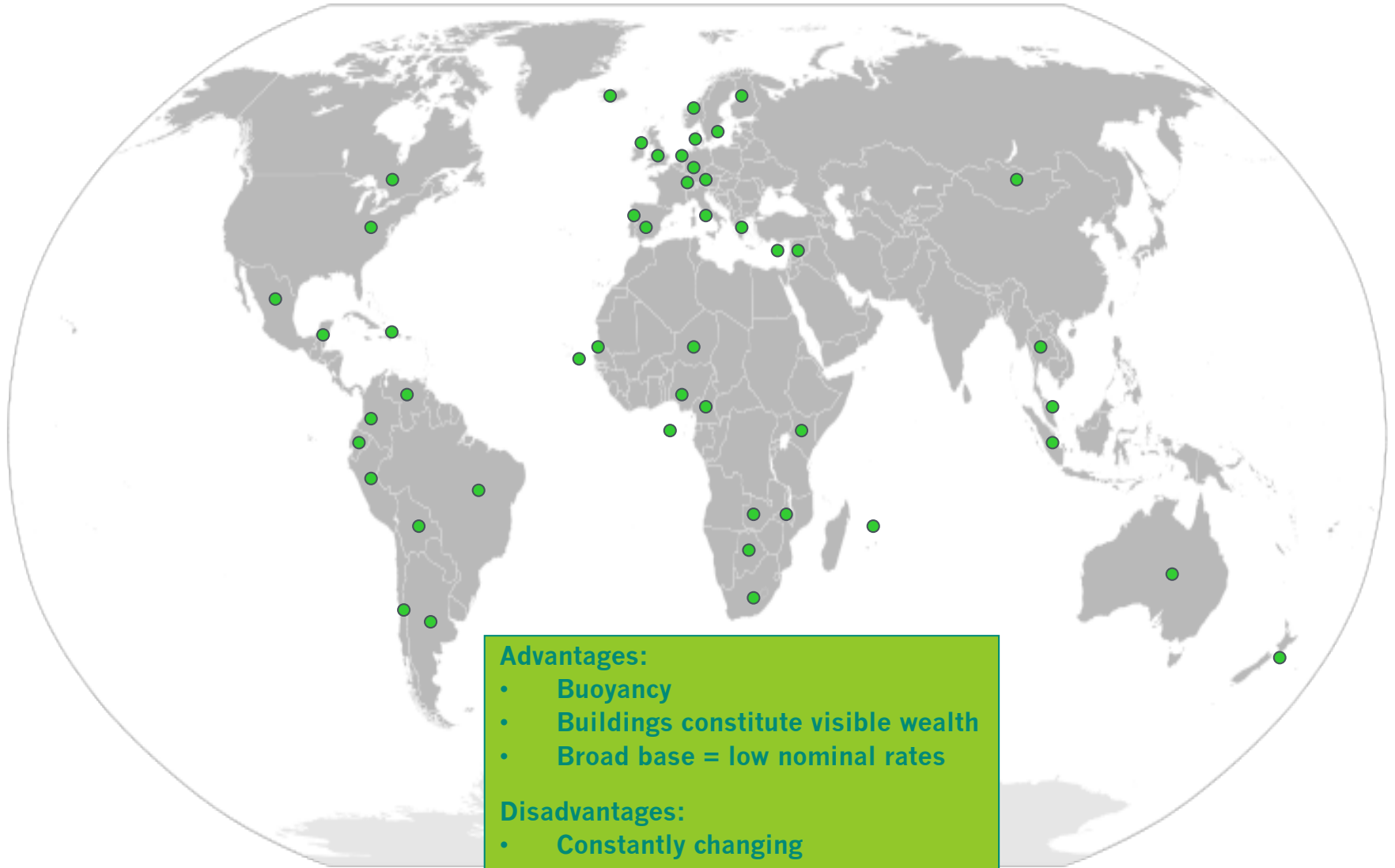
- Lack of buoyancy
- Regressive

Land Value Tax System



- Advantages:**
- Requires little data to set up
 - Cheap to administer
 - Easy to maintain
 - Does not deter improvement
- Disadvantages:**
- Lack of buoyancy
 - Narrow base = high nominal tax rates

