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IRAN – June 2017

Iran Property Tax Overhaul Approved

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The Cabinet has approved new tax regulations concerning a host of housing activities during its latest meeting on Wednesday, which replace the old tax laws with more pragmatic and precise ones, making life more difficult for tax evaders.

According to the new measures, private builders (both small and large-scale) need to pay 15-25% of their profit from the sale of a new house in taxes, Mehr News Agency reported.

Construction companies, which are licensed by the Planning and Budget Organization and housing cooperative companies, will have to pay 25% and 18.75% of their profit as tax, respectively.

This is while previous laws obligated builders to pay 10% of the total value of the property in taxes, which were hard to pinpoint but now since the costs of construction and land prices are obvious, it is easy to calculate the profit and set the proportionate tax.

In addition to that, 5% of the value of residential real-estate deals still need to be paid in tax.

The new measures approved by the Cabinet to prevent tax evasion only apply to buildings for which construction permits were issued after May 20, 2016, with the rest following the previous regulations.

The Cabinet also agreed to exempt cities with a population of under 100,000 from property taxes.

The new measures also emphasize the necessity of taxing vacant houses since Iran witnessed a frenzy in residential unit construction during the years leading to 2011-12, which resulted in thousands of empty homes.

The fight against tax evasion will be the main goal pursued by the Iranian National Tax Administration in the current Iranian year according to INTA's chief.

"About 13 trillion rials ($342.1 million) were collected from 300,000 new taxpayers in the last Iranian year," Seyyed Kamel Taqavinejad was also quoted as saying by ILNA in May.

According to Taqavinejad, tax revenues constitute 36% of the government's total revenues and close to 50% of the current budget come from tax collections.

This comes as tax regulations concerning vacant homes should have been implemented as of the start of the current Iranian year–March 20.

According to the vacant houses' tax code, such homes do not have to pay any taxes in the first year, but from the second year they must pay half of the due tax and in the third year the full amount and after that the tax rises to 150%.

Vacant Homes

Announcing the preliminary results of the current year's census on March 13, Omid Ali Parsa, the head of Statistical Center of Iran, said there are 490,000 empty homes in Tehran alone, registering a 13% increase over the course of five years.

This is while Minister of Roads and Urban Development Abbas Akhoundi has estimated the value of Iran's vacant houses to be $250 billion that has no added value for the economy. Therefore, the ministry was supposed to come up with a system to identify vacant units but there is no news regarding the issue.

It seems unlikely that the measures will be implemented by the end of the current Iranian year (March 20, 2018).

There is currently one vacant house for every 10 occupied houses, which situation is much worse in the capital. This is while the global ratio is much lower.

After a lackluster start to the new Iranian year (started March 21), real-estate residential deals in Tehran rebounded during the second month (started April 21) to herald an imminent relief for the beleaguered housing sector now in a six-year slowdown.

According to the latest figures released by the Central Bank of Iran–the entity in charge of releasing official economic data–the number of home sales in the Iranian capital city rose by 6.4% over the previous year.

President Hassan Rouhani recently weighed in on the housing market and said, "We are facing no recession in our economy, other than in the housing sector."