

**Land Value Taxation for the Benefit  
of the Community: A Review of the  
Current Situation in the European Union**

Nathaniel Lichfield and Owen Connellan  
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**Lincoln Institute of Land Policy  
Working Paper**

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## Abstract

In the European Union the extant tax harmonisation across countries is minimal, be it in tax systems or tax rates. In recent years the debate as to whether or not there should be more harmonisation, and in what respect, has been growing. For the debate to be profitable, more information on tax systems is needed. With an eye to advancing this for land value taxation (LVT), the Lincoln Institute for Land policy commissioned this Report. The Institute visualised it as an initial reconnaissance based on a desk study which would be a preliminary to an approach to the European Union, with the Institute's backing, to ask the Union to consider adopting the topic in a fuller study of its own.

The Report adopts the categorisation of methods used in the authors' two earlier reports (Lichfield and Connellan, 1997 and Lichfield and Connellan, 1999). In essence this was threefold: land value taxation by annual taxes on specific parcels of land for the purpose of gathering revenue for local government (LVT); policies and measures aimed at recouping to the community some proportion of increases in land value that can be attributed to the community activity which generates urban development (betterment); recovery of infrastructure costs whereby authorities are empowered to levy from land owners and developers some element of the cost in relation to the particular development project (planning gain/impact fees).

The particular contribution of the Report is a database relating to the European Community, covering these three categories with LVT subsumed into the classification of real property taxation. The database is embodied in the Appendices which, country by country, summarises the pertinent information where it exists, and then analyses it by graphs and tables, country by country, over the years 1965-1996. This shows in respect of GDP, the percentage share of total tax revenue and the percentage share of real property tax revenue. In Table I.5.1 the availability of the information, according to the references in the text and Bibliography, is categorised either as existing, not existing or having no information available at this stage. While the database is a considerable advance on what has been available, it nonetheless shows big gaps in the data, and in some cases disagreement between sources of data.

The content of the Appendices is summarised in the General Report preceding. This ends with two sections: main findings and main conclusions.

On the first some form of real property tax is currently levied in all of the 15 EU countries but there is no harmonisation at all in this form of taxation. The extant real property taxes for revenue gathering which are assessed on land value alone are only relatively minor, existing only in France, Denmark, Austria and some very limited measures in Germany, although the land value taxes designed for value capture (betterment) are more prolific. Generally speaking property taxes are not overly significant in fiscal terms as a ratio of GDP.

As to the conclusions, we offer our initial judgement “on the prospect of moving towards the adoption of land value taxation concepts in the European context”. Our view is that since property taxation exists in all the countries in one form or another, it seems a likely candidate for investigation on harmonisation. Therefore, the prospects for land value taxation must also arise, since it exists already in part within general property taxation and its retention is being urged. Furthermore, since both recoupment and infrastructure cost recovery under the planning system are more prevalent than land value taxation *per se* the prospect for investigation of LVT itself is also increased since it is an alternative to the possibilities under the planning system.

But while the desk study provides a great deal of information not otherwise available for the European Union, it clearly provides an inadequate basis for a full discussion and debate on the topic. This gives strength to the idea of approaching the European Union for a follow-on from a desk study to one based on a network of specialist country representatives.

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**Acknowledgements:** This Report is based on a desk study from publications which were available, as listed in the text and Selected Bibliography. Since the intent was a desk study in preparation for a second stage Report, Europe-wide in the field, we have not entered into consultation. In any case, this would have been very laborious and beyond the resources of this study, as the field to be covered was both wide ranging and spread throughout 15 countries.

But we must mention the following who have given us of their knowledge:

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# **Land Value Taxation for the Benefit of the Community: A Review of the Current Situation in the European Union**

## **Part 1: General Report**

### **I. Background**

In the European Union the extant tax harmonisation across countries is minimal, be it in tax systems or tax rates. But in recent years the debate as to whether or not there should be more harmonisation, and in what respect, has been growing. Just what the outcome will be must depend on discussions between the protagonists and antagonists, in the debates in the European Parliament and in the Commission. But pending the outcome of the political debate there needs to be further exploration at the academic and professional level to provide more background. This Report is seen as an input to this exploration.

Our primary objective follows from our understanding of the tax harmonisation issue facing the European Union, as expressed by Hitiris (1994) in his review of the degree of harmonisation extant in the EU:

Abolition of trade barriers among the members of the customs union does not necessarily mean that a common perfectly competitive market has been completed. Impediments to the smooth functioning of the competitive markets for commodities, services and factors of production are still many. Differences among the tax systems of the members of the customs union are one of the most important of these impediments and one of the most difficult to alleviate.

Tax harmonisation attempts to make different tax systems compatible with one another and with the objectives of the economic union. The aim of tax harmonisation is 'to encourage the interplay of competition in such a way that integration and economic growth ... may be achieved simultaneously and gradually' (EC, 1963: 188). The scale of compatibility ranges from nil to perfect and exactly what degree of compatibility/tax harmonisation is ideal for a particular economic union will depend on the extent of integration the members aim at.

The need for harmonisation in property taxation (which is not mentioned in the Hitiris review) has been emphasised by Wood and Williams (1992: 21) in pointing out that local property markets are not isolated.

They do not operate in a vacuum, separated from other localities and countries, nor are they isolated from financial markets. As Europe progresses towards the SEM (Single European market) the interconnections between property markets will inevitably deepen, and certainly the establishment of a common currency would encourage property occupiers, developers, owners and market professionals to overcome geographical boundaries. In these circumstances imperfections become crucial to market participants and national governments.

Parallel moves towards harmonisation are also being argued in quite a different area of activity (namely the urban and regional planning systems of the European Union countries). These systems have traditionally been linked with measures which, while not part of general taxation, are nonetheless aimed in a similar direction to *land value taxation* (LVT) i.e. *land value capture* (LVC) from the land owners and developers who are affected by the planning system a financial contribution to the authorities from the values created by development. This falls under two heads: *betterment* which is strictly related to the increase in land value from development and *infrastructure cost recovery* which seeks to place upon the landowner/developer some at least of the burdens of infrastructure costs for development which would otherwise fall upon the tax payers at large.

## 2. Terms of Reference

This Report is seen as an input to the harmonisation discussion in the three elements just noted. It stems from a commission from the Lincoln Institute of Land Policy to Nathaniel Lichfield and Owen Connellan dated 22 July 1998 (see Annex II). The terms of reference aimed at making the necessary preliminary reconnaissance study to pave the way for a proposal to the European Commission by these authors, backed by the Lincoln Institute of Land Policy, for a Europe-wide study in greater depth of prospects of land value taxation and land value capture within the current European Union.

For the purpose of discharging the terms of reference we adopted the categorisation of measures used in two earlier Reports of the authors (Lichfield and Connellan, 1997 and Lichfield and Connellan, 2000). In summary, Land Value Taxation has both a particular and generalised meaning. The former relates to levying annual taxes on specific parcels of land for the purpose of gathering revenue for local government (referred to as site value rating in Britain) and the latter, the generalised meaning, includes not only the particular meaning but also policies and measures aimed at recouping to the community (value capture) some proportion of increases in land value that can be attributed to community activity which generates urban development. In addition it takes in cognate methods for infrastructure costs recovery, whereby authorities are empowered to levy from land owners and developers some element of the cost of infrastructure (both physical and social) which can be said to have arisen in relation to particular development projects.

It would have been possible to discharge the terms of reference by concentrating on LVT and independently of general property taxation, but as these are inextricably linked, the authors felt that it was necessary to extend their study to place LVT within the context of real property taxation in general.

Within these terms of reference of this study, we were aiming to:

- (a) collate a database relating to European Community real property taxation including land value taxation, infrastructure cost recovery and land value capture, and
- (b) make an analysis of extant European systems and practices in these fields from which
- (c) to offer our initial judgements on the prospects of moving towards the adoption of land value taxation concepts in a European context, and
- (d) to provide the foundation for a possible deeper study by the EC for the possible harmonisation of
  - land value taxation which would bear comparisons with extant methods in Europe and other parts of the world
  - land value capture which would be related to the possible attempt to rationalise the European planning systems

### **3. Context of This Report**

In this Report we recognise that it will be for the European Parliament and Commission to decide whether or not there should be harmonisation of the land value taxation system in Europe, initially in the established Union and later also amongst its future members. For this purpose we visualise that the Parliament and Commission would need to have information on the current situation as a basis for possibly making their modifications to policy. As a contribution, this Report provides a database from a *desk study* in London. For that reason alone its coverage is limited. Clearly in itself it could be insufficient for deciding the policy changes in Brussels, a factor which registered with us more strongly during the carrying out of the study (see Table 1.1.5 below). Thus this Report is seen as preliminary to a second stage, of compiling a more adequate database for the purpose, with the guidance and involvement of the European Commission and its member States. For that reason we visualise submitting this Report to Brussels, with a proposal that we be invited to go onto the second stage. This would be made directly for the Commission with the backing of the Lincoln Institute of Land Policy.

#### **4. Structure of This Report**

This Report contains Appendices which form the database referred to in our Terms of Reference. This is preceded by a General Section which summarises the basic data from the Appendices.

As indicated the Appendices are based on a desk study literature review within the fields of real property taxation, land value recoupment, infrastructure cost recovery, and town planning. The literature covered is given in detail in the Bibliography which may not be exhaustive. The information has been collected from different sources at country levels for EU member states. Then the information for each country, collected from different sources had to be re-organised so that the conflicting information could be sorted out. In this, the more recent source has been given more credence and any information conflicting with it was discarded.

As will be seen from the Appendices, the database is substantial. To simplify appreciation, the following is a summary of its content. This is presented country by country, but only in relation to information which is available at this stage of the research.

#### **5. General Description of the Material in the Database**

The material in the database comprises the following:

- A narrative description of the relevant material relating to the Terms of Reference, country by country throughout the European Union, fifteen in all. This is summarised in Table I.5.1, showing for each country, and for each kind of exaction that can be related to real property, where pertinent information exists where it does not and where no information is available at this stage of the study.
- Analysis by graphs and tables, country by country, over the years 1965-1996, showing GDP, the percentage share of total tax revenue and the percentage share of real property tax revenue.

Also included are Draft Questionnaires for suggested use in the second stage, and a Selected Bibliography.

