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43% of participants of Latvian property market back zero tax on one’s only home

As many as 43% of participants of the Latvian real estate market believe that people’s only homes should be exempt from taxation, shows a survey conducted by the Latvian realtors’ association (LANIDA).

At the end of March, LANIDA in partnership with DNB Bank organized an annual conference on the Latvian real estate market’s development. During the conference, the realtors’ association conducted the survey to find out entrepreneurs’ opinion about property taxation in Latvia.

The survey revealed that 43% of market participants believe that the property tax on one’s only home should be lifted. Also, 23% believe that the property tax rate should be reduced and 20% would support a progressive tax rate that would ensure higher taxes on more expensive properties. 8% of respondents said that the property tax should be lifted on housing but that it should be charged on land and commercial property, and 2% called for the abolition of taxes on all kinds of property.

Lawyer Ingrida Misina noted that all 100% of property tax revenues go to municipal budgets and that local authorities have broad opportunities not only to apply different tax rates but also to grant tax allowances. In her words, the local authorities’ tax policies can be very different, with tax allowances on property ranging from 25% to 90%. At present, properties’ cadastral values remain frozen while the government works out a new tax strategy.

As reported, the Latvian Cabinet of Ministers on April 11 rejected the proposal to lift the property tax on residential property if it is the person's only home, and instead suggested reducing the impact of the property's cadastral value on the calculation of the applicable property tax. The Cabinet listened to the Finance Ministry's report about the proposal to make one's only home exempt from property tax in which the ministry said that the move would not be economically substantiated. Instead, the problem of excessively high property taxes should be addressed by revising the cadastral value base.

The Finance Ministry approves of the Justice Ministry proposal to set a 10% cap on increase of the cadastral value base, to reduce cadastral value of residential properties to make it consistent with the market value and not to allow any exemptions for premium properties. In the long-term, an agreement should be reached on the cadastral value base for 2020-2023.

Coalition forms workgroup to find solution to excessively high property taxes in Latvia

The coalition today agreed to form a workgroup tasked with finding a solution to the excessively high sums many households are required to pay in property tax, reports LETA.

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The workgroup is expected to come up with a solution to the excessively high property tax payments in 2018 and 2019, assessing also some local authorities' role in charging disproportional taxes on residents' properties, Justice Minister Dzintars Rasnacs (National Alliance) told journalists after the coalition meeting today.

The workgroup will be chaired by Saeima member Vilnis Kirsis of Unity party, with each coalition delegating its representatives to the panel.

This Tuesday, April 11, the government is due to review a report of the Finance Ministry's workgroup on medium-term tasks, including the Justice Ministry's progress on drafting legislation that would put a freeze on properties' cadastral value until 2020, the justice minister said.

Saeima is expected to pass the draft legislation by the Midsummer Festival, the politician said.

As reported, the Cabinet of Ministers' committee has not supported a proposal to lift property tax on residential property if the given apartment or private home is the person's only home, and instead proposed reducing the proportion of the property's cadastral value on the total amount of property tax applicable.

Government committee does not support lifting property tax for residents who only own one home

The Cabinet of Ministers' committee today did not support lifting property tax on residential property if a given apartment or private home is the person's only home, and instead proposed reducing the proportion of the property's cadastral value on the total amount of property tax applicable.

The government today heard the Finance Ministry's report concerning the matter, in which the ministry said that the proposal was economically not feasible. The ministry said that the problem should rather be solved by revising basic cadastral value indicators.

The Finance Ministry tends to support the Justice Ministry's proposal, where cadastral value of a residential building may not increase more than 10 percent and no tax breaks will apply to premium-type buildings.

The Finance Ministry also believes that agreement has to be reached on cadastral values in 2020-2023. In order to lessen the impact of cadastral values on total property tax amounts, the relationship between properties' cadastral and market values may be revised, and local governments may be given more authority to decide property tax amounts, based on the situation in the municipality and residents' needs.

Investors seriously worried about rise of property tax in Latvia

Instability always causes great concerns to investors, and Latvia's tax policies are currently only adding to these worries, Viktors Savins, the Latvian partner at EFTEN Capital real estate fund manager, said at the conference on the Latvian real estate market's development.

The EFTEN Capital representative said that investment has been flowing into the economy. EFTEN Capital, for instance, has invested EUR 200 mln in various properties in Latvia over the past three years, and the company's investments in the Baltic have exceeded EUR 500 mln.

"We used to be very optimistic about the market. But the current property tax in the commercial sector is quite frightening," Savins said.

He said that properties' cadastral values are being brought closer to their market values, but said he was baffled how civil servants who are not involved in business can estimate the market values and how they can understand the property business to set the tax rates on particular buildings.

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“Just a few countries in Europe charge taxes on land, but a concrete tax rate has only been set in France and Latvia. How can a land property that does not make any profit be taxed? You could just as well charge tax on the money in each resident’s bank account,” Savins said.

He mentioned two shopping centers owned by EfTEN Capital in the Estonian town of Viljandi and Jelgava in Latvia as an example. “Both shopping centers are similar by their size, the towns are similar, and the cash flow generated by the two shopping centers is also similar. Yet in Jelgava, the property tax on this center is 10 times higher than in Viljandi,” Savins said.

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