President’s Message - April 2015

I am writing this month’s newsletter from Brazil where we have just concluded a two-day “International Property Tax Conference” in Brasilia. The event was run in partnership with the Royal Institution of Chartered Surveyors and Lincoln Institute of Land Policy. The theme of the conference was “Sustainable Strategies for Local Revenue Mobilization: Public and Private Sector Perspectives” and attracted both local and international delegates. We had a good mix of Brazilian presenters and speakers from around the world talking about a wide range of interesting topics. This included such diverse matters as attracting private investment to finance urban development and the steps required to improve the equity of assessed values in Brazil.

The conference was officially opened by His Excellency Alex Ellis, the British Ambassador to Brazil, who gave the inaugural speech entirely in Portuguese. One of the many interesting sessions at the conference was a round table event where some of the most eminent property tax experts from around the world were asked how it might be possible to overcome the unpopularity of property taxes and increase their acceptance. This provoked some interesting debate and lots of audience participation.

We also ran two workshops immediately after the conference, one of which looked at using modern technology to support mass appraisal and the other involved a detailed look at effective land value capture schemes in Latin America. Another separate networking session involved a group of local experts who, under the coordination of the Brazilian Ministry of Cities, discussed proposals for regulating property tax at the national level in Brazil. This round table discussion was regarded as very helpful in identifying the issues and putting forward constructive ideas for improvement.

At the end of the conference we also had a meeting of IPTI’s Board of Advisors who reviewed the event and made helpful suggestions about future events. Board Members were also updated with a number of IPTI projects and initiatives including our new e-Learning facility which is an exciting development.

We are launching IPTI’s new online training facility this month. It is called “e-Learning by IPTI” and will be available via our website shortly. We have five initial courses including property tax policy; principles of municipal taxation; essential statistics for mass appraisal; mass appraisal and single property appraisal; and the valuation of office buildings for mass appraisal. We will be adding further courses during the year based on what users tell us they need. We are hoping that “e-Learning by IPTI” will help people who want to study, but at a time and pace to suit their individual circumstances. We will confirm when the new facility is available.

During March we initiated the latest international benchmarking study we are undertaking on behalf of the Australasian Council of Valuers-General. This study focuses on key elements of the modern valuation/assessment process including customer service, timeliness of service delivery, stakeholder communication and valuation/assessment quality. The intention of the study is to gain information and data that will provide insights into the best practices of the valuation/assessment and taxation of properties. We sent out invitations to assessing agencies around the world requesting them to complete the questionnaire online. We have asked agencies to complete their responses by not later than the end of April so we can analyze the results in time for our annual Mass Appraisal Valuation Symposium (MAVS) which is being held in Amsterdam in mid-June. If anyone reading this note from an assessing agency would like to participate in the study, but has not yet received an invitation to do so, please contact IPTI as soon as possible. A summary of the outcome of the study will be provided to all participants.

I was invited to speak at the National Rating Day (NRD) in London in early March. This is a major event in the property tax calendar and attracted a large number of delegates from all parts of the UK. I was asked to speak about the frequency of revaluations in various countries around the world. This is a controversial issue in the UK where the government has just announced a review of the national non-domestic rating system, more commonly referred to as business rates, and the frequency of revaluations is one area that is to be considered as part of that review. At present, there is supposed to be a revaluation every five years in most countries in the UK, but the government postponed the revaluation due to come into effect in 2015 until 2017. This means that many businesses are paying annual property tax based on values in April 2008 - the antecedent valuation date for the last revaluation - which was prior to the recession and therefore regarded as unfair by many property taxpayers.

Immediately after the NRD there was a private dinner for some of the key people who had spoken at the event. This provided an opportunity for some "off the record" discussion about many of the issues that had been spoken about during the day. It is clear that there are many important matters that need to be addressed urgently if the UK system is not to fall into disrepute. Indeed, many commentators regard the system as "broken" or no longer "fit for purpose" and in need of replacement. My personal view is that the UK system has a number of problems, but they can be resolved if sensible decisions are taken by government as soon as possible. The problem is that property taxes in the UK are not popular, as is the case in most countries, and therefore politicians are reluctant to embrace necessary reforms. However, as I have already indicated, the government has announced a review and therefore the opportunity exists for essential improvements to be made.