**Table I.5.1. Availability of Information by Countries**

Country	Real Property Taxation			Land Value Capture/ Betterment	Infrastructure Cost Recovery	
	Land & Building	Land Only	Building Only		From Developers	From Landowners
Austria	?	✓	-	?	✓	?
Belgium	✓	?	-	?	✓	✓
Denmark	✓	✓	-	?	-	✓
Finland	?	?	-	?	✓	✓
France	?	✓	✓	?	✓	✓
Germany	✓	✓	-	?	✓	✓
Greece	-	-	-	?	✓	✓
Italy	✓	-	-	?	✓	✓
Luxembourg	?	?	?	-	?	?
Netherlands	✓	-	-	✓	✓	✓
Portugal	?	?	?	?	✓	✓
R. of Ireland	✓	-	-	-	?	✓
Spain	✓	-	-	✓	✓	✓
Sweden	✓	-	-	?	✓	✓
UK	✓	-	-	-	✓	✓

- ✓ Exists
- Does not exist
- ? No information available at this stage

NB For further amplification see Section 7.

## 6. Summary

### Introduction

This section is organised in the same structure as in the Appendices for individual countries. There are three main headings, namely, real property taxation, land value capture and infrastructure cost recovery, following our terms of reference. Under these headings, a description is given for each country for every sub-heading covered in the Appendices. This is followed by the highlights of the current system in countries for which data are available, in each case for the latest year. In order to present all the detail in a comprehensible way, the Report is arranged under many subheadings.

From this general description of the material in the database it is seen that the Study in the Appendices went into considerable depth, exploring the references which are noted within the text and also within the bibliography below. But in this desk study we soon

found that there were many limitations. First, there were considerable gaps in the whole field. Although there is solid information on particular topics in various countries, on some topics there is none in material studied. The results are therefore very patchy. This is acknowledged in Table 1.5.1 and in the Appendices by the presence of question marks. Second, there were inconsistencies in data from official sources. An example is real property tax revenue in Greece. According to the OECD (1998), there has been a flow of income from the taxation of real property in Greece since 1965. However the EC (1996) source does not recognise any form of real property taxation in that country. Another example of conflicting data is the dichotomy between the figures for revenue from real property taxation given in OECD (1998), and the figures that are derived through multiplying the amount of GDP given in EC (1997) with the percentage share of real property tax revenue in GDP given in OECD (1998). Although these figures should correlate, in practice they do not. Another example relates to Table IIIA.2.8.2.4 and IIIB.2.8.2.4 on Italy in Appendix 2, which seem to be inconsistent. However, since this is a preliminary desk study, we highlight these differences in the Appendices, for clarification in the hoped for follow-on.

Now follows a summary description of the arrangement, format and defined contents of the database in the Appendices under headings and sub-headings.

## **6.1. Real property taxation**

Real property taxation comprises the imposition of a tax on land and/or buildings to collect local revenue.

### 6.1.1. Tax base and rate as follows

6.1.1.1. Name of the tax is presented in English and in addition we have added the name in the original language where information is available:

- **Belgium:** precompte immobilier
- **Denmark:** land tax (grundsklyd), service tax
- **France:** property tax on land without buildings, property tax on buildings
- **Germany:** ownership tax (Grundsteuer)
- **Netherlands:** property tax
- **Republic of Ireland:** rates
- **Spain:** rural land tax, urban land tax
- **Sweden:** municipal guarantee tax
- **United Kingdom:** council tax, uniform-business rate (UBR)

6.1.1.2. Real property taxed indicates which component of the real property is being taxed (e.g. land, buildings)

- **Denmark:** all privately owned land for the land tax; and publicly owned property and buildings on business property for the service tax
- **France:** land without buildings for the property tax on land without buildings; and buildings and certain kinds of land and premises for the property tax on buildings
- **Germany:** land and buildings
- **Netherlands:** land and buildings
- **Spain:** land and buildings
- **Sweden:** residential land and residential buildings
- **United Kingdom:** land and buildings

6.1.1.3. Tax base indicates the base upon which the tax is estimated (i.e. the derivation of the assessed values).

- **Belgium:** market value of land
- **Denmark:** market value of land
- **France:** cadastral income equal to half the cadastral value assessed on 1st January, 1970 by comparison with similar premises or by a direct valuation
- **Germany:** standard value of property (1964 values plus 40% of the real market value)
- **Netherlands:** capital market value and adjusted replacement cost (including factors for nature, situation, condition and use)
- **Republic of Ireland:** net annual value determined by reference to a fixed scale of costs and produce prices for agricultural land; and the estimated annual letting value less the cost of rates, repairs, insurance and maintenance for other property
- **Spain:** assumed net income from agricultural property for the rural land tax; and real or potential income from land and buildings for the urban land tax
- **Sweden:** market value
- **United Kingdom:** capital value for housing; rental value for business premises etc.

6.1.1.4. Tax rate indicates at what rate the real property is being taxed.

- **Denmark:** for the land tax 0-5.5% for municipalities and 1.5% for counties; for the service tax 0-1% for public buildings, for other buildings 0.5% if levied by municipalities and 0.375% if levied by counties
- **France:** tax rate varies according to the local authority

- **Germany:** a low standard value (determined by tax offices) is multiplied by a leverage factor (Hebesatz—determined by municipalities) and a tax measure number (Steuermesszahl—determined by federal law) for different types of properties
- **Netherlands:** unlimited (usually 1%) (the rate regarding the owner component of the tax cannot exceed 125% of the user rate)
- **Spain:** determined according to the official property prices stated in the Estate Property Register
- **Sweden:** 1.5% for owners of private housing and site lessees, and single family co-operative housing; 2.5% for multiple-family co-operative dwellings and non-profit housing
- **United Kingdom:** Council Tax rates set by local authorities, and uniform business rates (UBR) set by central government

6.1.1.5. Assessment ratio indicates at what percentage of the real property value the real property tax is assessed.

- **France:** 80% of the cadastral value for property tax on land without buildings; 50% of the cadastral value for property tax on buildings
- **Sweden:** 75% of the market value two years before date assessment is made

6.1.2. Organisation and liability as follows

6.1.2.1. Legislation indicates name of the authority which enacts the relevant legislation (e.g. laws, by-laws, statutory codes) under which the real property tax system operates. Legislation enacting is carried out by the central government in **France**, **Netherlands**, **Sweden** and the **United Kingdom**.

6.1.2.2. Property appraisal authority indicates the name of the authority which appraises property.

- **Denmark:** central government
- **Germany:** municipalities
- **Netherlands:** experts hired by the municipality and controlled by a valuation supervision board under the responsibility of the mayor
- **Portugal:** local authorities
- **Sweden:** local assessment boards
- **United Kingdom:** officials appointed by central government (Valuation Office Agency)

6.1.2.3. Data gathering and administration indicates the authority which administers and gathers data.

- **Denmark:** municipalities (also counties for the service tax)
- **Germany:** Länder (states)
- **Italy:** local authorities
- **Netherlands:** central government cadastral service
- **Portugal:** local authorities
- **Spain:** central government
- **Sweden:** National Tax Board, local country tax authority, Real Estate Assessment Board, Central Board for Real Estate Data
- **United Kingdom:** central government via the Valuation Office Agency and local authorities

6.1.2.4. Setting tax rates indicates the authority which determines real property tax rates. Central government undertakes this task in **Denmark** and the **United Kingdom** (for Uniform Business Rates only); whereas it is a local government responsibility in **France**, **Germany**, **Netherlands**, **Sweden**, and **United Kingdom** (for local Council Tax).

6.1.2.5. Setting the tax base indicates the authority which determines the real property tax base. The information regarding this sub-topic is available only for Spain and the United Kingdom at this stage of the research. In **Spain**, this is done by agencies representing both central and local governments, whereas in the **United Kingdom** the central government undertakes this task for UBR and Council Tax.

6.1.2.6. Receiving tax proceeds indicates the authority which receives the proceeds from the collection of real property tax. In all of the following countries for which information is available, local authorities receive tax proceeds: **Denmark**, **France**, **Germany**, **Italy**, **Netherlands**, **Portugal**, **Spain**, **Sweden** and the **United Kingdom**.

6.1.2.7. Tax liability indicates who is liable to pay the real property tax.

- **Denmark:** owners
- **France:** owners for property tax on land without buildings; owner or beneficiary of property tax on buildings and certain kinds of land and premises
- **Germany:** all owners of land, whether developed or not
- **Netherlands:** both owners and occupiers pay a share
- **Portugal:** occupiers
- **Spain:** owners

- **Sweden:** owners
- **United Kingdom:** occupiers

6.1.2.8. Levying frequency indicates how often the real property tax is levied. In the countries for which information could be gathered, in **Denmark, Germany** and the **United Kingdom** tax is levied annually.

6.1.2.9. Earmarking indicates whether the proceeds from the real property tax is designated for a certain use. In the countries for which information could be gathered, in **Denmark, Germany, Netherlands, Portugal** and **Spain** there is no earmarking.

6.1.3. Valuation as follows

6.1.3.1. Method indicates which appraisal method is used to determine real property values.

- **Denmark:** market / comparable sales approach
- **France:** market approach
- **Germany:** income approach
- **Netherlands:** market / comparable sales approach (usually for residential property), income approach (usually for shops), cost approach (for unmarketable property)
- **Sweden:** market / comparable sales approach, income approach
- **United Kingdom:** market / comparable sales approach, income approach, cost approach, formula basis for statutory undertakings

6.1.3.2. Frequency indicates how often the valuation of real property is carried out.

- **Denmark:** every 4 years
- **France:** revaluation every 6 years and update every 3 years
- **Germany:** every 6 years
- **Netherlands:** every 5 years
- **Republic of Ireland:** none since the 1850s with minor exceptions
- **Sweden:** every 6 years
- **United Kingdom:** every 5 years for UBR (Uniform Business Rate)

6.1.4. Tax Revenues as follows:

6.1.4.1. Total yield indicates the nominal amount of yield from all sorts of real property taxation in the given year.

**Table I.6.1.4.1. Amount of Real Property Tax by Country (in Nominal Values in Local Currencies)**

**Austria** (millions of schillings)

	1965	1970	1975	1980	1985	1990	1995	1996
Land Tax A	220	219	289	299	354	349	350	352
Land Tax B	607	751	1,582	2,220	3,076	3,666	5,083	5,279

**Belgium** (billions of francs)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	0	0	0	0	0	1	1	1

**Denmark** (millions of kroner)

	1965	1970	1975	1980	1985	1990	1995	1996
Central Government Land Tax	0	0	0	264	0	0	0	0
County Land Tax	0	557	1,551	2,315	1,990	2,915	3,212	3,126
Municipal Land Tax	0	970	1,422	2,257	2,678	4,123	4,998	5,104
Central Government Fixed Tax on Real Property	0	22	16	11	5	0	0	0
County Fixed Tax on Real Property	0	36	0	0	0	0	0	0
Municipal Fixed Tax on Real Property	0	150	116	91	48	0	0	0