Capital Improved Value System



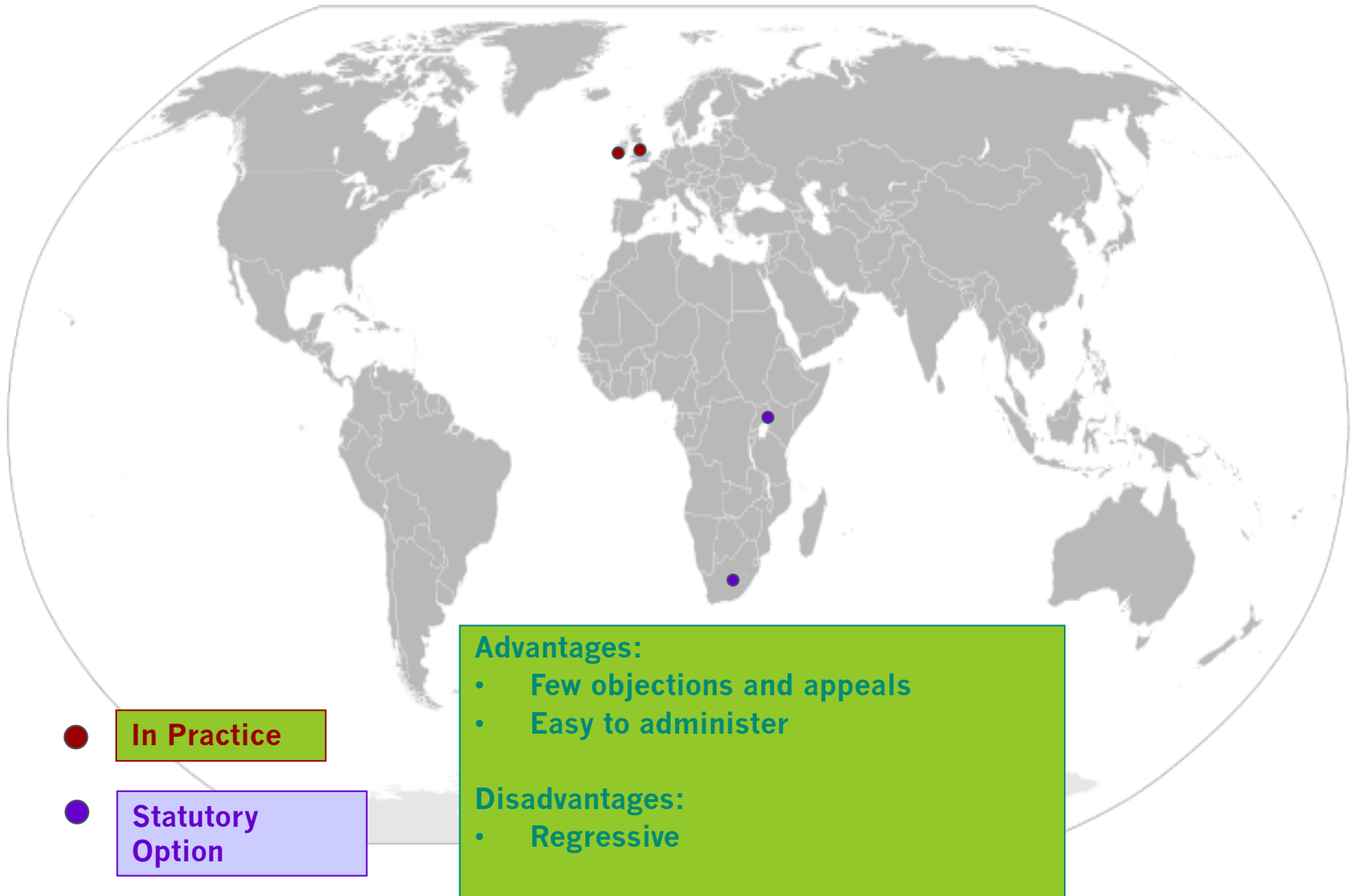
Advantages:

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

Disadvantages:

