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ESTONIAN GOVT ENDORSES PLAN FOR LAND VALUATION IN 2022 1

Estonian govt endorses plan for land valuation in 2022

The Cabinet on Thursday approved proposals of Minister of Public Administration Jaak Aab for the conduct of a valuation of land in Estonia in 2022.

Spokespeople for the Ministry of Finance said that as a result of valuation, the state, municipalities and private owners alike will get adequate information about the actual value of land.

"Land valuation will provide a relevant basis for the conduct of transactions involving land and the taxation of land. A limit will be set on the annual increase in the land tax and the tax exemption for land under one's home will remain in force," the ministry said.

Director General of the Land Board Tambet Tiits recalled in the press release that the last regular land valuation took place in Estonia in 2001.

"Since then, the value of land has grown seven times on the average and the data from that time is no longer relevant," Tiits said.

The Land Board will conduct the valuation in 2022, when all approximately 750,000 land plots across Estonia will be evaluated.

Minister of Public Administration Jaak Aab said that while the value of land has increased severalfold over the years, this doesn't mean that land tax will grow by as much or do it steeply. For that protective mechanisms will be introduced by means of legislation, such as the maximum rates of land tax reduced and a cap of ten percent of the tax paid for the previous year imposed on increases in the tax.

"At the same time, the valuation of land also signals a direct benefit for the owners of land. Updated land prices will make the conclusion of contracts on the sale and rent of land more fluent for everyone, the need to separately commission a valuation of land will disappear and the fees received by landowners for various obligations to tolerate technical networks and structures will increase," Aab said.

"The big interval between valuations has put municipalities at a disadvantage by leaving their income from land tax unchanged for years. Hence they have less resources by which to improve the local living environment," Aab said.

The results of the valuation will be taken as basis for the calculation of the tax in 2024 at the earliest. When the amendments have stepped into force, the maximum rate of tax will be 0.5 percent of the value of land for residential land and profit yielding land, meaning yard land, agricultural land and forest land, and 1 percent of the value of land for other kinds of land, compared with the present cap of 2.5 percent.

The minimum tax rate will be 0.1 percent of the value of the land unit.

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It was a common understanding of the Cabinet that the land tax exemption for the land under one's dwelling must be preserved.

The decision about the rate of the tax will be made by the local government, which is best able to assess its residents' payment capability and local priorities. Local governments will be entitled to assign different tax rates to different land use categories, which enables to reduce the tax burden on landowners and direct the use of land.

Councils will be required to endorse land tax rates at least six months before the start of a new fiscal year.

The valuation of land will also affect many agreements on the use of land concluded with the state, where the fee is pegged to the taxation value of land. Mitigating mechanisms will be set out also concerning increases in the rates of fees under such agreements.

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