President's Message – November 2015

I am writing this month's newsletter from Dublin, Ireland where I have been participating in a project concerning the Irish Valuation Office (IVO). This is a project that involves a partnership between IPTI and the Institute of Revenues, Rating and Valuation (IRRV) based in the UK. The IVO has been undertaking a series of "rolling revaluations" of commercial properties throughout Ireland and preparing new valuation lists containing updated valuations of the properties concerned. The IVO is also responsible for maintaining both the new valuation lists and the valuation lists relating to areas that have not yet been revalued; this "revision" work is, of course, an important part of the IVO's responsibilities. The project includes looking at the work that the IVO has done so far in both revaluations and revisions, and providing advice on how they might make best use of international experience in completing their tasks over the next few years.

Just looking back at October, I started the month by attending the annual conference of the Australasian Valuers-General (VGs) which was held in Adelaide, South Australia. This was a very interesting conference with a number of external speakers providing a variety of insights into different aspects of property taxation. I was there primarily to talk about the recent benchmarking study that IPTI had undertaken for the VGs, but I also made a presentation on global property tax issues. Following discussion at the conference, our benchmarking report was updated and a copy will be sent to all participating jurisdictions so they can compare their own performance with the best practice data contained in the report.

From Adelaide I flew to Riyadh, Saudi Arabia where I was one of the main presenters at a two-week course on eminent domain (compulsory purchase) run by the RICS and Taqeem, a Saudi-based organisation. The course included a number of local speakers who spoke about Saudi law and practice. I was there primarily to provide information about how eminent domain systems work in other countries, but also to speak about property valuation methodology. There are some large schemes of eminent domain taking place in Saudi Arabia at present, including a new metro system in Riyadh. There are also some interesting property valuation issues in the cities of Mecca (Makkah) and Medina. It was a very interesting experience and I am due to go back to Saudi Arabia in December this year and February next year for two more of these courses.

Back in London, I chaired the annual "Rating Question Time" held by the Rating Surveyors' Association (RSA) and Contact Property Training (CPT). This event provides an opportunity for practitioners to question senior representatives of the main stakeholder groups in the UK non-residential property tax system (business rates). There is no shortage of controversial issues at present, and the event was both lively and informative.

IPTI held a workshop in Ljubljana, Slovenia on October 8-9 entitled "Modernizing Property Taxation in CEE Countries". This attracted delegates from a number of countries in Central and Eastern Europe. Speakers from those countries shared their experience of a number of common themes including the generally low level of revenues collected from the property tax, the over-taxation of business properties, stalled property tax reforms and a variety of intergovernmental issues such as what needs to be included in legislation, who should do what in connection with policy, administration, collection, etc., and the role of communities in property tax reform. It proved to be a very productive event and we are considering how best to follow up some of the issues raised at the workshop.

IPTI was also involved in two events run by the Council on State Taxation (COST) during October. Our Director of Assessment Services spoke on property tax issues at COST's Canadian Tax Workshop held in Chicago. The title of the session was "Canadian Property Tax Issues - Stay Out of Trouble Up North". The presentation focused on the Special Purpose Business Properties Assessment Review in Ontario and the importance of corporate taxpayers' participation in the advance disclosure protocol, information sharing and consultations with the Municipal Property Assessment Corporation (MPAC) prior to the 2016 roll return. Our Director of Corporate Services participated in COST's Annual Meeting which was also held in Chicago last month; at this event we had a booth in the exhibition area which attracted considerable interest.

Last month we received a request to translate one of the books we recently published into Korean. The book was written by Richard A Borst PhD and is titled "*Improving Mass Appraisal Valuation Models Using Spatio-Temporal Methods".* We are very pleased to see that there is demand for this book to be translated and made available to other countries, in this case, in Korea.

Also in October, IPTI participated in the South African Council of Property Valuation Professionals (SACPVP) annual conference in Durban where our Chief Operating Officer presented a paper on how technology has - and will - change the property valuation industry. This topic is becoming an increasingly important subject around the world, particularly in the light of rapid advances in the available technology.