- Constantly changing
- Costly to maintain
- Could stifle development

Banded Capital Value System



Land and Buildings Separately



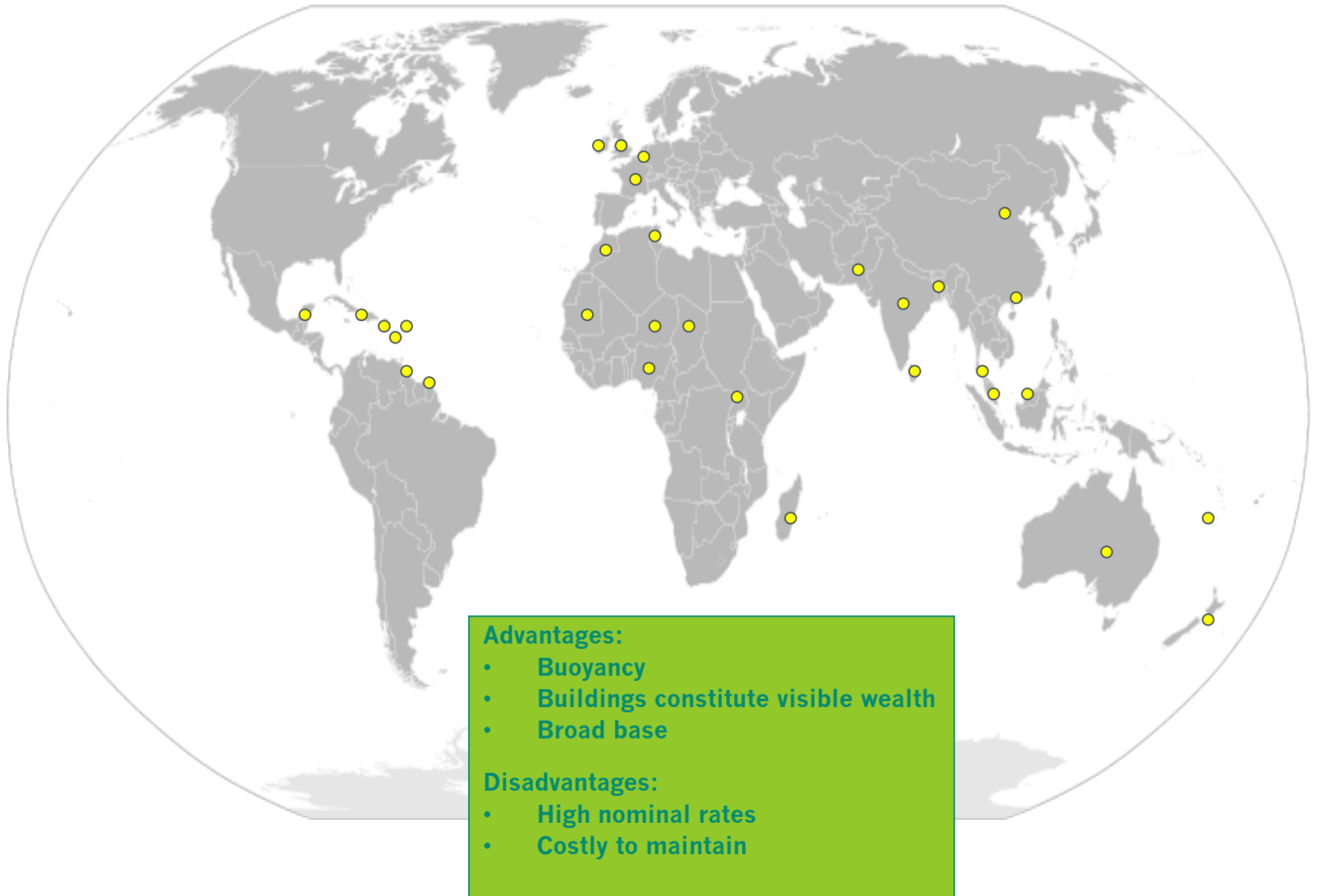
Advantages:

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

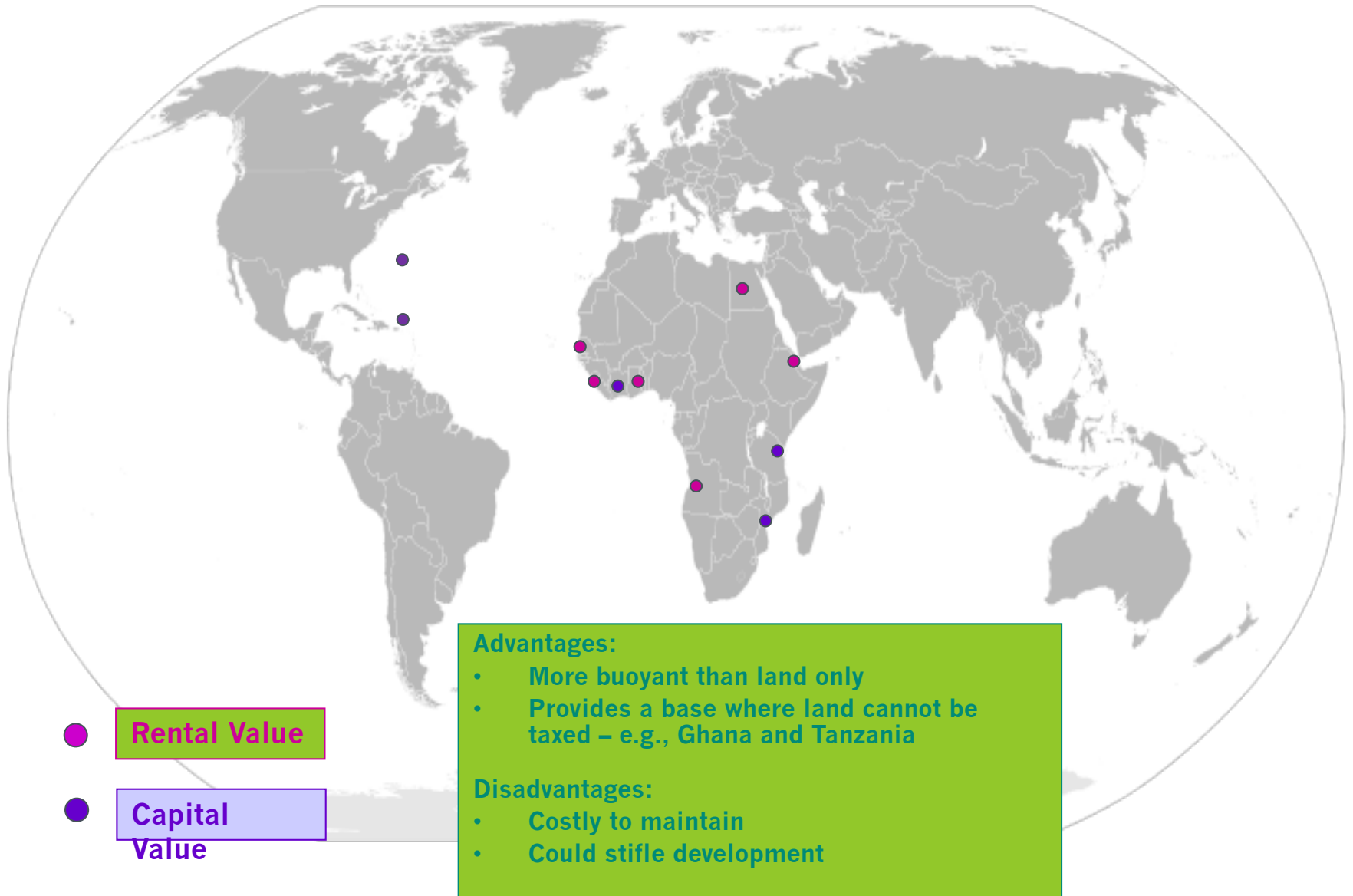
Disadvantages:

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

Annual (Rental) Value System



Building Value System

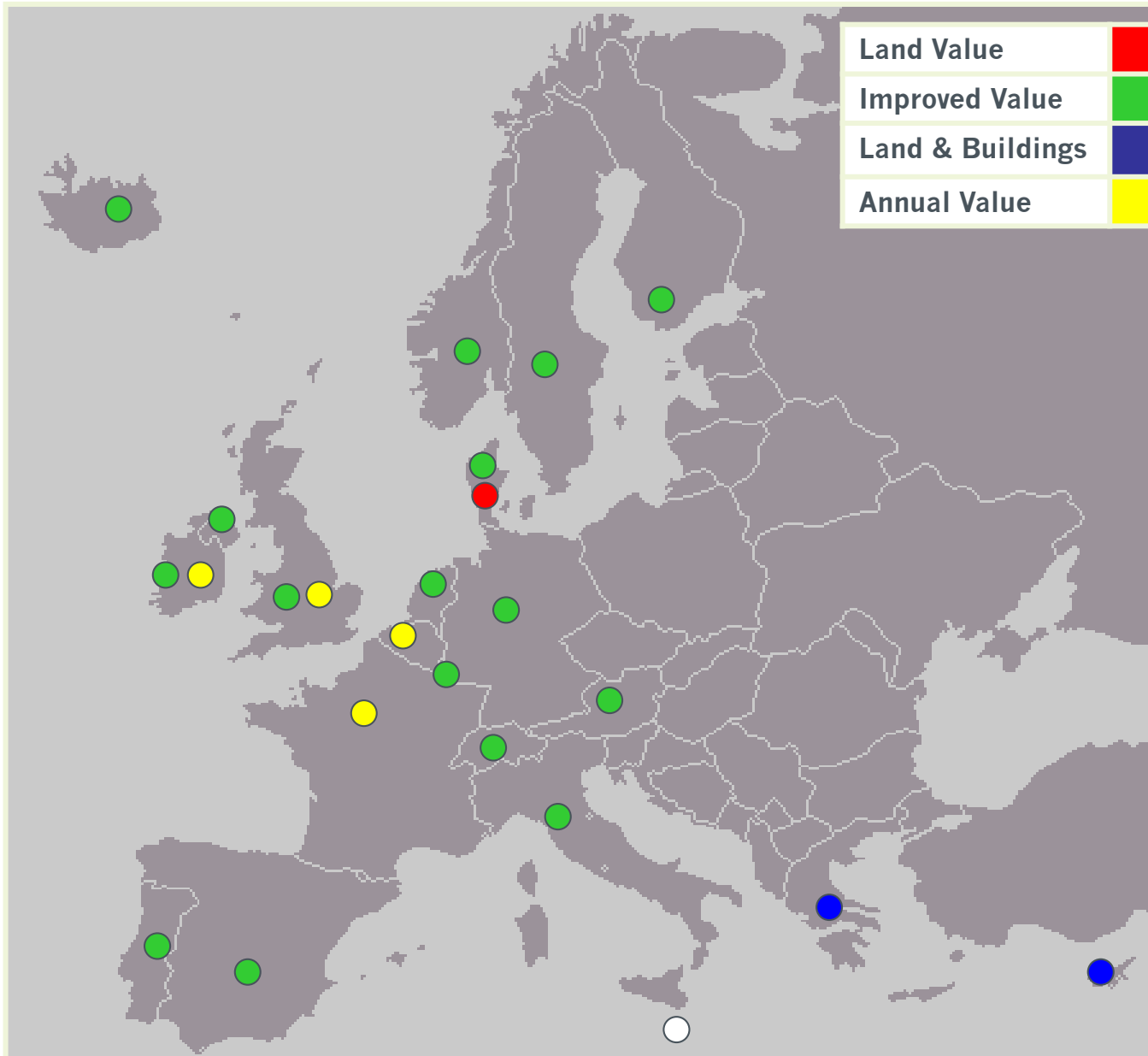


● Rental Value

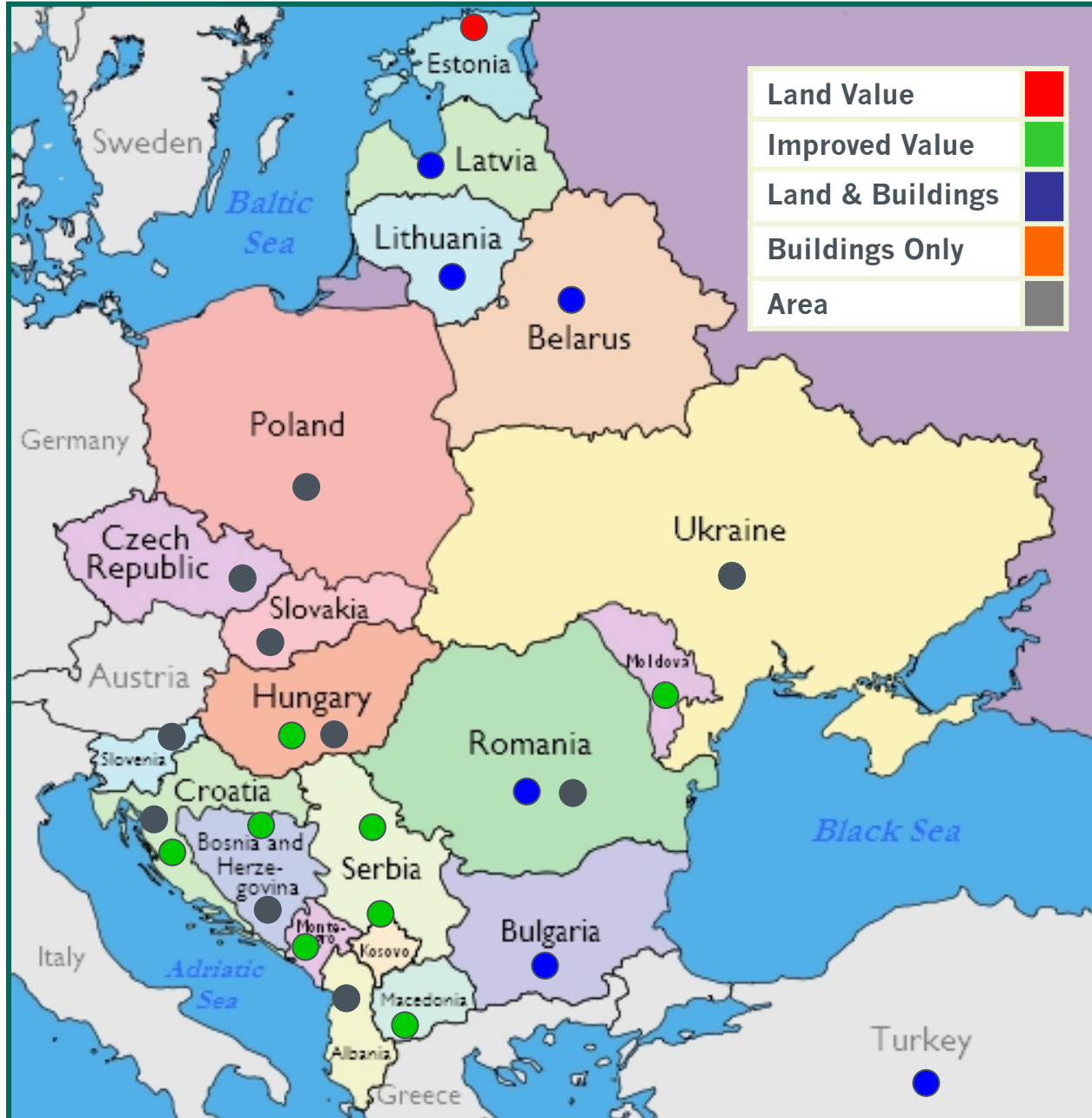
● Capital Value

- Advantages:**
- More buoyant than land only
 - Provides a base where land cannot be taxed – e.g., Ghana and Tanzania
- Disadvantages:**
- Costly to maintain
 - Could stifle development

