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Property Tax and Assessment News from Around the World

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German government approves controversial property tax reform

The Federal government has made the way for the controversial reform of the basic tax-free. The Cabinet decided on Friday three of the draft law of the Finance Minister, Olaf Scholz (SPD), to be introduced next week in the Bundestag.

Towns, cities and municipalities could continue to build on the important revenue to improve schools, to build roads and playgrounds, said Scholz. He also stressed: “The good news for taxpayers is that you are not burdened later.” The cannot guarantee, the Federal government, however, ultimately decide on the amount of tax to the local authorities through their rates.

For the municipalities it is provided with a volume of more than 14 billion euros at the same time, one of the most important sources of income. According to the draft law, the total volume should not change – however, some of the citizens by the reform more than others need to pay less. The Federal government appeals in the explanatory Memorandum of the act on municipalities, their rates accordingly.

According to the plans of Scholz to play in the calculation of the important tax, in principle, still the value of the land and the average rent for a role. The States should, however, get the opportunity of this regulation to depart your own calculation models. For this new regulation, the basic law should be amended in two places. Bayern has already announced to want to be alone, the size of the land base.

“We have managed to bring the property tax after more than 50 years to the state-of-the-time,” said Scholz. Massive differences in treatment because of obsolete property are reviews of the past soon. The constitutional court had declared the previous regulation because of the old data basis to be unconstitutional, and a new rule to the end of the year requires. By 2025, the reason should be charged tax according to the new model in order for municipalities to be able to do it in a better land speculation.

You might be a burden for undeveloped land and unused real estate with a higher land tax C. “We want to give the municipalities the opportunity to mobilize land, to close your vacant lots easier for speculation and to run a good city development,” said the SPD Deputy Bernhard Daldrup. Buildable land should not remain in areas with high housing demand, without good reasons, unused.

The FDP criticized Scholz’s approach as unnecessarily bureaucratic, and puts on the opening clause for the countries. The planned amendment to the basic law agree with, be no automatism. For changes in the basic law by a two-thirds majority in the Bundestag necessary, the Union and the SPD therefore need support from the Opposition.

The real estate industry called on the countries, if possible, own calculation-to introduce rules. The planned opening clause, you have the option to choose a non-bureaucratic surface model, said the President of the Central real estate Committee (ZIA), Andreas Mattner, the German press Agency. “With a view to the responsible handling of taxpayers’ money, the surface model would be a clear advantage.” Every Euro will be saved in the valuation of the land, standing at the end of the public sector and the citizens.

Germany's grand coalition to present bill on property tax reform

German lawmakers in the ruling coalition have settled a dispute over property tax reform. A bill is expected to be presented to parliament before the summer break.

Germany's grand coalition has reached an agreement regarding property tax reform, according to a joint statement from coalition leaders on Monday.

Lawmakers from Chancellor Angela Merkel's conservative Christian Democratic Union (CDU), its Christian Social Union (CSU) sister party and center-left coalition partner Social Democratic Party (SPD) had met for the first time since the resignation of former SPD leader Andrea Nahles.

The agreement on property tax reform came after a months long dispute. Finance Minister and SPD member Olaf Scholz had presented a value-based model for calculating property tax that would apply countrywide. But Bavarian and other CDU/CSU lawmakers wanted a system based on land area and demanded that the states have the right to deviate from federal requirements.

The details of the agreement have not been disclosed, but the document addresses "all substantial questions" in regards to property tax reform. The coalition intends to put the legislation up for debate in the German parliament before it goes on a summer break so the reforms can be implemented this year.

At 49.4%, Germany has the second highest tax rate among developed countries, according to data from the Organization for Economic Cooperation and Development (OECD). Property taxes make up around 2.7% of the tax share.

Property tax has been a hot button issue since Germany's constitutional court deemed the tax unconstitutional in 2018 because properties are taxed based on their value from the early 1960s (1930s in East Germany).

Sunday's meeting, led by Merkel, was the first in which the SPD was represented by its interim leadership trio of Malu Dreyer, Manuela Schesig and Thorsten Schäfer-Gümbel.

The party's former leader, Andrea Nahles, stepped down at the beginning of June after the party suffered significant losses in May's European elections.

The coalition also reached agreements regarding the reduction of the country's so-called solidarity payment or "wall tax" — a surcharge originally introduced to finance costs caused by German reunification in 1990 after the Berlin Wall came down — as well as affordable housing and climate protection. Those pieces of legislation will be presented to the German parliament after its summer break.

Berlin's Property-Owning Classes Are Under Attack

Berlin has long railed against gentrification, but its proposal to ban rent hikes will be watched closely in the U.S. and U.K. too.

The high cost of urban housing is one of the most divisive issues of our times. Rising prices have created entrenched cadres of haves and have nots, but because property owners tend to be in the majority, renters are often the ones left shortchanged.

That's emphatically not the case in Berlin, where owner-occupiers make up just 15 percent of the market. Once a famously cheap place to live, Berlin rents have doubled over the past decade and house prices have gone through the roof. Berlin's "cool" reputation, burgeoning startup scene, and rock-bottom interest rates have all contributed to the boom. Because rent increases have outstripped pay rises, residents feel worse off.

Now the city's leftist coalition government has proposed a restriction of private property rights that would be unthinkable in most places: For the next five years, it wants to bar landlords from increasing rents at all.

