President's Message – December 2015

As people in the USA have just celebrated Thanksgiving and others are getting ready for Christmas and the New Year, it is that time of the year where we look back over one year and look forward to the next. 2015 has been a particularly busy year for IPTI and it looks as if 2016 will be much the same. I would also like to take this opportunity to thank our support staff for the help they have provided in organizing our various events and ensuring they are a success.

And talking of successful events, we have just completed a number of them in November. We had the largest group of participants we have ever had at the recent two-module, four-day training event we ran in Toronto on the role of the expert witness in property valuation disputes. This course, run in conjunction with the Osgoode Hall Law School, provides both the legal framework and practical application of the skills required of an expert witness in this type of litigation. This course, which was well-received by participants, complements the other Osgoode-IPTI training course we run on writing expert reports in connection with property valuation disputes. We are planning on running both of these courses again in 2016.

Another event I attended in November was the annual general meeting of the RICS Rating Diploma Holders Section (RDHS). This meeting, held in London, included a presentation on the role of the expert witness by a Member of the Upper Tribunal of the Lands Chamber in the UK. It was interesting to compare what he had to say with the training course that we had just completed in Toronto on the same subject. I am pleased to say that his "view from the bench" coincided exactly with the key points covered in our training course which was very helpful.

We had another successful Caribbean conference in Montego Bay, Jamaica during November. This conference, run in partnership with the RICS and in cooperation with the National Land Agency of Jamaica, brought together a large number of people from both Caribbean countries and further afield. We had local, regional and international speakers presenting papers on current property valuation and construction topics. One of the highlights was entertainment by the "Kidz Palace Preparatory and Pre-School" during the opening ceremony which included both dancing in local costume and a "solo" performance by a young man which charmed all those attending. We were also pleased that the Honourable Robert Pickersgill, MP, the Minister of Water, Land, Environment & Climate Change was able to provide the keynote address at the conference.

Prior to that, we participated in a series on consultation meetings in different parts of Ontario involving the provincial valuation agency, the Municipal Property Assessment Corporation (MPAC) and representatives of property taxpayers who own some of the largest, special purpose, industrial properties. These properties, as readers will be aware, provide some of the most challenging types of property to value in any part of the world. MPAC are in the process of preparing for the next reassessment (revaluation) of properties in Ontario and, as part of this process, they are undertaking a substantial consultation exercise which involves, among other things, talking to the owners and professional advisors of these specialized properties. There are three levels of disclosure being adopted: the first was to provide information about the valuation methodology MPAC would be adopting; the second was the publication of market valuation reports which explained how that valuation methodology would be applied in terms of the various inputs related to the 2016 valuation date for different property types; and the third will be the publication next year of the actual valuations of the properties for the 2016 reassessment. IPTI provided independent facilitation of the first two levels of disclosure which involved MPAC publishing a draft document, inviting responses to that draft, and then having consultation meetings on the revised draft documents. These meetings were informative and well-received by those participating either in person or via tele-conference facilities.

Also in November we ran another in our series of workshops with the Institute of Municipal Assessors (IMA) based in Canada. This workshop, which considered both costs and depreciation used in the cost approach to valuation, has proved to be very popular with participants. IPTI will be running more workshops with the IMA, and some webinars, during 2016.

Whilst I was in Toronto, I was invited to speak at a breakfast meeting organized jointly by IPTI, the RICS and the Canadian Property Tax Association (CPTA). I was asked to speak about property tax stakeholder's expectations and, in particular, the importance of collaboration. I think it is increasingly important for all stakeholders involved in property tax systems - taxpayers, professional representatives, government at all levels, etc - to communicate effectively with each other in order to improve transparency, awareness and understanding. No-one likes surprises, particular in terms of outgoings from the perspective of taxpayers and in terms of revenue in terms of municipalities, so greater collaboration is vital to ensuring all parties know what is happening, what is expected of them, and have the opportunity to engage in meaningful dialogue before decisions are taken.

At the beginning of November, I was invited to be the after-dinner speaker at the Rating Surveyors' Association Guest Dinner held in the historic library at One Whitehall in London. This was a prestigious black-tie event organized by the leading specialist body in the UK dealing with non-residential property tax (business rates) and everyone seemed to enjoy the event.

Looking forward, we are finalizing research we have undertaken in relation to certifying that a valuation agency has undertaken its role in a satisfactory professional manner. We are also undertaking an audit of another valuation agency in connection with a revaluation it has recently completed. I hope to be able to provide more information about these projects in due course.

On 3 December we will be holding a meeting of IPTI's European Corporate Advisory Committee in London. This will take the form of a breakfast meeting with several speakers providing an update to our corporate members on property tax developments both in the UK and elsewhere in Europe. It promises to be an interesting meeting coming shortly after important announcements concerning business rates made by the UK Chancellor of the Exchequer in his recent Autumn Statement.