**Finland** (millions of markas)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	0	0	0	0	293	454	2,624	2,582

**France** (millions of francs)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	3,320	4,334	7,983	20,015	45,001	63,683	90,113	101,226

**Germany** (millions of DM)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	2,110	2,683	4,150	5,804	7,366	8,724	13,744	14,696

**Table I.6.1.4.1. Amount of Real Property Tax by Country (in Nominal Values in Local Currencies) (Continued)**

**Greece** (millions of drahmas)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	80	258	519	1,482	3,701	7,526	3,413	3,137

**Italy** (millions of Italian lira)

	1965	1970	1975	1980	1985	1990	1995	1996
Tax on the Revenue of Landowners	4	4	0	0	0	0	0	0
Tax on Revenue from Buildings	23	26	8	4	0	1	0	0
Tax on Revenue from Luxury Buildings	1	2	0	0	0	0	0	0
Provincial Extra Tax on Land	31	32	10	0	0	0	0	0
Municipal Extra Tax on Land	35	34	2	0	0	0	0	0
Provincial Extra Tax on Buildings	50	51	36	4	0	0	0	0
Municipal Extra Tax on Buildings	41	42	9	5	0	0	0	0
Imposta Comunale Immobiliare	0	0	0	0	0	0	14,424	15,155
Recurrent Taxes on Real Property (Total)	185	191	65	13	0	1	14,424	15,155

**Luxembourg** (millions of francs)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	150	197	231	346	509	579	703	724

**Netherlands** (millions of guilders)

	1965	1970	1975	1980	1985	1990	1995	1996
Municipal Real Property Tax	130	150	90	1,810	2,820	3,080	3,960	4,200
Tax on Land	130	150	110	0	0	0	0	0
Other Municipal Taxes on Property	146	287	240	10	10	40	80	80

**Table I.6.1.4.1. Amount of Real Property Tax by Country (in Nominal Values in Local Currencies) (Continued)**

**Netherlands** (Continued)

	1965	1970	1975	1980	1985	1990	1995	1996
Contributions Polder Boards	98	157	270	430	540	650	930	960
Recurrent Taxes on Real Property (Total)	244	444	710	2,250	3,370	3,770	4,970	5,240

**Portugal** (millions of escudos)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	0	0	0	0	0	26,700	62,157	63,468

**Republic Of Ireland** (millions of Irish pounds)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	31	51	87	110	178	245	333	353

**Spain** (billions of pesetas)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	1	2	4	7	6	246	470	503

**Sweden** (millions of kronor)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	10	10	11	16	3,861	8,946	15,263	24,028

**United Kingdom** (millions of pounds sterling)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	1,228	1,827	4,022	8,346	13,924	14,629	22,506	24,472
Betterment Levy	0	26	2	0	0	0	0	0
Development Land Tax	0	0	0	42	68	6	0	0

Source: OECD (1998) Revenue Statistics (1965-1997), Paris, OECD

6.1.4.2. Total tax revenue as a percentage of GDP

**Table I.6.1.4.2. Total tax revenue as a percentage of GDP by country by year**

	1965	1970	1975	1980	1985	1990	1995	1996
Austria	33.9	34.9	37.7	40.3	42.4	41.0	42.3	44.0
Belgium	31.1	35.7	41.6	43.7	46.9	44.0	46.0	46.0
Denmark	29.9	40.4	41.4	45.5	49.0	48.7	51.4	52.2
Finland	30.3	32.5	37.7	36.9	40.8	45.4	46.1	48.2
France	34.5	35.1	36.9	41.7	44.5	43.7	44.5	45.7
Germany	31.6	32.9	36.0	38.2	38.1	36.7	39.2	38.1
Greece	22.0	25.3	25.5	29.4	35.1	37.1	40.8	40.6
Italy	25.5	26.1	26.2	30.4	34.5	39.2	41.3	43.2
Luxembourg	27.7	28.0	38.8	42.0	46.7	43.4	44.1	44.7
Netherlands	32.8	37.1	43.0	45.2	44.1	44.6	43.8	43.3
Portugal	16.1	20.1	21.6	25.1	27.6	30.9	34.9	34.9
Rep of Ireland	24.9	29.9	30.2	32.6	36.4	34.8	33.8	33.7
Spain	14.7	16.9	19.5	23.9	28.5	34.2	34.0	33.7
Sweden	35.0	39.8	43.4	48.8	50.0	55.6	49.5	52.0
UK	30.4	37.0	35.4	35.1	37.5	36.5	35.6	36.0

Source: OECD (1998) Revenue Statistics (1965-1997), Paris.

### 6.1.4.3. Real property tax revenue as a percentage of GDP

**Table I.6.1.4.3. Real property tax revenue as a percentage of GDP by country by year**

	1965	1970	1975	1980	1985	1990	1995	1996
Austria	1.3	1.3	1.2	1.2	1.0	1.1	0.6	0.6
Belgium	1.2	1.1	1.0	1.0	0.8	1.2	1.1	1.2
Denmark	2.4	2.4	2.4	2.6	2.1	2.1	1.8	1.7
Finland	1.2	0.7	0.7	0.7	1.1	1.1	1.1	1.1
France	1.5	1.2	1.3	1.5	2.0	2.3	2.3	2.3
Germany	1.8	1.6	1.4	1.3	1.2	1.2	1.1	1.1
Greece	2.1	2.3	2.5	1.3	0.9	1.7	1.4	1.4
Italy	1.8	1.6	0.9	1.1	0.9	0.9	2.3	2.3
Luxembourg	1.7	1.8	2.0	2.4	2.6	3.7	3.2	3.4
Netherlands	1.4	1.2	1.0	1.6	1.5	1.6	1.8	1.9
Portugal	0.8	0.9	0.5	0.4	0.5	0.8	0.9	0.9
Rep of Ireland	3.8	3.7	2.9	1.7	1.5	1.6	1.5	1.6
Spain	0.9	1.1	1.2	1.1	1.0	1.9	1.9	1.9
Sweden	0.6	0.6	0.5	0.5	1.2	2.0	1.4	2.0
UK	4.4	4.6	4.5	4.2	4.5	2.9	3.7	3.8

Source: OECD (1998) Revenue Statistics (1965-1997), Paris.

#### 6.1.4.4. Real property tax revenue as a percentage of total tax revenue

**Table I.6.1.4.4. Real property tax revenue as a percentage of total tax revenue by country by year**

	1965	1970	1975	1980	1985	1990	1995	1996
Austria	4.0	3.7	3.1	2.9	2.4	2.7	1.5	1.4
Belgium	3.7	3.0	2.3	2.4	1.8	2.6	2.4	2.6
Denmark	8.0	6.0	5.9	5.7	4.2	4.2	3.5	3.3
Finland	4.0	2.2	1.9	1.9	2.7	2.4	2.3	2.2
France	4.3	3.5	3.4	3.5	4.4	5.1	5.2	5.1
Germany	5.8	4.9	3.9	3.3	3.0	3.4	2.7	3.0
Greece	9.7	9.3	9.7	4.6	2.7	4.6	3.4	3.4
Italy	7.2	6.0	3.3	3.7	2.5	2.3	5.7	5.4
Luxembourg	6.2	6.6	5.1	5.6	5.5	8.5	7.2	7.6
Netherlands	4.4	3.3	2.4	3.6	3.5	3.7	4.1	4.4
Portugal	5.1	3.0	2.5	1.4	1.9	2.7	2.5	2.5
Rep of Ireland	15.1	12.2	9.7	5.3	4.0	4.7	4.5	4.8
Spain	6.4	6.5	6.3	4.6	3.5	5.5	5.5	5.5
Sweden	1.8	1.5	1.1	0.9	2.3	3.5	2.8	3.8
UK	14.5	12.5	12.7	12.0	12.0	7.8	10.4	10.6

Source: OECD (1998) Revenue Statistics (1965-1997), Paris.

#### 6.1.5. Exemptions as follows

6.1.5.1. Type of property indicates what kind of property is fully or partially exempt from real property taxation and the details are scheduled for each country in the following Table I.6.1.5.1.

**Table I.6.1.5.1. Type of Property Exempt from Real Property Taxation**

Austria	No information
Belgium	No information
Denmark	Properties which are exempted from public assessments; property owned by the state or the municipalities, the embassies and consulates of foreign states and property belonging to certain international organisations; private or other non-profit making institutions and power stations, gasworks, waterworks and district heating stations (left to local authority discretion)
Finland	No information

**Table I.6.1.5.1. (Continued)**

France	(a) land works, public land, association land, woodlands, agricultural land (b) public buildings and the like, farm buildings, subsidised housing, new residential buildings, principal residence belonging to old and handicapped people, new firms
Germany	Foreign embassies and consulates, public service properties, property used by the railway administration, property serving public transport, accommodation in boarding schools, religious use property, cemeteries, accommodation used by the local and foreign armed forces and the police
Greece	No information
Italy	(a) property belonging to the State, the regions, the provinces, mountain communities, associations of mountain communities, local health authorities, as well as chambers of commerce and industry, crafts trades and agriculture and which is intended only for institutional purposes (b) places of religious worship, property belonging to the Holy See or to foreign states and regional organisations
Luxembourg	Real property belonging to public corporations and used for public purposes; real property used for charitable, sporting, religious, or scientific purposes; land and buildings belonging to hospitals; public roads and waterways; cemeteries
Netherlands	Agricultural land, religious use property, sites of natural significance, public rail transport infrastructure and buildings, public water purification plants, embassies, consulates, buildings belonging to international organisations, municipal properties, public gardens, parks and cemeteries
Portugal	Purchase of real property for resale under certain conditions, purchase of a dwelling for the purchaser or a third party, provided that the value on which the tax is to be levied does not exceed ESC 8,400,000, the State, municipalities and their associations do not pay the tax, national monuments, some owner occupied housing
Republic of Ireland	Central government property, property used for science, literature and the fine arts (including museums and art galleries), public hospitals, charities, generating stations and transmission lines of national electricity authority
Spain	Properties considered essential for rural development and livestock exportation (urban land tax only), property belonging to foreign governments, property belonging to central government and its agencies, educational property, hospitals, religious property, charities, property in public use, artistic and cultural heritage of the country, 95% and 50% tax rate exemption on toll motorways and social housing respectively
Sweden	Industrial and agricultural properties, commercial premises, newly built or completely renovated houses, religious use buildings, public buildings, national parks
UK	Agricultural land and buildings; buildings in religious use, administrative offices and religious organisations; lighthouses, beacons and buoys; sewers and drainage authority buildings; parks and pleasure grounds; properties used for the care of the disabled; enterprise zones

## 6.2. Land Value Capture/Betterment

Land Value Capture/Betterment comprises ways of securing a contribution for the sake of community benefit as derived from increases in land value resulting from development.