We also held a meeting of IPTI's Corporate Advisory Committee in March which provided an opportunity to discuss forthcoming IPTI events which will be of particular interest to the corporate sector. More detail about these events are shown on our website.

Just before I left the UK for Brazil, I attended the IRRV President's Lunch which is a private lunch for the leaders of the various professional bodies concerned with property taxes in the UK. This is always an enjoyable occasion and provides an opportunity to discuss current issues with people who represent different stakeholder groups. Inevitably, the latest government review I just mentioned was high on the list of topics for discussion with many expressing concern that the review may simply be deferring the need for some difficult decisions to be taken to resolve present issues.

One final event that was held in March which I should mention is the New South Wales Revenue Professionals Annual Conference which took place in Coffs Harbour, Australia. I had been invited to speak at this conference but, due to my travel commitments, I was unable to get there. My IPTI colleague, Phil Western, kindly stepped in to make the presentation about international property tax issues on my behalf. Phil apparently told the audience that the real reason I was not there was due to the England cricket team's poor performance at the cricket world cup being held in Australia at the time!

Looking ahead, I would like to remind readers that we are holding a seminar on business rates with Landmark Chambers in London on 15 April. In May we are delivering another practical training course on writing expert reports for property valuation disputes; this will take place in Toronto in conjunction with Osgoode Hall Law School. We are delivering two property tax webinars in May and June and then our annual MAVS takes place on 16-17 June in Amsterdam. I do hope as many of you as possible will be able to join us in Amsterdam as we have a great agenda and it is a beautiful city.

Time now to take a quick look at what is happening concerning property tax in selected countries around the world.

In the USA, it seems that show business personalities are interacting with property tax issues. Previously I have mentioned that Robert de Niro was getting some bad publicity about trying to reduce the property tax liability on one of his properties in a small town in New York State. Now it seems that rock stars Bruce Springsteen and Jon Bon Jovi may be affected by new legislation in New Jersey seeking to remove property tax exemption from so-called "fake farmers". At present there is a 98% tax exemption to those working agricultural land, but there is concern that this exemption is being enjoyed by those who own farm land, but are not "real" farmers and so the law is to be tightened up. In Rhode Island, there is a proposal to introduce a new statewide property tax that would only apply to second homes, or so-called "vacation" homes, worth more than $1 million. This new tax is being called the "Taylor Swift Tax" as the famous singer owns a luxury waterfront property in the state. Commentators suggest that, like the so-called "mansion tax" in the UK, it is an attention-grabbing proposal, but not a major part of the budget. The initiative in Rhode Island would raise roughly $12 million in a budget proposal that totals about $8.6 billion. It will be interesting to see if these various proposals become a reality.

It is reported that the Bahamas will have to eliminate its nationality-based real property tax exemptions that discriminate in favour of locals before it becomes a full World Trade Organization member. A report states that the exemption enjoyed by Bahamian 'vacant land' owners in New Providence, and in every Family Island, will either have to be completely changed or abandoned as it is not in accordance with international practice. The report went further in calling for the government to review what it described as "several unique and generous tax exemptions and relief schemes" when it came to real property tax. In particular, it called for the $250,000 'exemption threshold' for owner-occupied real property tax to be reduced back to $100,000. "The property tax exemption for hotels, rental pooling, and time shares should be reviewed and reduced," the report also recommended.

In New Zealand, central Queenstown businesses face rates increases of more than 30% to pay for two huge projects, including a controversial convention centre. Such significant hikes - albeit for a short time - have fuelled further calls for a "bed tax" in the resort, as its small rating base is hit once again to pay for infrastructure sufficient to cope with more than two million tourists a year. The Queenstown Lakes District Council wants to spend $55 million on a convention centre at the Lakeview site, above the central business district, and $27.8 million on an upgrade of the Wakatipu district's sewerage system.