Such heavy-handed intervention will alarm foreign investors, for whom Berlin's real estate sector has become a favorite place to deploy capital. It's also a wake-up call for landlords in other countries, where falling home ownership rates have buttressed support for greater intervention in the housing market. In London, Jeremy Corbyn's left-wing Labour Party will be looking on with interest.

It's not clear whether Berlin's proposal is even legal but property investors clearly expect some kind of reckoning. Shares in the listed German real estate firm Deutsche Wohnen SE have tumbled 17 percent since the first details of the new measure were unveiled last week, erasing about 2.5 billion euros ($2.8 billion) of its market value. The company owns more than 115,000 residential units in the city, or 70 percent of its portfolio. (Investors who bought the stock in 2008 are still doing okay, though. It's up about 1,300% since then).

Berlin's rents and property prices are actually pretty reasonable by international standards, and by comparison to local incomes. Still, there's no question the housing market has become dysfunctional.

The local population has jumped by about 300,000 since 2011 and new construction has failed to keep up. Building firms are working flat out, but permitting is notoriously slow. Some landowners hold back development plots in the hope that prices will continue rising, while obstructive local residents have blocked new developments. At the same time, older tenants in large apartments with cheap long-term leases can't move somewhere smaller because of the higher rents, so young families struggle to find anywhere suitable.

Capping rents – or seizing buildings from big owners, as has also been mooted – won't do anything to ease the shortage. While the new law won't apply to new properties, it will deter much-needed investment nonetheless. Berlin might as well pin a sign on top of its famous TV tower saying owners aren't welcome.

The German real estate market is already heavily regulated when compared with most places. Tenants have extensive rights (a good thing in my book) and in 2015 the federal government legislated to prevent rents rising more than 10 percent annually above the local average. That law has been widely ignored, though, if online property listings are a good guide. To prevent this happening again, Berlin is threatening 500,000 euro ($566,000) fines for noncompliance with its new rent cap.

Landlords complain of "class warfare" and are threatening to hike rents ahead of the proposal coming into force in 2020, which doesn't seem a good way to win friends. The policy will probably stop them spending on property upkeep, yet I wonder whether most Berliners will care.

Gentrification has long been a dirty word here – dilapidated buildings were all part of the city's "poor but sexy" charm. And one mustn't forget that 30 years ago half the city still lived under communist rule. Buying a home in Germany is prohibitively expensive: Taxes and estate agency fees can amount to 15 percent of the purchase price. Unlike in the U.K. (ISAs) or the U.S. (IRAs), the federal government does little to incentivize investing in the stock market, which might help the public build up more wealth for a deposit.

For these reasons Berlin might be considered an outlier, but perhaps it's simply ahead of the curve. Home ownership is well below historic highs in the U.K and U.S. and socialism is suddenly en vogue. Berlin's assault on private property rights shows what happens when you let the capitalist pendulum swing too far in one direction.

German property tax reform could mean increases of up to 683 percent

The long-awaited reform of property taxes in Germany must be enacted before the end of this year. If Finance Minister Olaf Scholz's latest proposal goes ahead, things will get more expensive for most people paying taxes in Germany, and particularly for those living in the east.

New proposal for German property tax reform

Back in April 2018, the Federal Constitutional Court ruled that the current system of so-called unit values, the basis upon which property tax is calculated, is outdated, unfair and unconstitutional. A reform was promised, and ever since then Germany's lawmakers have been bickering over exactly what form it should take.

With Scholz's latest proposal, we have been given an idea of how the new property tax could look. It would be calculated primarily on the basis of the value of the land and the average rent - meaning an increase for most homeowners and renters in Germany. According to an analysis of Scholz's proposal by the Federation of Taxpayers (BdSt), exactly how much more you'll be paying depends on your location. In some parts of the country, property taxes are set to explode.

Property taxes would increase by 70 percent

Working from data from a nationwide member survey, the BdSt calculated what the updated property taxes could look like for municipalities across the whole of Germany. Summarising their findings, they wrote that the majority of people will be worse off if the proposed reform goes ahead: "There are cases in which the tax burden slightly decreases. But on average, people will incur a property tax increase of around 70 percent."

This increase will disproportionately affect those living in Germany's eastern federal states (the so-called "new federal states"). Up until now, property taxes in these areas have been calculated using a very low unit value, based on figures from 1935. In the western federal states, where the tax increase would be much more modest, the figures come from 1964.

Tax increases in western German cities

However, a strict East-West divide doesn't tell the whole story, as the highest increases are actually likely to take place in some areas of western Germany. Under the proposed reform, the property tax on a single-family home in Mainz could increase by an enormous 683 percent, according to the BdSt's calculations.

Large increases could also occur in Düsseldorf (172 percent), Neukölln in Berlin (187 percent), Hammerbrook in Hamburg (268 percent) and Frankfurt am Main (269 percent). On the other hand, the biggest potential winners are also in the west: In Neuwied in Rhineland-Palatinate, taxpayers could benefit from a saving of 53 percent per year.

German government must finalise reform before 2020

The federal government must complete the property tax reform before the end of the year, or risk losing a tax income in excess of 14 billion euros per year from 2020 onwards. The current legislation, which allows for the collection of property taxes in the German tax system, expires at the end of 2019.