6.2.1. Legislation indicates the legal framework (e.g. laws, by-laws, statutory codes) under which the betterment system operates.

6.2.2. Possible causes of betterment indicate what may potentially lead to the collection of betterment. In Luxembourg there is no provision for betterment. Among the EU countries information can be obtained only for Netherlands and Spain regarding betterment. In the **Netherlands**, betterment tax (baatbelasting) is levied (either lump sum or over thirty years) on owners benefiting from municipal measures. In **Spain**, betterment is taxed on any increase in value during the tax period of land the ownership of which is transferred, or land in which any real right of enjoyment is created or transferred restricting the rights of ownership.

6.2.3. Basis of assessment indicates how the amount to be charged as betterment is estimated.

## 6.3. Infrastructure Cost Recovery

Infrastructure Cost Recovery comprises ways of recovering part or all of the costs of infrastructure provision, the need for which results from a development.

6.3.1. From developers as follows:

6.3.1.1. Legislation indicates the legal framework (e.g. laws, by-laws, statutory codes) under which infrastructure cost recovery can be demanded from developers.

6.3.1.2. Maximum limit to local authority powers of imposing costs on developers. There is a limit to local authority powers of imposing costs on developers in **France, Germany** and **Netherlands**.

6.3.1.3. Contribution to public facilities required from developers

- **Austria:** contribution required from developer
- **Belgium:** local planning authorities can demand private developers to provide buildings or infrastructure for public facilities
- **France:** Contribution to public facilities is based on the necessary costs of providing infrastructure or facilities (known as taxe locale d'équipement/local service tax) (1-5%). The contributions can be used for funding the acquisition and development of public space

- **Germany:** landowners have to contribute by giving land necessary for facilities
- **Greece:** cost of providing infrastructure can be covered by financial contributions, and/or land dedication by developers
- **Italy:** cost of providing infrastructure can be covered by developers' contributions
- **Netherlands:** cost of providing infrastructure can be covered by developers' contributions
- **Portugal:** cost of providing infrastructure can be covered by financial contributions, and/or land dedication by developers
- **Spain:** land dedication for certain public facilities + 15% of land for social housing, all basic infrastructure should be built free of charge
- **Sweden:** contribution required from developer
- **United Kingdom:** planning obligations, levy for water and sewerage

6.3.1.4. Existence of negotiated agreement schemes. Negotiated agreement schemes between developers and public authorities exist in **Austria, Finland, France, Germany** (through the Urban Development Measure), **Netherlands, Spain, Sweden** and the **United Kingdom** (through planning obligations).

6.3.1.5. Issuing permits conditional on the payment of contributions. In **Germany** projects which are not conforming to the existing regulations may be approved if a financial contribution is made by the developers. A similar scheme exists also in **Italy**. Such a system does not exist in **Austria, Belgium** (Wallonia and Flanders), the **Republic of Ireland** and the **United Kingdom**.

6.3.1.6. Taxes on developers exceeding the predefined land/building ratios. This practice exists in **France** and in the **United Kingdom** (through planning obligations).

6.3.1.7. Land dedication to the local authority. This practice exists in **France** and in the **United Kingdom** (through planning obligations).

6.3.2. From landowners as follows

6.3.2.1. Legislation indicates the legal framework (e.g. laws, by-laws, statutory codes) under which infrastructure cost recovery can be demanded from landowners.

6.3.2.2. Land tax includes public improvements to land. This is the case in **Denmark**.

6.3.2.3. Land dedication to the local authority. The following practices exist in

- **Germany:** after replotting (Umlegung) and development of land, if the new plot has a higher value, either the difference is paid back or land is dedicated to the municipality.

- **Greece:** if a site is included in the statutory plan for the first time, part of the land is taken by the state for public facilities.
- **Republic of Ireland:** land for roads are to be granted to the municipality free of charge.
- **Spain:** similar land dedication practices prevail as in countries given above.

6.3.2.4. Covering the cost of public utility provision. The following practices exist in

- **Belgium:** stamp duty covers part of the cost for local infrastructure on greenfield sites
- **Finland:** if land is not developed within three years after application, the municipality can impose the full cost of infrastructure on landowners
- **Germany:** 90% of the cost (in greenfield sites) can be charged to landowners (Erschliessungsbeitrag—some regard this as a betterment levy, some as an exaction)
- **Italy:** 5-20% of the building cost except for public works can be charged to landowners
- **Spain:** 10% of the building rights belonging to landowners are appropriated to cover the costs
- **Sweden:** (1) fees (usually 100% of costs for water and sewerage facilities) may be collected from property owners to cover infrastructure costs (either as a one-time charge for construction, or as an annual fee for operating and maintenance) (2) street improvement fees may be collected from landowners
- **United Kingdom:** planning obligations (if the landowner makes the development)

## 7. Findings and Conclusions

To overcome the gaps in the database, we considered going beyond the source material available in the literature and enlisting help from specialists in each country and for each topic. For this purpose we had in mind identifying the specialists from each country with the aim of sending out prepared questionnaires, as reproduced in Appendix III.5.

However, in the end we decided against this approach, because it would have been a laborious undertaking beyond the time and money resources available in our contract, and also the result would still be lacking for a variety of reasons. At this stage we cannot be certain that the nominated specialist would be the best for the particular country, in the eyes of the European Commission to whom the Report would eventually be delivered. Furthermore, we could also not be sure that the particular specialist would be able to cover in depth each of the many topics tackled in the Appendices. Thus we might have approached particular specialists and burdened them heavily without being able to compensate them financially nor assure them that their involvement would be approved in the major hoped for Stage II Study with the European Union (see Section 2 above).

As indicated above in Section 6, the result is a Report with many gaps, and perhaps with inaccuracies because of our sole reliance on publications. Furthermore, as might be expected, the terminology of the different countries for any particular item varies enormously according to the language of the country concerned, and also according to the meaning in English that could be described in those terms.

To overcome this difficulty it was clear that the Europe-wide research in Stage II would need prior preparation of a Glossary, in order to try and ensure comparability of information, by providing clear definitions for terms such as “cadastral income” and “assessed value.” For this Report we concluded, however, that the absence of a glossary at this stage would not, undermine the value of the Report for the purpose visualised in our Terms of Reference, namely an initial reconnaissance, covering the ground indicated by the objectives of the research, and thereby suitable for its purpose in approaching the Commission. Furthermore, despite the gaps the Study has enabled us to draw findings and conclusions which would be pertinent and relevant to the Commission, should it be considering harmonisation in this field.

### **7.1. Main Findings**

- Some form of real property tax is currently levied in all of the 15 EU countries.
- There is no harmonisation at all in this form of taxation.
- The extant real property taxes for revenue gathering which are assessed on land value alone are only relatively minor, and exist only in France, Denmark, Austria and on a very limited scale in Germany, although land value taxes designed for value capture (betterment) are more prolific.
- Generally speaking the general run of real property taxes however are not overly significant in fiscal terms, as revealed by the tables and graphs showing the ratios between property taxes, total tax revenue and gross domestic products.
- While the database collected in London is a considerable advance on what has been available and presents a total scan of the whole field, it also shows big gaps in the data, and in some cases disagreement between sources of data.
- The data which exist are not adequate without further study for the European Parliament and Commission to take the necessary steps for any detailed consideration of harmonisation of real property taxes, including land value taxes.

### **7.2. Main Conclusions**

- As asked for in the Terms of Reference, we have made our initial judgements “on the prospect of moving towards the adoption of land value taxation concepts in the European context.”
- The prospects must be a function of the stand taken by the Parliament and Commission on property tax harmonisation in full, or partial or not at all. This is

clearly intensely political and at this stage cannot be predicted. If harmonisation is decided upon, then clearly the extent of harmonisation becomes an issue, as for example, whether there be harmonisation in terms of taxation and recoupment *systems* or in terms of *levels of taxation*, the latter being arguably less likely. If harmonisation be decided then we hope that our Report will be helpful in the debate.

- Given the move to any kind towards harmonisation in this field, then there would be an obvious need for simplification in administration and ease of application in appraisals, where incidentally land value as opposed to general property taxation arguably has advantages. If simplification is not achievable then the harmonisation would be blunted.
- Since property taxation exists in all countries, in one form or another, it seems a likely candidate for investigation on harmonisation. In this, land value taxation must also arise, since it exists already in part, and its retention is being urged in some quarters.
- Since recoupment and infrastructure cost recovery under the planning system is more prevalent than land value taxation *per se*, it is likely to be investigated.
- Accordingly, it would not be advisable for the Commission to make firm proposals on this matter without better coverage. This cannot be achieved from London using the methods employed in this Report but must be pursued through the Commission, with the appointment of appropriate specialists in the various countries, related to the various topics under review.
- While the case for land value taxation is an established one, and widely practised around the world, it is certainly controversial. The controversy relates not simply to the technical aspects of discussion but goes to the root of country attitudes to land ownership and the land market. This could concentrate the debate as to whether differences in such attitudes provide a fundamental obstacle to harmonisation.
- Consequently, in carrying out a Stage II Study, there would also be a need to explore attitudes and approaches to land value taxation and recoupment in the different countries.
- Clearly, to embark on tax harmonisation in land value taxation would be a major undertaking. From this it follows that the better the preparation of the facts in a database, with help of country representatives, the more equipped the Commission would be for the purpose.
- This in itself underlines the need for a proposed follow on Stage II Study for the Commission, with the backing of the Lincoln Institute of Land Policy, as visualised in our terms of reference.

