



President's Message - March 2013

I am writing this month's newsletter from the Regal Beach Club which is located on Severn Mile Beach in Grand Cayman. Jerry Grad and I are here as we were invited to speak at a "Property & Construction" conference organized by the RICS and held at the Marriott Hotel on 28 February. The conference was a very successful event and attracted over 200 delegates. It was opened by His Excellency The Governor, Mr Duncan Taylor, who congratulated the RICS on launching a new Cayman Chapter as part of its organization in the Caribbean.

The subject that Jerry and I were talking about was stamp duty in the UK and land/property transfer tax as the equivalent tax is called in Canada. Although the Cayman Islands do not have an annual property tax system, they do have stamp duty so this part of the conference was looking at the local system and comparing it with similar systems in other parts of the world.

We are organizing another event with the RICS in the Caribbean which will be held in Trinidad on 22-23 May. This conference is titled "Challenges and Recent Developments in Valuation and Construction: Perspectives from the Public and Private Sector" and promises to be another successful joint event.

Whilst in Grand Cayman, we also had a meeting with officials from the Department of Lands and Survey to ascertain what support and guidance IPTI may be able to provide to them.

Prior to travelling to Grand Cayman, I had been in the Bahamas to meet officials from the Valuation Department in Nassau. I spoke to David Cates, the Chief Valuation Officer and his Deputy, Stanley Coleby, who explained how the present annual property tax system works there. I hope that IPTI may be able to provide some assistance in the Bahamas, possibly in conjunction with other initiatives that are already being undertaken to enhance their property tax system.

On 27 February we ran another IMA-IPTI workshop in Toronto, this time on mass appraisal of residential properties. This was led by Jerry German for IPTI and Anthony Percaccio from MPAC. The workshop produced some interesting feedback indicating that there were many different levels of understanding among the delegates; some wanted more detail, others found it just right! The feedback also contained some helpful suggestions for other workshops that delegates would like which we will discuss with the IMA (the Institute of Municipal Assessors in Canada). I found one comment in the delegate's feedback particularly positive: "It is a very good idea to have these 2



organizations [i.e. IPTI and IMA] to work together like this. I would like to look forward to attend more seminars in the near future."

The next IMA-IPTI workshop is on the subject of the valuation of shopping centers and office properties and will be held in April. Also in April, we are holding a 3-day workshop on the subject of "Spatio-Temporal Methods for Mass Appraisal". This event is being held in Fairfax, Virginia in the USA. More detail about these forthcoming events is available on our website.

Talking of forthcoming attractions, I am pleased to say that we now have a very impressive list of confirmed speakers for both our Mass Appraisal Valuation Symposium in South Africa (13-14 June) and our Annual Conference in Scotland (4-5 September). I do hope that as many of you as possible will be able to attend one or other, or preferably both, of these events as they will be very enjoyable and informative.

I should also mention that IPTI has been invited by the Parliament of New South Wales Joint Standing Committee on the Office of the Valuer-General to provide a submission to assist it in an inquiry it is conducting into the existing land valuation system.

The terms of reference for the inquiry are:

1. To investigate the extent to which the current land valuation system delivers transparent, efficient, equitable and consistent outcomes for stakeholders. This includes monitoring and reviewing the exercise of the Valuer General's functions with respect to land valuations under the Valuation of Land Act 1916 and the Land Tax Management Act 1956, including:

- a. Volatility in land valuations;
- b. Complexity in the valuation system;
- c. Drivers of inefficiency in the system including market distortions, and administration and compliance costs; and
- d. Any inequity in the valuation system.

2. To make recommendations on the issues above, including but not limited to:

- a. Any legislative changes required;
- b. Changes consistent with best practice in comparable jurisdictions;
- c. Measures to improve transparency within the system;
- d. Measures to achieve greater efficiency within the system;
- e. The need for possible amendments to the Valuation of Land Act; and
- f. A cost-benefit analysis of proposed changes to the system.



The focus of the inquiry is directed at the valuation system rather than the revenue it produces.

As a follow up to the recent property tax workshop we were involved with in Las Vegas, we carried out a limited survey into global tax processes within large companies. This produced some interesting results in terms of how large corporate entities manage their property tax liabilities around the world and is likely to lead to some further work in conjunction with members of our Corporate Advisory Committee (CAC).

Having mentioned the CAC, I should add that the European Chapter of the CAC is holding a breakfast meeting in London on 16 May at which the main topic will be a discussion of the relationship between large corporate taxpayers and government; this promises to be a very lively discussion!

I recently made a presentation about property taxes to second and third year students at the University of Reading which runs one of the most well-known courses for those who want to study land and valuation in the UK. The faculty is located in the famous Henley Business School on the university campus and I was very pleased with both the number of students who attended and the questions they asked which showed a lively interest in the subject. My "guest lecture" at Reading will now be an annual event.