Shortly after that, I will be returning to Saudi Arabia on 5 December to deliver another training course on eminent domain (compulsory purchase). This time, the course will be held in Jeddah instead of Riyadh where we were in October. Interestingly, Saudi Arabia's Shura Council, the body that advises the government on legislation, has just endorsed a tax on undeveloped land in the urban areas of the country which is intended to encourage development. It is reported that the tax on unused land in Saudi Arabia's largest cities could provide up to 50 billion Saudi Riyals (USD$13 billion) of revenues annually. The tax will be based on the value of the land rather than the cabinet proposal to limit fees to 100 Saudi Riyals per square metre.

In January, I will be participating in the annual property tax conference IPTI runs in partnership with the Council on State Taxation (COST). This event, which is being held in San Antonio, Texas on 13-15 January, is focused primarily on the needs of corporate taxpayers and their professional advisors. It will be an interesting and informative conference and more information is available on our website. We will also be talking about the new COST-IPTI International Scorecard which we plan to prepare in 2016. We are planning to involve more jurisdictions in the next scorecard in response to requests we have received from a number of countries around the world.

On 20 January 2016, IPTI has been invited to co-chair a conference in Trinidad & Tobago which will be considering the issues involved in implementing a property tax revaluation in the country. We were approached by the Trinidad and Tobago Group of Professional Associations Ltd - known as the Professional Centre - to participate in this event. We will also be having meetings with the Ministry of Finance to discuss both the policy and practical issues involved in this exercise.

Looking a little further ahead, we are holding a workshop in February 2016 which will be focused primarily on the issues concerning property taxes relating to oil and gas properties. This workshop will be held in Houston, Texas on 11 February.

Can I also remind readers that our 2016 Mass Appraisal Valuation Symposium (MAVS) will be held on 17-18 May 2016 at Niagara Falls, Canada. We had a very good response to our "expressions of interest" invitation for this event and the draft programme is both varied and topical. More details will be published on our website shortly.

People coming to our 2016 MAVS may also be interested in attending our next Ontario Property Tax Summit (OPTS) which is being held on 16 May 2016 at the same venue in Niagara Falls. This event will look at what progress has been made since the previous OPTS and what challenges remain to be resolved. Again, details will be available via our website in due course.

Also looking further ahead, we have provisionally arranged to hold a joint event with the Commonwealth Heads of Valuation Agencies (CHOVA) and the Institute of Revenues, Rating and Valuation (IRRV) in Scotland during September 2016. More details about this IPTI-CHOVA-IRRV event will be available soon.

IPTI has recently co-authored a report with Capital Strategy and Emmerson Evaluation in Poland. The report is entitled "Proposed draft amendment of the law on local taxes and fees, together with requisite changes in other laws". The goal of the proposed changes is to empower local governments with an effective property tax instrument that allows them to (a) differentiate land tax rates locationally in order to strengthen incentives for more efficient urban land use and, through this, successively improve spatial management and urban productivity; (b) facilitate stronger mobilization of local revenues to finance the growing needs of communal services and capital investments in localities with higher incomes and land values; and (c) distribute more equitably the land tax burden through regional differentiation of taxpayer income levels and through intra-urban land value location zones.

It is now time to have a quick look around the property tax world to see what is happening in selected countries.

In Israel, in a move that will make solar power significantly more affordable, the Knesset Finance Committee unanimously approved new regulations reducing the arnona (property tax) rates associated with panel installation. The proposed regulations would considerably decrease property tax rates on photovoltaic and solar-thermal rooftop and field installations. It was also announced that there would soon be legislation to exempt private households from arnona entirely for rooftop installations smaller than 200 square metres. The Minister said "We must make it as easy as possible for those installing these solar devices to generate electricity through arnona exemptions, through significant benefits like tax reductions and by removing bureaucracy."

In Pakistan, it is reported that, in Sindh Province, revenue from property tax increased by over 30pc to Rs900 million during first four months of this fiscal year from Rs689.2m collected in the corresponding period last year thanks to the automated and simplified tax procedures. The Director General, Excise and Taxation, said that the improvement in revenue was due to the automation and elimination of leakages which were rampant in the old manual system. "With the computerisation of tax data it is not possible for corrupt staff to manipulate tax amount by tempering the record in registers," he remarked. The Excise and Taxation Department is set to launch a general survey of properties with the assistance of the World Bank to bring new units in the tax net. "The survey will start from Sukkur to be followed in other interior towns. It will reach its climax with enumeration of property units in the metropolis," he disclosed. Meanwhile, the Sindh government has extended property tax exemption to housing units measuring 120sq yards from 100sq yards earlier. Similarly, property owned by retired government servants, widows and orphans below 18 years of age are exempted from tax provided their annual rental value (ARV) is not more than Rs48,000.