## II. Terms of Reference

“The Lincoln Institute of Land Policy will provide funding for your study of land value taxation within the European Union as outlined in your proposal of 4 March 1998” as follows:

### *Summary of Proposal for Third Report*

*Throughout the current European Union there has been an increasing interest in the rationalisation of economies and, as a progress indicator, monetary union is due to take place in 1999.*

*Landed property is obviously one of the primary available targets for an emerging taxation base even in these formidable circumstances. This would seem to be the opportunity to mount the case for LVT as it can be argued that, from a practical viewpoint, to assess a tax on the value of land is an easier process and a perhaps more straightforward technique than to attempt to appraise a “market value” of combined hereditaments of land and buildings, particularly where there is an overall dearth of property transaction data. In moving in this direction, the possibility of harmonisation of LVT within the present European Union as a pan-European concept, means that this could be more closely associated with the possible on-going discussion on harmonisation of planning systems across Europe.*

*We see the advantages of progressing the European study in two stages. In our third report we would be looking to the Lincoln Institute for funding to enable us to collate a data-base and make a subsequent analysis of extant European property tax systems and practices from which to offer our initial judgements on the prospects of moving towards the adoption of LVT concepts in a European context. We appreciate that sources of this sort of property tax data are available, e.g. from Lincoln Institute and other studies, but we would wish to add to these with our own investigations. However, the following and fourth report would be more ambitious and would aim at specific proposals for introducing LVT on a pan-European basis and for this we would need to seek to gain financial support from the European Commission, whom we would plan to approach with your backing. This final study would then follow the European Commission model of collaboration between various countries, in which we would take the leading and co-ordination role.*

*Our overall intention in the third report is, therefore, to examine and comment upon the opportunities and prospects now opening up for LVT in Europe and to present proposals that could form the basis of a subsequent submission from us to the European Commission.*

### **III.1. Introduction to Appendices**

The following Appendices provide the basis of the findings in the main body of the Report. Appendix III.2 covers Country Reports and provide detailed information about the topics presented in the main body of the Report. Appendix III.3 provides some graphs which show the relative shares of revenues from real property taxation, total tax revenue and GDP for each country considered. Appendix III.4 presents the figures used for producing the graphs in the previous Appendix. Appendix III.5 provides the 3 different questionnaires initially designed for this stage of the research, but not circulated for the reasons given in the General Report at 1.7 above. They could be used however, in the follow on. The questionnaires are aimed at country representatives specialised in real property taxation, land value capture/betterment and infrastructure cost recovery. Finally, Appendix III.6 concludes this Report with Selected Bibliography.

### **III.2. Country Reports**

Detailed information about EU countr practices of real property taxation, land value capture/betterment and infrastructure cost recovery is given on the following pages according to the availability of sources. When there is no information regarding an issue, this is indicated by inserting “(?)” after the relevant subheading. The information is organised by countries in the following hierachy of headings and sub-headings.

#### **Country Name**

#### **General Overview**

#### **Real Property Taxation**

- Tax Base and Rate
- Organisation and Liability
- Valuation
- Tax Revenues
- Exemptions

#### **Land Value Capture/Betterment**

#### **Infrastructure Cost Recovery**

- From Developers
- From Landowners

## III.2.1. AUSTRIA

### III.2.1.1. General Overview

*Dimensions and National Area:* Austria is about 580 km (about 360 mi) long and has an area of 83,859 sq km (32,378 sq mi).

*Population Density:* The 1996 estimated population was about 8,023,244, giving the country an overall population density of about 96 persons per sq km (about 248 per sq mi). ("Austria," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

### III.2.1.2. Real Property Taxation

#### III.2.1.2. 1. Tax Base and Rate (?)

#### III.2.1.2.2. Organisation and Liability (?)

#### III.2.1.2.3. Valuation (?)

#### III.2.1.2.4. Tax Revenues

Real property tax revenues have been declining both as a percentage of GDP and as a percentage of total tax revenue; despite an increase in total tax revenue as a percentage of GDP. In 1996 the proceeds from recurrent taxes on real property amounted to 5,631,000,000 Austrian schillings as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.1.2.4. Amount of Real Property Tax by Country  
(In Nominal Values in Local Currencies)**

**Austria** (millions of schillings)

	1965	1970	1975	1980	1985	1990	1995	1996
Land Tax A	220	219	289	299	354	349	350	352
Land Tax B	607	751	1,582	2,220	3,076	3,666	5,083	5,279

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998):

**Table IIIB.2.1.2.4. Real Property Tax Revenues in Austria**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	33.9	34.9	37.7	40.3	42.4	41.0	42.3	44.0
Real property tax revenue as a % of GDP	1.3	1.3	1.2	1.2	1.0	1.1	0.6	0.6
Real property tax revenue as a % of total tax revenue	4.0	3.7	3.1	2.9	2.4	2.7	1.5	1.4

III.2.1.2.5. Exemptions (?)

### **III.2.1.3. Land Value Capture/Betterment (?)**

#### **III.2.1.4. Infrastructure Cost Recovery**

III.2.1.4.1. From Developers

Developers may be required to offer a proportion of the development site as a contribution to public facilities such as public open space, or social housing. Negotiated agreement schemes also exist. Issuing of permits is not conditional on the payment of any contributions (EC, 1997a: 91).

III.2.1.4.2. From Landowners (?)

## **III.2.2. BELGIUM**

### **III.2.2.1. General Overview**

*Dimensions and National Area:* Belgium is about 282 km (about 175 mi) long, measured in a southeastern-northwestern direction, about 145 km (about 90 mi) wide, and is roughly triangular in shape. The area is 30,519 sq km (11,783 sq mi).

*Population Density:* The population of Belgium (1995 estimate) is about 10,031,000, giving the country an overall population density of about 329 persons per sq km (about 851 per sq mi). ("Belgium," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

### **III.2.2.2. Real Property Taxation**

III.2.2.2.1. Tax Base and Rate

Taxation value is the value attributed to a property by the taxation authorities for taxation purposes such as registration duties or property tax (precompte immobilier) (Bardouil, 1995: 7).

III.2.2.2.2. Organisation and Liability

The land registry plan identifies the ownership of land and buildings. Through the title deeds it is possible to trace all previous owners and prices at which properties were sold (Bardouil, 1995: 12). The taxation authorities have to prove that the price stated in the title deeds is below market levels (Bardouil, 1995: 13).

III.2.2.2.3. Valuation

Some valuations for taxation purposes are based on the market value (Bardouil, 1995: 8).

#### III.2.2.2.4. Tax Revenues

Real property tax revenues have been stable as a percentage of GDP, whereas they have been fluctuating and as a percentage of total tax revenue. Disregarding the decrease from 1985 to 1990, total tax revenue as a percentage of GDP has been increasing steadily. In 1996 the proceeds from recurrent taxes on real property amounted to one billion Belgian francs as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.2.2.4. Amount of Real Property Tax by Country  
(in Nominal Values in Local Currencies)**

**Belgium** (billions of francs)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	0	0	0	0	0	1	1	1

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998):

**Table IIIB.2.2.2.4. Property Tax Revenues in Belgium**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	31.1	35.7	41.6	43.7	46.9	44.0	46.0	46.0
Real property tax revenue as a % of GDP	1.2	1.1	1.0	1.0	0.8	1.2	1.1	1.2
Real property tax revenue as a % of total tax revenue	3.7	3.0	2.3	2.4	1.8	2.6	2.4	2.6

#### III.2.2.2.5. Exemptions (?)

### III.2.2.3. Land Value Capture/Betterment(?)

### III.2.2.4. Infrastructure Cost Recovery

#### III.2.2.4.1. From Developers

In the regions of Wallonia and Flanders, it is not possible to make the issuing of permits conditional on the payment of any contributions (EC, 1997a: 91). However, in the rest of the country local planning authorities can demand private developers to provide buildings or infrastructure for public facilities (EC, 1997a: 92).

#### III.2.2.4.2. From Landowners

Stamp duty covers part of the cost for local infrastructure on greenfield site (EC, 1997: 92).

### III.2.3. DENMARK

#### III.2.3.1. General Overview

*National Area:* Excluding outlying islands, Denmark has an area of 42,370 sq km (16,360 sq mi)

*Population Density:* The population (1996 estimate) of Denmark proper is 5,249,632, giving the country an overall population density of about 124 persons per sq km (about 321 per sq mi). ("Denmark," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

#### III.2.3.2. Real Property Taxation

There are two taxes on property, namely land tax and service tax. Real property taxation is governed according to the following laws: Law on tax payable to municipalities on real property, see Statutory Notice No 808 of 4/12/90, Law No 481 of 24/6/92, Law No 260 of 6/5/93, Law No 460 of 30/6/93, Law No 1084 of 22/12/93 (EC, 1996: 124).

##### III.2.3.2.1. Tax Base and Rate

1. Land tax (*grundskyld*): It is levied on all privately owned property. It was introduced in 1926. It is levied by municipalities (EC, 1996: 124). The base is the market value of land after deducting an allowance for improvements (EC, 1996: 125). The costs of owners' improvements are assessed and a fixed cost is deducted from the land value for a period of 30 years. A land value and a total value are estimated for each property considering public regulations, such as zoning or other restrictions are taken into consideration. A comparable sales approach is used most frequently in establishing appraised values (Youngman and Malme, 1994: 119). For the municipalities, the tax rate varies from zero to 5.5 percent. For counties the rate is 1.5 percent.

The tax base covers improved and unimproved land value but not the buildings. The basis of valuation is the capital value (Messere, 1993: 433).

2. Service tax: It is levied on publicly owned property and on the value of buildings on business property. It was introduced in 1961. It is levied by municipalities and counties. The base is the value of land and buildings for publicly owned property and the value of the buildings for private business property. The upper limit of the service tax rate is one percent for land and for business property. For public buildings the limit is 0.5 percent for municipalities and 0.375 percent for counties (OECD, 1983: 85)

#### III.2.3.2.2. Organisation and Liability

Both of the taxes are paid by the owners. There are no requirements that tax proceeds be earmarked for specific purposes. The taxes are collected by local authorities and they are shared between municipalities and counties (OECD, 1983: 87).

The administration of property tax is co-ordinated between the central government and the municipalities. Valuation results, tax billing and collection, land descriptions and sales information have been computerised for several decades. Their valuations are used for all taxes based on appraised property values. Both the land tax and the service tax are levied annually. The beneficiary governments are counties and municipal governments (Youngman and Malme, 1994: 117). The legal register maintains a continuously updated inventory of all properties which are identified by cadastral parcel numbers (Youngman and Malme, 1994: 119).

The municipalities determine the number of payments. But typically they have to be paid in either two or four instalments (Youngman and Malme, 1994: 120).

#### III.2.3.2.3. Valuation

All properties are to be revalued every four years. During the years in between the revaluations, the values are updated annually according to factors reflecting market trends for different property classes in various geographic areas. Individual properties are re-appraised annually only where there has been a change to the property that would affect its value. (Youngman and Malme, 1994: 120).

