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Property Tax and Assessment News from Around the World

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Gov't gives up on farms' objective value

The government has practically admitted its inability to calculate the taxable value of farmland by extending its exemption from the supplementary property tax for another two years, according to a new tax bill tabled in Parliament on Friday. The draft law also provides for the lifting of professional data protection for the professional categories it applies to, upon the request of the head of the Independent Authority of Public Revenue.

The supplementary tax is the property tax on top of ENFIA paid by owners whose properties add up to more than 200,000 euros in objective value terms. In 2015 the government and the country's creditors extended the supplementary tax to include farmland too. However, this was not implemented in practice last year so farmland had to be exempted, and it will apparently be the same for 2017 and 2018 too, as the state has yet to find a reliable method of assessing its taxable value.

Last year farmland was only exempted from the tax just before the issue of the pay notices, as the projections made by the IAPR showed huge tax amounts that would inflict a major blow on farmers.

According to the relevant report by the State General Accounting Office, the exemption of farmland is set to lead to a total loss of state revenues amounting to some 460 million euros – a burden lifted off taxpayers' shoulders.

The Finance Ministry actually claimed that the exemption was deemed necessary in order for taxpayers to have ample time to search through forest maps and make any corrections required to the classification and registering of their farms. Yet is it more than obvious that the ministry cannot calculate the tax and is trying to avoid the ire of farmers.

Separately, the new bill allows the IAPR chief to demand information on the financial transactions of a taxpayer under certain conditions from third parties previously bound by professional data protection laws. This concern both transactions with those taxpayers and those made through the third parties.

This clause mainly concerns lawyers and their relationships with their clients, as their code dictates they should not reveal any personal details on their clientele.

Property market rates are up to 70 pct below 'objective values'

The divergence between so-called "objective values," or property rates used for tax purposes and actual market prices, is as high as 70 percent in some cases, according to recent transaction data. It is a difference that continues to burden owners, buyers and sellers alike, even though objective values were adjusted downward a year ago.

Commercial values remain significantly lower, whether this concerns houses or commercial properties, and the difference is even greater in areas with high objective values, which are completely obsolete.

In the northern Athenian suburb of Palaio Psychico, for instance, a 350-square-meter detached house was recently sold for 1 million euros, while its objective value (on which the Single Property Tax, or ENFIA, is calculated) is set at 3.2 million euros. Similarly in nearby Halandri, a 40-year-old flat was sold at 20 percent below its objective value, and a 1982 apartment in Argyroupoli, eastern Athens, was sold 31.25 percent below its taxable price.

Lefteris Potamianos, vice-president of the Athens-Attica Estate Agents Association, explains to Kathimerini that the larger a property's surface and the more exclusive its location, the bigger will be the difference between its market rate and objective value.

"This is due to the fact that objective values are calculated according to parameters such as the properties' size and the qualitative features of each area. Therefore, while in the eyes of the taxman a property may appear expensive, in practical terms this is not reflected in the going rate, as the market remains at very low levels," says Potamianos.

The situation exacerbates the injustice owners suffer as they continue to pay taxes based on high objective values, which they are unable to capitalize on as they are far from the market reality.

The gap between taxable and market rates remains wide despite a ruling last year by the Council of State that forced an adjustment. This is because the implementation of an automatic adjustment system that would match objective values to market prices has not gotten off the ground yet, even though it had been a prior action demanded in the government's previous midterm fiscal plan. The latest deadline set for the system to start operating is January 1, 2018, but no one is certain it will be ready by then either.