In Croatia, a proposed new property tax bill which was set to take effect last year looks likely to be deferred as the government has confirmed that it will definitely not be introduced in 2015. Presented last year, the new bill proposed a flat tax rate of 1.5% on 70% of the appraised value of a property introduced on all real estate in Croatia, replacing the current council utility charges. Tax breaks, up to a maximum of 95 percent, would be given for property owners who live in their properties, rent them out or use them for another purpose such as business. There would be no tax breaks for those who have homes that are not used, and the 1.5% tax rate would come into play for those real estate owners. However, the Prime Minister recently stated that the question of a real estate tax being introduced in 2016 would be debated and that nothing would be implemented this year.

In Australia, it seems that a political party called the "No Land Tax" party is creating quite a stir in New South Wales. The party wants a full restructuring of the state's taxation system, including land tax, stamp duty and payroll tax. Land tax is levied on investment residential and commercial property and holiday homes in NSW and the tax is calculated on the 'highest permissible use' of the property. In 2003 the NSW government collected over $1.1 billion in land tax. The figure is almost $2.4 billion now and it is expected to increase to almost $3 billion by 2017. It should be noted that, at the same time that the "No Land Tax" party is advocating the abolition of land tax, other commentators are arguing that land tax should be extended to cover more properties, including owner-occupied residences which are currently exempt.

It is reported that opinion within China's central government is divided over the issue of property tax. One group of legislators apparently backs imposing payments based on the size of properties, while the other wants people to be taxed on the number of properties they own said a former director of the Ministry of Finance's Research Institute for Fiscal Science. It will be interesting to see how this difference of opinion is resolved. Drafting of the law is expected to be completed by 2016. If all goes ahead as planned, new property taxes will be implemented in 2017.

In India, Vijayawada Municipal Corporation's (VMC) ongoing property tax survey has helped officials to identify nearly 6,000 under-assessed and about 500 un-assessed properties in one area alone. The VMC is planning to use a special vehicle equipped with five cameras that would capture 3D and 2D images of different structures and give a unique code to each structure. This would help in compiling complete data of a structure, including its type, whether commercial or residential, advertisement hoardings, roads, open plots and others and even identify under-assessed and un-assessed structures. "This was used in Hyderabad and it helped in increasing the Greater Hyderabad Municipal Corporation's revenue considerably and the same can be emulated here as well," said a spokesman for the VMC.

In Canada, Ontario's top court has ruled that the YMCA must pay property taxes on properties it leases in Toronto. The organization had claimed an exemption based on the YMCA Act - a provincial law passed in 1923 - that says buildings, land and equipment "of" the YMCA are property-tax exempt. The issue was whether or not the exemption applied to leased properties or only to those the organization actually owns. The court concluded a leasehold interest in land is not the same as "ownership" for property-tax purposes and therefore the YMCA would have to pay property taxes on the properties it leases.

And finally, it seems that property taxes were an issue as long ago as ancient Egyptian times. A recently translated ancient Egyptian tax receipt reveals a high level of taxation. Written on a piece of pottery in ancient Greek, the receipt states that a person paid a land transfer tax of 75 'talents', with an additional 15 talent charge added on. In monetary value, one talent equaled 6,000 drachma, so the 90 talent tax was worth 540,000 drachma. For comparison, an unskilled worker from the time would have made about 18,000 drachma in a year. The tax, paid in coins, was delivered to a public bank in Diospolis Magna, also known as Luxor or Thebes. At the time, the highest denomination coin was probably worth no more than 40 drachma. As such, it would have taken 150 of these coins to make a talent, and 13,500 of them to equal 90 talents. A 40 drachma coin would have weighed about 8 grams (0.3 ounces), therefore 90 talents worth of these coins would have weighed over 100 kilograms (220 lb). So, not only would the taxpayer have to be wealthy to pay such a property tax, he or she would also have to be very strong to carry the money to the tax office!

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