#### III.2.3.2.4. Tax Revenues

Real property tax revenues have been declining both as a percentage of GDP and as a percentage of total tax revenue; despite the total tax revenue as a percentage of GDP increasing steadily. In 1996 the proceeds from recurrent taxes on real property amounted to circa eight millions of kroner as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.3.2.4. Amount of Real Property Tax by Country  
(in Nominal Values in Local Currencies)**

**Denmark** (millions of kroner)

	1965	1970	1975	1980	1985	1990	1995	1996
Central Government Land Tax	0	0	0	264	0	0	0	0
County Land Tax	0	557	1,551	2,315	1,990	2,915	3,212	3,126
Municipal Land Tax	0	970	1,422	2,257	2,678	4,123	4,998	5,104
Central Government Fixed Tax on Real Property	0	22	16	11	5	0	0	0
County Fixed Tax on Real Property	0	36	0	0	0	0	0	0
Municipal Fixed Tax on Real Property	0	150	116	91	48	0	0	0

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998):

**Table IIIB.2.3.2.4. Property Tax Revenues in Denmark**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	29.9	40.4	41.4	45.5	49.0	48.7	51.4	52.2
Real property tax revenue as a % of GDP	2.4	2.4	2.4	2.6	2.1	2.1	1.8	1.7
Real property tax revenue as a % of total tax revenue	8.0	6.0	5.9	5.7	4.2	4.2	3.5	3.3

#### III.2.3.2.5. Exemptions

Exempt property categories are determined by the central government, however discretionary power is given to the local authorities as to the adoption of these exemption rules. As different from many other countries, public buildings are not exempt from taxation. Residential buildings are not included in the service tax base (Youngman and Malme, 1994: 118). Land tax is not payable for real property located within the municipalities of Copenhagen and Frederiksberg. The most important exemptions are as follows (EC, 1996: 124):

- a. Properties which are exempted from public assessments (cemeteries, public streets and roads, squares, railways, etc) receive obligatory exemption as well as property owned by the state or the municipalities—with the exception of those used commercially—the embassies and consulates of foreign states and property belonging to certain international organisations.

b. The municipal council may give partial or full exemption to private or other non-profit making institutions and to power stations, gasworks, waterworks and district heating stations.

### **III.2.3.3. Land Value Capture/Betterment**

Any increase in property values due to rural-urban transformation and public improvements to land is taxed (EC, 1997a: 92).

### **III.2.3.4. Infrastructure Cost Recovery**

#### III.2.3.4.1. From Developers

Developers are asked to make a contribution directly related to the cost of providing infrastructure (EC, 1997a: 91).

#### III.2.3.4.2. From Landowners (?)

## **III.2.4. FINLAND**

### **III.2.4.1. General Overview**

*National Area:* The area of Finland, including 33,551 sq km (12,954 sq mi) of inland water, totals 338,145 sq km (130,559 sq mi).

*Population Density:* The population of Finland (1995 estimate) is about 5,046,000. A density of about 15 persons per sq km (about 39 per sq mi). ("Finland," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

### **III.2.4.2. Real Property Taxation**

State loans, subsidies, and rent/price control policies do not exist in Finland. The state tries to limit the construction of non-residential buildings by a special tax on property investment to slow down the pace of investment (Laakso and Keinänen, 1995: 129).

#### III.2.4.2. 1. Tax Base and Rate (?)

#### III.2.4.2.2. Organisation and Liability (?)

#### III.2.4.2.3. Valuation (?)

#### III.2.4.2.4. Tax Revenues

Real property tax revenues have declined during 1970-1980 as a percentage of GDP whereas they almost halved as a percentage of total tax revenue after 1965. The total tax revenue as a percentage of GDP, on the other hand, has been increasing steadily. In 1996 the proceeds from recurrent taxes on real property amounted to

2,582,000,000 markas as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.4.2.4. Amount of Real Property Tax by Country  
(in Nominal Values in Local Currencies)**

**Finland** (millions of markas)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	0	0	0	0	293	454	2,624	2,582

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998):

**Table IIIB.2.4.2.4. Property Tax Revenues in Finland**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	30.3	32.5	37.7	36.9	40.8	45.4	46.1	48.2
Real property tax revenue as a % of GDP	1.2	0.7	0.7	0.7	1.1	1.1	1.1	1.1
Real property tax revenue as a % of total tax revenue	4.0	2.2	1.9	1.9	2.7	2.4	2.3	2.2

III.2.4.2.5. Exemptions (?)

### III.2.4.3. Land Value Capture/Betterment(?)

### III.2.4.4. Infrastructure Cost Recovery

III.2.4.4.1. From Developers

Negotiated agreement schemes have been introduced (EC, 1997a: 91).

III.2.4.4.2. From Landowners

If land is not developed within three years after application, the municipality can impose the full cost of infrastructure on the landowners (EC, 1997a: 92).

## **III.2.5. FRANCE**

### **III.2.5.1. General Overview**

*Dimensions and National Area:* France is approximately hexagonal in shape, with an extreme length from north to south of about 965 km (about 600 mi) and a maximum width of about 935 km (about 580 mi). The total area of metropolitan France, which also includes the island of Corsica in the Mediterranean, is 543,965 sq km (210,026 sq mi)

*Population Density:* The population of France (1996 estimate) is about 58,317,450, giving the country an overall population density of about 107 persons per sq km (about 278 per sq mi). ("France," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

### **III.2.5.2. Real Property Taxation**

Real property taxation is governed according to Articles 1383 to 1406 of the General Tax Code (EC, 1996: 380-2). There are two property taxes in France, one on land without buildings and one on buildings.

#### III.2.5.2. 1. Tax Base and Rate

1. Property tax on land without buildings (Taxe fonciere sur les proprietes non baties): This tax is governed according to the Article 1393 to 1406 of the General Tax Code. The tax is payable on land without buildings, except certain kinds of land taxed as buildings plus certain kinds of land and premises. The basis of assessment is the cadastral income equal to 80 percent of the rentable cadastral value on 1 January 1970, assessed on the basis of normal letting contracts or, failing that, by comparison with the valuation and tariffs increased each year by applying standard coefficients. Municipalities may increase the basis of assessment of some building land according to (EC, 1996: 380). The tax rates are fixed directly by the recipient local authority subject to the ceiling on municipal rates and to compliance with the rules governing the linkage between rates (EC, 1996: 381).

2. Property tax on buildings (Taxe fonciere sur les proprietes baties): Articles 1380-1391 and 1399 to 1406 of the General Tax Code sets out the rules for the tax. The tax is payable on buildings plus certain kinds of land and premises. The basis of assessment is the cadastral income equal to half the cadastral value assessed on 1st January, 1970 by comparison with similar premises or by a direct valuation. On premises subject to rent regulations the rentable value may be based on the amount of rent collected on 1st January, 1970. The rental value is increased each year by applying a standard coefficient of increase. The rentable value of industrial premises is determined by applying an interest rate to the cost price of the property to be

valued (EC, 1996: 382). The rates are fixed directly by the local authorities and are subject to the ceiling on municipal rates (EC, 1996: 383).

#### III.2.5.2.2. Organisation and Liability

For property tax on land without buildings, the beneficiaries are regions, departments, municipalities and groups of municipalities. The tax is payable by the owner on 1 January of every tax year. The tax is collected by means of assessment books (EC, 1996: 381).

For property tax on buildings, the beneficiaries are same as in the former tax. The owner or beneficiary on 1st January of the tax year is liable to pay this tax. The collection is made by means of assessment books as in the other tax (EC, 1996: 382-3).

Title deeds include a certificate of conformity to prove that the building conforms to the original plans submitted for planning permission. Land registry is the identity card of the site specifying the name of the owners and the exact site area. The information is regularly updated (Bardouil, 1995: 36).

Tax officials assign the properties to different categories according to their location, characteristics and use. Zoning and environmental conditions are taken into consideration in classifying the properties. Information for the base year values was obtained from actual rentals which occurred in the revaluation year (1961 for the Land Tax and 1974 the Property Tax) (Youngman and Malme, 1994: 127).

For new buildings, valuers check that planning permission and the conditions attached as well as the conformity certificate to confirm that the property complies with the planning regime (Bardouil, 1995: 41).

#### III.2.5.2.3. Valuation

The standard for valuation is the rental value of the property as assessed in accordance with annual legally prescribed coefficients enacted in the law by the central government and periodic adjustments calculated by the central tax administration. The coefficients are based on general market trends, but the indices have not kept pace with market rental values. Although the law specifies that property should be revalued every six years and updated every three years, these have not been realised yet. Changes in properties are taken into account each year and a new value is assessed when the change results in a value greater than ten percent of the prior value. The valuation methods are prescribed by law. For purposes of the property and housing taxes, buildings used for professional activities or dwellings are treated separately from commercial or industrial buildings and are classified into eight quality groups and a unit value (tariff) is determined for each group (Youngman and Malme, 1994: 127). Land is classified into twelve groups. The tariffs which have their basis in market rents at the time of the last revaluation are set for each commune by the tax administration with the aid of its local commission. The values are

calculated by multiplying the tariff of the group by the area of the property. The base year values for buildings in commercial use were established based on one of three methods (Youngman and Malme, 1994: 128).

#### III.2.5.2.4. Tax Revenues

Real property tax revenues have been increasing since 1980 both as a percentage of GDP and as a percentage of total tax revenue, parallel to an increase in total tax revenue as a percentage of GDP. In 1996 the proceeds from recurrent taxes on real property amounted to 101,226,000,000 francs as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.5.2.4. Amount of Real Property Tax by Country  
(in Nominal Values in Local Currencies)**

**France** (millions of francs)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	3,320	4,334	7,983	20,015	45,001	63,683	90,113	101,226

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998)

**Table IIIB.2.5.2.4. Property Tax Revenues in France**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	34.5	35.1	36.9	41.7	44.5	43.7	44.5	45.7
Real property tax revenue as a % of GDP	1.5	1.2	1.3	1.5	2.0	2.3	2.3	2.3
Real property tax revenue as a % of total tax revenue	4.3	3.5	3.4	3.5	4.4	5.1	5.2	5.1

#### III.2.5.2.5. Exemptions

The exemptions for property tax on land without buildings are as follows (EC, 1996: 380):

1. temporary relief for land works by young farmers
2. all public land, land belonging to certain associations and land subject to the property on buildings are permanently exempt
3. certain types of land, such as woodlands, are exempted from payment for periods of 8, 15 or 30 years
4. permanent exemption from the regional share and progressive exemption from the departmental share (total as from 1996) of the tax on agricultural land.

The following exemptions are valid for property tax on buildings (EC, 1996: 382):

1. the tax is not payable on public buildings and the like, or on farm buildings
2. there is a two-year exemption for new buildings used for residential purposes unless the recipient authorities decide otherwise. This exemption applies only to the share accruing to the municipalities and their groupings.
3. the tax is not payable for 15 years on subsidised housing
4. the tax is not payable for 10 years on housing financed principally through state-assisted loans, provided that the loan application is dated after 1st January, 1984
5. old and handicapped people in the lower-income groups are exempt in respect of their principal residence
6. there is a two-year exemption for new firms, subject to a decision by the recipient authorities

### **III.2.5.3. Land Value Capture/Betterment**

There is another tax called the plus-values which taxes the increase of value between two selling transactions by Law No. 76-660 enacted in 1976. The tax is due when income tax is paid, including both land and buildings. The tax rate varies with respect to the duration between the two transactions. This tax is much more substantial in France compared to other European countries (Motte, 1992: 108).