I will be attending another meeting with the RICS and the UK India Business Council this month. This will be a follow up to the meeting we held in December with the Indian Government Minister for Infrastructure and may lead on to a series of workshops in India later this year.

I met PK Tang, the Deputy Commissioner of the Hong Kong Rating and Valuation Department, in London recently. PK will be one of our speakers at the MAVS in South Africa and we met to chat about this and other matters including the latest revaluation in Hong Kong and recent developments concerning property tax in China which continues to be a hot topic for media commentators.

Having mentioned China and taking a quick look around the globe there is, as always, lots going on in the property tax world. Here are just a few items that caught my eye.

Starting in the UK, there continues to be controversy concerning both council tax and business rates. On council tax, there are political issues around the likely increases in this residential property tax in the next financial year starting in April. Central government is trying to persuade local governments not to increase the amount of the tax, but many local governments say they will have to increase the revenue they raise from this local property tax partly, they say, due to cuts in funding from central government for council tax benefit which is being replaced by localized support schemes.



There is also continuing media speculation about the possible introduction of a so-called "mansion tax" - or additional council tax bands for higher value properties - which is the subject of much comment from all the main political parties.

On business rates in the UK, there continues to be concern about the annual increase in the tax rate - which is tied to inflation - with many taxpayers arguing that it should be frozen. With a new system of business rates retention by local government being introduced in April, it promises to be an "interesting" time for property taxes in the UK.

An interesting decision concerning personal property tax in the USA was recently handed down by the Assessment Appeals Commission ("AAC") of the Tennessee State Board of Equalization. The AAC has apparently reversed a 2011 administrative law judge decision and held that intangible costs (such as freight, installation, engineering costs and transaction taxes) incurred by a manufacturer to place equipment and machinery into service should be included in the personal property tax base. The administrative law judge previously had concluded that such intangible costs should be excluded from the tax base.

Staying in the USA, the New York State United Teachers union is said to have filed a lawsuit in state Supreme Court in Albany challenging the state-wide property tax cap created in 2011, saying it is unconstitutional because it "arbitrarily caps property tax levy increases." The property tax cap was created to reverse economic decline in parts of the state outside of New York City. It aims to limit the level of rising property tax bills and aid upstate New Yorkers where residents have faced some of the highest property taxes in the country. While many other states have limits on property taxes, New York is said to be atypical because property taxes create the main source of revenue for schools outside of New York City.

Both Hong Kong and Singapore have recently increased property taxes in an effort to control rising residential property prices. This is a similar policy to that introduced in selected cities in China for the same reason. This is a relatively novel use of property tax and it will be interesting to see what impact it has over time.

Moving on to South Africa, the results of the recent revaluations in both Cape Town and Johannesburg have been announced. The value of properties in the City of Johannesburg has increased by R200bn since the last general property evaluation roll was published by the municipality. The City Valuer said that in the 2008 general valuation the municipality had 784,000 properties that were valued at R708bn and that for the 2013 roll they had 812,000 properties that were valued at R912bn. In Cape Town, the Deputy Mayor announced there were 815,676 properties on the GV 2012 roll with a total value of R913 billion - an increase of about 13 percent over the total value of the GV 2009. The number of properties has increased by 39,925 since 2009, he said. Both cities now have an



objection period for taxpayers to challenge the new valuations if they consider them to be incorrect.

I recently came across an unusual item in connection with property taxes. It relates to a somewhat novel ballot question asking local voters in part of the USA if they want property taxes increased so the money could be used to set up a Pets' Trust fund to increase spay and neuter programs and otherwise find ways to save the lives of dogs and cats in Broward County. For a \$200,000 home, the tax would be about \$21.58 a year. The ballot paper apparently reads:

"Do you want property taxes increased to save dogs and cats in Broward County from euthanasia?"

- By all means, yes. We're killing too many adoptable dogs and cats.
- Heck no. There are a lot more important problems to solve. Humans are my top priority."

Another recent item related to a rather unusual method of property tax enforcement from Delhi in India. It is reported that, in order to "encourage" property tax defaulters to pay up, the authorities beat drums outside the property concerned until payment is made. Another city in India, Chennai, is apparently planning to deal with this problem by employing "town criers" to shout out the names of defaulters to shame them into paying. It will be interesting to see how successful these approaches prove to be.

Staying in India, another city, Pune, offers discounts for early payment of property tax; Mumbai is reported to be adopting a different approach by offering free health insurance to taxpayers who pay their bills promptly. These approaches and initiatives show how important governments regard effective property tax collection.

As usual, please visit our website (www.ipti.org) to obtain the latest news and events information. I am pleased to be able to confirm that our new website will be up and ready for use later this month.

Paul Sanderson
President
International Property Tax Institute