In October we ran another of the specialist training workshops we provide in partnership with the Institute of Municipal Assessors (IMA). This two-day IMA-IPTI workshop was held in Mississauga, Ontario and was dedicated to the needs of MPAC's staff. It focused on the cost method of valuation and depreciation and was very well-received by those attending.

Looking ahead, our next big event will be the annual Caribbean conference we run in partnership with the RICS which focuses on construction and property tax issues. This conference, which is being held in co-operation with the National Land Agency (NLA) in Jamaica, will take place in Montego Bay, Jamaica on 18-19 November; it will include a large number of local, regional and international speakers.

Also in November we will be running another of the two-module, four-day training courses we hold in partnership with Osgoode Hall Law School in Toronto. This course looks at the requirements for giving expert evidence in property tax valuation litigation and has been sold out for some time.

Another very interesting event we will be involved in during November is the next series of consultations with special-purpose, large industrial property taxpayers that MPAC will be holding in various locations within Ontario. There will be similar consultation meetings with the owners of multi-residential properties. IPTI will be facilitating these meetings which will be looking at the recent "market valuation reports" that MPAC have prepared in respect of these properties. This is part of "Level 2" of MPAC's disclosure process in preparation for the forthcoming 2016 reassessment in Ontario.

Time now for my usual quick look around the world to see what is happening in respect of property tax in various countries.

As I am currently in Ireland, perhaps that is a good place to start. The Irish government is to freeze the amount homeowners pay in local property tax (LPT) until 2019 and is to exempt homes affected by pyrite from the levy. In his Budget 2016 speech, the Minister for Finance said he would be making a proposal to Government to postpone the revaluation date for the property tax until 2019. The move comes as a report on reforms to the levy by former public servant Dr Don Thornhill was published. The study sets out a number of options for the levy, following concerns that rising property prices in Dublin over the past few years could lead to significant increases in the amount of tax paid by homeowners. The rate of property tax paid by homeowners from July 2013 to 2016 was based on how houses were valued in May 2013. A revaluation was due to be introduced next month. The annual self-assessed tax is charged on the market value of all residential properties in the State and rises in bands, with a cap on the first band at €100,000 and rising by €50,000 thereafter. It is estimated that more than €1 billion will have been raised for authorities from the levy by the end of 2015. According to the report, compliance rates are high, with more than 96 per cent of homeowners having paid the property tax each year since its introduction. The Society of Chartered Surveyors Ireland said postponement of the revaluation until 2019 was "welcome and prudent".

In France, the taxe foncière, French property tax (one of the two), has been hiked this year by as much as 100 times for some property owners. This comes as a law that changes how taxe foncière is calculated on building land comes into effect. Up 25% this year or €5/m2 and in 2017 by a further €10/m2. Owners of some large back gardens or paddocks have had a shock to receive taxe foncière bills this month that are as much as 100 times the normal amount. In one locality in the South of France it is reported that an owner who was paying €240 in property tax on unbuilt land last year has received a bill this year for €25,000! This is because the government is said to be trying to put pressure on people who own land considered suitable for building in some 618 communes where housing is in short supply.

Moving on to Italy, during its October meeting, the Italian Cabinet approved the draft 2016 Stability (Budget) Law, which includes proposals for property and corporate tax cuts. As previously announced by Italy's Premier Matteo Renzi, the proposals include the elimination of local property and service taxes on primary residences in 2016. Also included are proposals for the repeal of the property tax and the regional tax on production for the agricultural sector. The property tax on factory fixtures and fittings would also be repealed. The proposals run contrary to an earlier recommendation from the European Commission that Italy should shift its heavy tax burdens on labor and capital onto property and consumption.