### **III.2.5.4. Infrastructure Cost Recovery**

#### **III.2.5.4.1. From Developers**

There is a local infrastructure tax (taxe locale d'équipement) which is based on the value of the property and is about one percent, but can be up to five percent. Developers may be exempt if the necessary infrastructure has already been provided by the developer and/or contractor. Taxes are also used to fund the acquisition and development of public space (EC, 1997a: 90). Taxes may be levied on developers in situations where they have exceeded predefined land/building ratios as stated in legal building rights or an applicable local plan, and which generally go towards public infrastructure provision (EC, 1997a: 91).

Developers may be required to hand over land ownership of a proportion of the development site as a contribution to public facilities such as public open space, or social housing. Negotiated agreement schemes have also been introduced in France. However there are limits on local authorities' powers to impose costs on developers (EC, 1997a: 91).

#### **III.2.5.4.2. From Landowners**

There is a 1%-5% tax on property values after landowners are granted a permit. There are also public easement obligations (EC, 1997: 92).

## **III.2.6. GERMANY**

### **III.2.6.1. General Overview**

*National Area:* Germany, as a unified nation, has a total area of 356,733 sq km (137,735 sq mi).

*Population Density:* Germany has a population (1996 estimate) of about 83,536,115. The population density is about 234 persons per sq km (about 606 per sq mi). (“Germany,” *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

### **III.2.6.2. Real Property Taxation**

Real property taxation is governed by the Property Tax Law of 7 August 1973 as last amended by Article 6 of the Law of 27 December 1993 (EC, 1996: 208). The real property tax is called Grundsteuer.

#### III.2.6.2. 1. Tax Base and Rate

The base for taxation is the Einheitswert (standard value of property) according to the Bewertungsgesetz (BewG, 1985&1987—Valuation Act) which is fixed by the financial administration. The standard value of property is different from its market value. The standard value is based on 1964 values plus 40% of the real market value. So taxation does not limit the occupation or the hoarding of the land (Dieterich and Dransfeld, 1992: 43). Property related taxes in Germany are generally based on the total value of the land and building elements rather than each of the components (Dieterich et al, 1993: 87). The tax base for the Grundsteuer covers unimproved land value, improvements to land and buildings. The basis of valuation is the capital value (Messere, 1993: 433).

The amount of the property tax is based on the very low standard value and is dependent on the tax measure number (Steuermesszahl—SMZ) and the tax increase number (Hebesatz—HbS). The tax measure number is determined by federal law as follows:

- Normal cases: 0.35 percent
- Single family houses (up to DM 75,000 EHW): 0.26 percent
- Single family house (more than DM 75,000 EHW): 0.35 percent
- Agricultural/Forestry land: 0.60 percent

The tax increase number is fixed by each municipality. In 1988 the rate varied between 250 percent and 440 percent, averaging 303 percent. In general, the tax increase number increases with the size of town. In most of the municipalities there is a special rate for agricultural/forestry land, usually lower than the basic rate. A third, usually higher, rate is applied to industrial and commercial business, in connection with the local business tax.

There is no specific tax on rental properties in Germany, but the proceeds from renting and leasing properties have to be added to the whole income (private and company income), so that they are subject to Einkommenssteuer (income tax). If renting and leasing properties is the main business, the companies have to pay also Gewerbesteuer (trade and business tax) (Dieterich and Dransfeld, 1992: 44). Where property is used for commercial or professional purposes, tax payments are generally an allowable expense representing business expenditure or advertising costs (EC, 1996: 208).

#### III.2.6.2.2. Organisation and Liability

The beneficiary governments are the municipalities. The legislation is under the federal government, whereas the Länder (states) are responsible for the administration (OECD, 1983: 102). Tax assessment is made by municipalities in accordance with the basic tax determined by the tax offices. The tax is assessed annually but is paid quarterly. The owner is liable for payment (OECD, 1983: 104). It has to be paid by all owners of land, whether built up or not (Dieterich and Dransfeld, 1992: 43). The tax is collected by means of assessment books (EC, 1996: 208).

#### III.2.6.2.3. Valuation

Property valuation is regulated in the Baugesetzbuch (Planning Code). Therefore it is part of the Planning Law. Local valuation committees collect information about land and property values. The information is reliable and is established in a land registry system with the Grundbuchordnung (GBO, 1935—Land Register) (Dieterich and Dransfeld, 1992: 42).

Valuation methods are based on cost or total return. A problem exists in the valuation method as it still refers to 1 January, 1964, despite the fact that the valuing legislation demands valuation every six years. Since the mid-Seventies an extra charge of 40 percent has been added to their values, so today the standard values are the real values of 1964 plus 40 percent (Dieterich et al, 1993: 87).

All plots of land are surveyed in Germany and the information is compiled in cadastral maps which show boundaries. The maps are stored by the cadastral office. The Land Registry shows the rights of ownership and encumbrances on the property (Bardouil, 1995: 63).

#### III.2.6.2.4. Tax Revenues

The property tax is not a large burden on owners. It is roughly estimated to burden the taxpayer with one percent of the open market value each year and brings the municipality about 10 percent of its revenue (Dieterich et al, 1993: 87).

Real property tax revenues have always been declining since 1965 both as a percentage of GDP and as a percentage of total tax revenue, despite an increase in total tax revenue as a percentage of GDP. In 1996 the proceeds from recurrent taxes

on real property amounted to 14,696,000,000 DM as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.6.2.4 Amount of Real Property Tax by Country  
(in Nominal Values in Local Currencies)**

**Germany** (millions of DM)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	2,110	2,683	4,150	5,804	7,366	8,724	13,744	14,696

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998)

**Table IIIB.2.6.2.4. Property Tax Revenues in Germany**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	31.6	32.9	36.0	38.2	38.1	36.7	39.2	38.1
Real property tax revenue as a % of GDP	1.8	1.6	1.4	1.3	1.2	1.2	1.1	1.1
Real property tax revenue as a % of total tax revenue	5.8	4.9	3.9	3.3	3.0	3.4	2.7	3.0

#### III.2.6.2.5. Exemptions

The following kinds of property are exempt from real property taxation (OECD, 1983: 103):

1. Foreign embassies and consular buildings
2. Property used for public services by authorities specified in the law
3. Property used by German Federal Railways for administrative purposes
4. All property serving public transport
5. Accommodation in boarding schools
6. Property for religious activities
7. Cemeteries
8. Accommodation used by German and foreign armed forces and the police

For new residential property below a certain floor-area (especially for low-cost housing), the tax value is calculated on the value of the land alone ignoring buildings for ten years after construction (OECD, 1983: 103).

### III.2.6.3. Land Value Capture/Betterment

In principle there is no betterment levy on increasing land values. Attempts to introduce specific rules have failed. However there are five instruments for the collection of betterment:

(1) Erschliessungsbeitrag: The local fee for infrastructure development mentioned above enables up to 90 percent of development costs to be charged to landowners. Some experts regard this as a kind of betterment levy, as private landowners finance the public activities. It could also be termed an “exaction.”

(2) If municipalities want to profit from increasing land values within a development area, they can make use of replotting (Umlegung), as the difference between the land values before and after replotting can then be transferred to the municipality. However, part of the development costs (for acquiring land for streets, etc.) is included in these betterment levies. When the owner gets his land back, it is shaped with respect to the plan. If the new plot has a higher value than it used to have after replotting, the difference has to be paid to the municipality (or land is dedicated to the municipality) (Dieterich and Dransfeld, 1992: 40).

(3) Fees for straightening of boundaries (Grenzregelung) are of less importance, because it is not very common and often they do not cover the cost of the procedure.

(4) In an urban renewal area (Sanierungsgebiet), landowners normally pay the difference between the land values before and after the renewal. These levies must cover all the cost of physical improvement to the area. If betterment levies exceed the real costs, the municipalities have to refund the profits to the landowners. However the betterment levies are usually less than real costs and the public authorities make a financial loss. A municipality may abstain from collecting a betterment levy if the amount is too low to cover the costs of administration and estimating the levy. In estimating the betterment, only the land value, not that of the buildings, is considered. In cases where renewal is combined with replotting, the betterment levy is calculated as if for replotting. Double betterment levies are not possible (Dieterich et al, 1993: 72).

(5) The greatest possibility of gain from increasing land values during the development process is offered by the urban development measure (Stadtebauliche Entwicklungsmaßnahme). This instrument was less used in the past and was abolished in 1987. It was reintroduced in 1990 with the new legislation on facilitating housing. Urban development measure can be used to develop large areas for housing or industry. The municipality is obliged to buy all land in the area for a price that does not include hope value, in expectation of further development. Betterment levies are generally made possible by selling the developed building land at market value, but the municipalities must sell all plots. In this case betterment levies result from the municipality’s activity as acquirer of land (Dieterich et al, 1993a: 73).

### **III.2.6.4. Infrastructure Cost Recovery**

#### **III.2.6.4.1. From Developers**

Special urban development contracts known as the Städtebauliche Vertrag may be used whereby developers may be bound to pay all reasonable development costs associated to their projects. These contracts may also be combined with a Vorhaben- und-Erschliessungsplan (plan for building projects and local public infrastructure) which enables a project to be authorised in spite of existing regulations. However, there are limits on the amount to be charged on developers. Negotiated agreement schemes have also been introduced (EC, 1997a: 91).

#### **III.2.6.4.2. From Landowners**

The municipalities can allocate 90 percent of the cost of installing public utilities between landowners in greenfield sites (Dieterich et al, 1993: 94). The municipality is allowed to vary the percentage level of fees and the scale of distribution for landowners in a special local ordinance of development. Fees follow either the real costs of development or standard prices, and are limited to public places: streets, green space, children's playgrounds and noise barriers. There are three methods for estimating the individual fees for each landowner: (1) according to the kind and intensity of land used, (2) according to the size of the plot, and (3) according to breadth of the plot along the street. It is the municipality which decides the methods to be used. Landowners normally pay after the completion of development, but for some years municipalities have been allowed to demand fees in advance once physical development has begun (Dieterich et al, 1993a: 71).

### **III.2.7. GREECE**

#### **III.2.7.1. General Overview**

*National Area:* The total area of Greece is 131,957 sq km (50,949 sq mi), of which about one-fifth is composed of islands in the Aegean and Ionian seas.