In the USA, three New Jersey municipalities in Union, Hudson and Middlesex counties are under investigation by the state for stalling property reassessments for decades and could be forced to conduct revaluations. The investigation of Jersey City, Elizabeth and Dunellen is said to be a "shot across the bow" to municipalities in the three counties the state says have neglected their legal duty to ensure fair property assessments which is key in determining the real estate taxes home and business owners pay. Tax boards in these three counties have "consistently failed to require towns to uniformly and fairly assess properties," Treasury Department officials said. Over time, properties' assessed values grow increasingly out of line with their market values, and some owners wind up paying too much, while others pay too little. Jersey City hasn't reassessed in 27 years, Dunellen in 33 years, and Elizabeth in 39 years according to the state. "The Division of Taxation is reluctantly taking this action because the Hudson, Middlesex and Union county tax boards have failed to do what they are supposed to do," a Treasury spokesman said. "The state has been more than patient in trying to convince the county tax boards to meet their obligations, but they have been lax in enforcement because revaluations are unpopular."

In the UK, there is disappointment that the government have again deferred the outcome of their "fundamental review" of the business rates system which governs the property tax paid in respect of commercial properties. Furthermore, the government's recently announced proposed changes to the business rates appeals system have attracted criticism as industry bodies complain that the recommendations pile additional bureaucracy and cost onto taxpayers. Business lobbying organisations and rates experts warn that details of the reforms, shared in a recent consultation paper, are "draconian", "unfair", and "make it as difficult as possible" for firms to make a fair appeal against their business rates. The proposals for the new business rates appeals system involve a three-stage process: check, challenge, and appeal. Each stage has its own requirements and deadlines, and a failure to meet these criteria may cause an appeal to fail.

Interestingly, the Local Government Association (LGA) in the UK has recently argued that businesses should be able to self-assess the value of their properties as part of further reforms to the business rate system. According to the LGA, this would provide councils with greater financial certainty once the tax is devolved. A move to self-assessment is needed, the LGA say, to protect councils from the cost of appeals against business rate valuations following full retention of business rate revenue growth from 2020. Their report says that almost 900,000 businesses have challenged their business rates bill since 2010 and around 330,000 appeals still need to be decided before the next national revaluation takes place in 2017. Councils currently meet half the costs of refunds and have been forced to divert £1.75bn to cover this risk since 2010. This risk will increase according to the LGA and steps must be taken to minimize it.

In Canada, the property tax system in Newfoundland and Labrador is said to be "broke and has to be fixed". Members of the Southwest Coast Joint Council are reported to be drafting a letter to the Minister of Municipal Affairs and to Municipalities Newfoundland and Labrador asking for a total overhaul of the municipal assessment process that is the basis for taxes in over 200 towns of the province. A discussion paper had been prepared suggesting that municipalities could do away with the property tax structure and move to a fee structure instead. However, there is opposition to such an approach with an alternative suggestion that, instead of having regular property revaluations, an index should be applied to the taxes each year. No doubt this debate will continue.

Moving on to Africa, in Ghana the Ministry of Local Government and Rural Development says it is helping households to get more toilet facilities to improve sanitation and health. The Ministry is embarking on two schemes which have begun in some parts of the Greater Accra Region, namely; Accra, Tema, Ashiaman and some parts in the Ga South district. The World Bank has provided an amount of USD$100 million for the first scheme in which property owners within the metropolitan districts will be able to request new toilet facilities via their district assemblies after which an assessment will be done and toilet facilities provided according to the needs of the household. The cost of the toilet construction would be added onto the property tax (rates) bill and repayment would be made in instalments across a period. There is concern about how effective the collection of toilet construction bill may through the property rates as many people are defaulting. The Ministry said that the non-payment or delay in payment of property rates was the fault of the assemblies as the law was very explicit on sanctions, including court actions on defaulters; the assemblies were urged to improve the collection of property rates as a way of getting enough revenue for development and other purposes.

And finally, having just mentioned toilets above, regular readers of this newsletter will be aware that I am interested in the issue of property taxes and public toilets. This continues to be a particular problem in the UK, but it seems to be a global phenomenon. In Australia, it is reported that sports clubs are getting "bogged down" with what they are calling a "toilet tax". A charge per toilet is standard across local governments to fund the processing and disposal of waste. It is reported that the charges for water and sewerage levied by Gladstone Regional Council in Queensland are crippling sporting clubs. Newspapers report that the latest suggestion from city fathers is for clubs to remove toilets and pay less. However, this is a move that sports clubs, and all in the voluntary sector, reportedly want to "flush away". The saga continues!

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