Western Europe



Central, East & South-Eastern Europe



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

Trends: Tax Base

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

Trends: Valuation

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

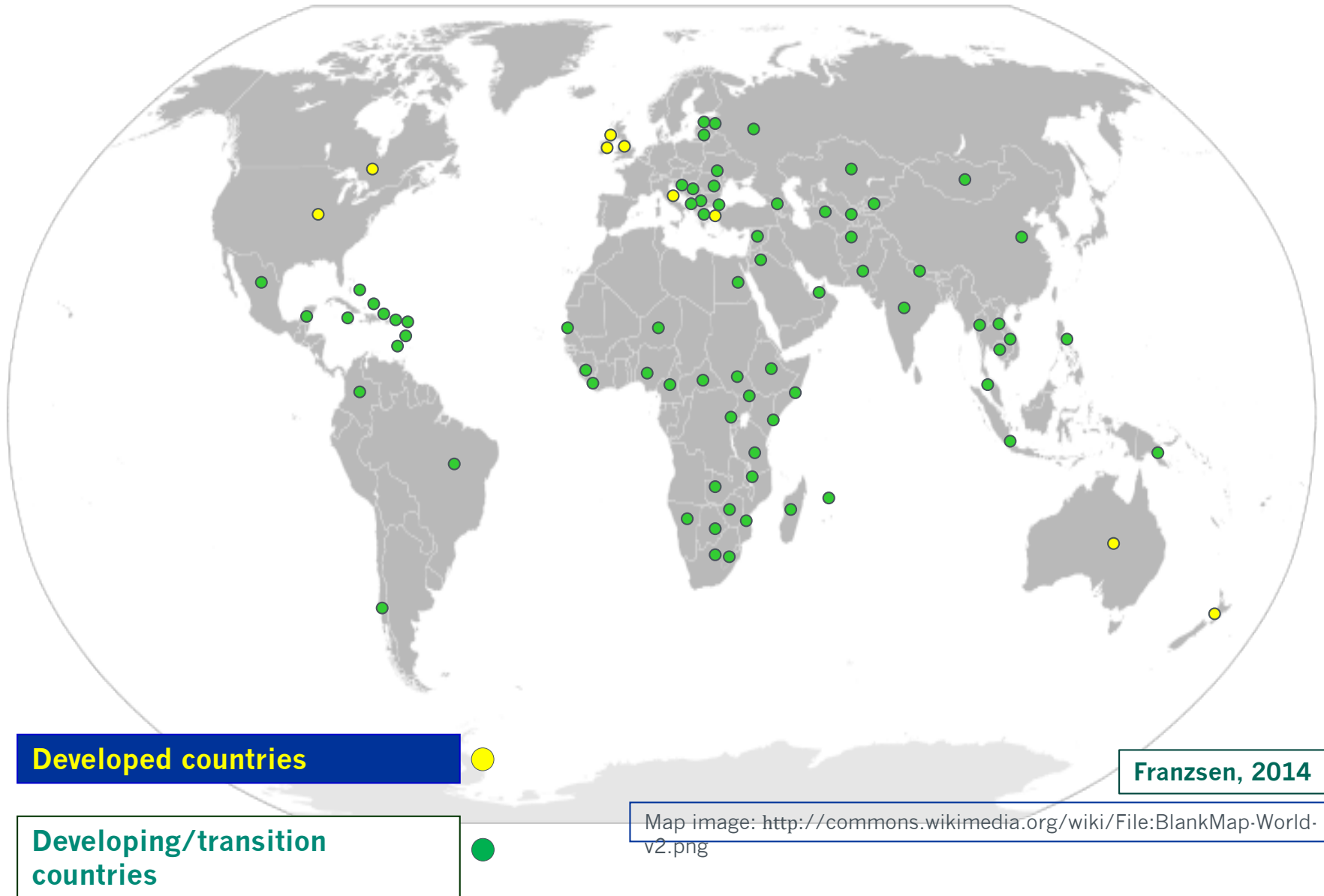
Trends: Tax Rates

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

Tax Administration

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

Recent or Current Property Tax Reforms



Property Taxes and Covid-19

- Revenues
- Tax base and assessment
 - Impact on property markets and revaluations
- Tax rates
- Tax relief
 - Rebates, reductions, waiver, deferral

Conclusions

- “No one size fits all...” – diversity is the name of the game
- The “best” system should be the one that generates sufficient revenue in an as fair and equitable manner as possible
- Despite (or because of) its political visibility, the property tax is an increasingly popular source of revenue at especially the local level of government

Thank you

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