In Uruguay, agricultural unions have voiced their opposition to the Government's decision to reinstate a tax on owners of fertile rural land of more than 300 hectares. The tax, which excludes forested land, is intended to raise funds for rural education. Currently, rural education is funded by the taxation of urban land. Farm owners have been exempt from the tax since 1996. With the reinstatement of the Rural Property Tax, the tax burden on owners of fertile land will increase by 22 percent, they said.

In Thailand there are calls for greater clarity in respect of the land and building tax bill. Local newspaper reports say that life is getting "interesting" for taxpayers, with not only an inheritance tax and a new gift tax regime on the way, but also a new property tax. The finance minister recently said the land and building tax bill would go before the cabinet very soon and take effect within the next two years. Under the new regime, owners of properties will have a lower tax rate, reduced from 12.5% of annual rentable value to 0.5% of the official assessment value. Three rates based on official assessment value will apply to the following categories: 0.2% for land and buildings used for agricultural purposes; 0.3% for land and buildings used for residential purposes; and 1% for land and buildings used for commercial purposes.

In Canada, it is reported that the Ontario government is appealing the property tax assessments on several of its own properties. Local newspapers are saying that this effectively involves the province challenging its own property-tax-assessment system. The newspapers report that, if the government's challenge is successful, the city of Toronto will have to pay the province back the property tax it has collected on those properties going back as far as 17 years. One newspaper calculates that the city has collected roughly $65 million in property tax from the 19 properties in question during the years under appeal.

In the USA, it was described as an "historic day" when the so-called "zombie" property relief bill was recently signed into law in part of New York State. The legislation allows the city of Batavia to establish a program giving property-tax assessment incentives to residents who purchase and renovate dilapidated single-family properties. A spokeman said "Zombie properties have plagued our city for several years dating back to the housing collapse of 2007. This law will increase the number of properties on the tax rolls, thereby reducing our tax burden and increasing property values". Under the program, taxing jurisdictions would still receive property taxes on the pre-redevelopment value of the vacant home, while the increased assessment post-redevelopment could be exempt for up to 25 years depending on the level of investment with the last eight years of the exemption de-escalating by 12.5 percent per year until it reaches zero percent in the final year.

In the UK, British business groups are joining forces to issue an unprecedented warning to the Government to not use devolution plans as an excuse to abandon an overhaul of business rates. In March, the Government made a commitment to initiate a radical review of the outdated business rates system. However, the Chancellor of the Exchequer made a surprise announcement recently that local councils would be handed full control of business rates. A UK Treasury spokesman said that the government still aimed to report back on business rates by the end of the year on business rates, as planned. However, the lobby groups emphasised that, with two months left, the signs were not promising.

In New Zealand it is reported that Auckland Council has spent more than $100,000 on lawyers in an ongoing battle with an "activist" over $33,372 in unpaid rates and penalties. The activist has apparently filed a claim for damages of $350,000 against the council's lawyers for comments made in a media release last year about taking court action to recover unpaid rates on the house concerned. Recently, the activist reportedly said it was outrageous for the council to spend $100,000 on lawyers when there had been an offer made to settle the matter if there was a retraction, apology and damages of $10,000. It shows how difficult matters can get once "battle lines" are drawn in property tax disputes.

And finally, regular readers of this newsletter will be aware that I am interested in the issue of liability for property tax (non-domestic rates) in respect of public toilets in the UK. A recent headline caught my attention; it read "David Cameron raises hopes of relief for Edenbridge public toilets". Now, whilst I am sure that the UK Prime Minister has many rather more pressing matters on his "to do" list, I find it reassuring that he is, reportedly, concerned about this issue. The Prime Minister has apparently pledged to help keep Britain's much-needed public toilets open by ordering a review into the taxes placed on them, and Edenbridge has seized on this chance to cut its rates bill. Members of the council wrote to Mr Cameron saying they went to "great lengths to provide first class facilities", but their upkeep was "costly". It seems that the lack of public toilets in parts of Scotland has also been blamed on local property taxes which has caused a significant political uproar. It will be interesting to see what transpires in connection with this issue.

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