*Population Density:* The estimated population in 1996 was 10,538,594, giving the country an overall population density of about 80 persons per sq km (about 207 per sq mi). ("Greece," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

#### **III.2.7.2. Real Property Taxation**

There is conflicting information regarding real property taxation in Greece. According to the OECD (1998), there has been a flow of income from the taxation of real property in Greece since 1965. However the EC (1996) source does not recognise any form of real property taxation in the same country. The only tax mentioned by EC (1996) regarding real property is the property transfer tax introduced by the Emergency Law No

1521/1950 as ratified by Law No 1587/1950 (EC, 1996: 240). However in section 2.7.2.4. real property tax revenues are given based on the OECD (1998) source.

#### III.2.7.2.1. Tax Base and Rate

The tax is payable on transfer of title or effective title to real property or Greek-registered ships, for a consideration (EC, 1996: 240).

#### III.2.7.2.2. Organisation and Liability

The beneficiary government is the state. However a small portion is payable to the municipality involved. The tax is levied on the purchaser. In case of expropriation in the public interest, the tax is payable by the body responsible for paying compensation (EC, 1996: 240).

#### III.2.7.2.3. Valuation (?)

#### III.2.7.2.4. Tax Revenues

Real property tax revenues have been declining since 1965 both as a percentage of GDP and as a percentage of total tax revenue (down to almost one-third from 1965 to 1996), despite a double increase in total tax revenue as a percentage of GDP from 1965 to 1996. In 1996 the proceeds from recurrent taxes on real property amounted to 3,137,000,000 drachmas as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.7.2.4 Amount of Real Property Tax by Country (in Nominal Values in Local Currencies)**

**Greece** (millions of drachmas)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	80	258	519	1,482	3,701	7,526	3,413	3,137

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998):

**Table IIIB.2.7.2.4. Property Tax Revenues in Greece**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	22.0	25.3	25.5	29.4	35.1	37.1	40.8	40.6
Real property tax revenue as a % of GDP	2.1	2.3	2.5	1.3	0.9	1.7	1.4	1.4
Real property tax revenue as a % of total tax revenue	9.7	9.3	9.7	4.6	2.7	4.6	3.4	3.4

#### III.2.7.2.5. Exemptions (?)

### **III.2.7.3. Land Value Capture/Betterment**

Betterment tax is based on the necessary costs of providing infrastructure or facilities (EC, 1997: 90). Developers may be required to give over land ownership of a proportion of the development site as a contribution to public facilities such as public open space, or social housing (EC, 1997a: 91).

### **III.2.7.4. Infrastructure Cost Recovery**

III.2.7.4.1. From Developers (?)

III.2.7.4.2. From Landowners

If a site is included in the statutory plan for the first time, part of the land is taken by the state for public facilities (EC, 1997a: 92).

## **III.2.8. ITALY**

### **III.2.8.1. General Overview**

*National Area:* Italy comprises, in addition to the Italian mainland, the Mediterranean islands of Elba, Sardinia, and Sicily and many lesser islands. The total area of Italy is 301,302 sq km (116,333 sq mi).

*Population Density:* The 1996 estimated population is about 57,460,274; the average population density is about 191 persons per sq km (about 494 per sq mi). ("Italy," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

### **III.2.8.2. Real Property Taxation**

Real property taxation is regulated according to the Law No 42 of 23 October 1992; DL No 504 of 30 December 1992

#### **III.2.8.2. 1. Tax Base and Rate**

In 1993 the 'commune' (local government) was given power to levy the new tax called the local tax on real estate properties (ICI—imposta comunale immobiliare). Before then taxes on real estate properties were mainly the responsibility of central government (Ave, 1996: 91). The tax rate is fixed by the municipality and varies between four percent and six percent. A seven percent rate may be imposed only for budgetary reasons (EC, 1996: 560).

#### **III.2.8.2.2. Organisation and Liability**

Since 1994 ICI tax is levied and kept almost entirely within the communes (Ave, 1996: 91). The tax is payable for each calendar year on a proportion of monthly basis

and for the period during which the real property, building land or agricultural land situated in Italy, was in the possession of the tax payer, irrespective of its use. The beneficiary government is the municipality. The tax is payable by the owners of the property even if they are not resident in the country or engaged in activities outside Italy (EC, 1996: 559).

#### III.2.8.2.3. Valuation

The basis of assessment is the value of the immovable property. The multipliers determined according to the criteria and procedures given in article 52 of the consolidated tax on the possessions relating to the registration tax approved in 1986 are applied to the amount of cadastral income. The cadastral income is reassessed on the basis of market values (EC, 1996: 559).

#### III.2.8.2.4. Tax Revenues

Real property tax revenues have been declining until the introduction of ICI in 1993 both as a percentage of GDP and as a percentage of total tax revenue, despite an increase in total tax revenue as a percentage of GDP. However after the introduction of ICI, real property tax revenues have started increasing. In 1996 the proceeds from recurrent taxes on real property amounted to 15,155,000,000 Italian liras as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.8.2.4 Amount of Real Property Tax by Country (in Nominal Values in Local Currencies)**

**Italy** (millions of Italian lira)

	1965	1970	1975	1980	1985	1990	1995	1996
Tax on the Revenue of Landowners	4	4	0	0	0	0	0	0
Tax on Revenue from Buildings	23	26	8	4	0	1	0	0
Tax on Revenue from Luxury Buildings	1	2	0	0	0	0	0	0
Provincial Extra Tax on Land	31	32	10	0	0	0	0	0
Municipal Extra Tax on Land	35	34	2	0	0	0	0	0
Provincial Extra Tax on Buildings	50	51	36	4	0	0	0	0
Municipal Extra Tax on Buildings	41	42	9	5	0	0	0	0
Imposta Comunale Immobiliare	0	0	0	0	0	0	14,424	15,155
Recurrent Taxes on Real Property (Total)	185	191	65	13	0	1	14,424	15,155

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998)

**Table IIIB.2.8.2.4. Property Tax Revenues in Italy**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	25.5	26.1	26.2	30.4	34.5	39.2	41.3	43.2
Real property tax revenue as a % of GDP	1.8	1.6	0.9	1.1	0.9	0.9	2.3	2.3
Real property tax revenue as a % of total tax revenue	7.2	6.0	3.3	3.7	2.5	2.3	5.7	5.4

**III.2.8.2.5. Exemptions**

Following exemptions apply (EC, 1996: 559):

1. Property belonging to the state, the regions, the provinces, mountain communities, associations of mountain communities, local health authorities, as well as chambers of commerce and industry, crafts trades and agriculture and which is intended only for institutional purposes
2. Places of religious worship, property belonging to the Holy See or to foreign states and regional organisations

**III.2.8.3. Land Value Capture/Betterment(?)****III.2.8.4. Infrastructure Cost Recovery****III.2.8.4.1. From Developers**

Taxes may be levied on developers in situations where they have exceeded predefined land/building ratios as stated in legal building rights or and applicable local plan, and which generally go towards public infrastructure provision (EC, 1997a: 91).

Developers may also be asked to make a contribution to directly related to the cost of providing infrastructure (EC, 1997a: 91).

**III.2.8.4.2. From Landowners**

5-20 % of the cost of public utility provision can be charged on landowners except for public works (EC, 1997a: 92).

**III.2.9. LUXEMBOURG****III.2.9.1. General Overview**

*National Area:* Luxembourg has an area of 2586 sq km (998 sq mi).

*Population Density:* The population of Luxembourg (1995 estimate) is about 386,000, giving the country an overall population density of about 149 persons per sq km (about 387 per sq mi). ("Luxembourg (country)," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

### **III.2.9.2. Real Property Taxation**

There is a tax on land and buildings which is regulated by the following legislation: Law on tax on land and buildings of 1 December 1936, amended by the regulation of 20 April 1943; Grand Ducal Decree of 16 March 1945; Grand Ducal Regulation of 21 December 1962; Law of 1 February 1967; Grand Ducal Regulation of 27 June 1967; Grand Ducal Regulation of 18 December 1967; Grand Ducal Regulation of 27 August 1977 (EC, 1966: 592).

#### III.2.9.2. 1. Tax Base and Rate

The tax base is the standard value of all real property, both buildings and land without buildings, assessed on the basis of the Evaluation Law (EC, 1966: 592). The tax may be deducted from taxable income or profits. A basic taxable amount varies between 0.7 and 1% of the standard value. This basic taxable amount is then multiplied by a factor fixed by the municipal authorities between 1 and 3 depending on the nature of the building. In the case of farms, this factor varies from 0.9 to 5 (EC, 1966: 593).

#### III.2.9.2.2. Organisation and Liability

The beneficiary government is the municipality. The tax is payable by owners of real property. The same system is applied for non-residents as in the case of resident persons and companies, since the tax, as a tax on material values is payable on all real property located in the country. The amount of tax is fixed annually without tax returns. Payment is quarterly, half-yearly or yearly according to the amount of tax (EC, 1966: 592).

#### III.2.9.2.3. Valuation (?)

#### III.2.9.2.4. Tax Revenues

Real property tax revenues have been doubled as a percentage of GDP, despite being quite fluctuating with an overall increase as a percentage of total tax revenue between 1965-1996. There has been a significant increase in total tax revenue as a percentage of GDP as well. In 1996 the proceeds from recurrent taxes on real property amounted to circa 700,000,000 francs as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.9.2.4. Amount of Real Property Tax by Country  
(in Nominal Values in Local Currencies)**

**Luxembourg** (millions of francs)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	150	197	231	346	509	579	703	724

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998)

**Table IIIB.2.9.2.4. Property Tax Revenues in Luxembourg**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	27.7	28.0	38.8	42.0	46.7	43.4	44.1	44.7
Real property tax revenue as a % of GDP	1.7	1.8	2.0	2.4	2.6	3.7	3.2	3.4
Real property tax revenue as a % of total tax revenue	6.2	6.6	5.1	5.6	5.5	8.5	7.2	7.6

#### III.2.9.2.5. Exemptions

The following are exempt from the tax (EC, 1966: 592): real property belonging to public corporations and used for public purposes; real property used for charitable, sporting, religious, or scientific purposes; land and buildings belonging to hospitals; public roads and waterways; cemeteries.

#### III.2.9.3. Land Value Capture/Betterment(?)

#### III.2.9.4. Infrastructure Cost Recovery

III.2.9.4.1. From Developers (?)

III.2.9.4.2. From Landowners (?)

### III.2.10. NETHERLANDS

#### III.2.10.1. General Overview

*National Area:* The European portion of the Netherlands has a total area of 41,526 sq km (16,033 sq mi), of which 33,939 sq km (13,104 sq mi) is land surface.

*Population Density:* According to a 1995 estimate, the Netherlands has a population of about 15,499,000. The overall population density is about 373 persons per sq km (about 967 per sq mi). ("Netherlands," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

### **III.2.10.2. Real Property Taxation**

Real property taxation is regulated according to the municipal by-laws based on Article 220 of the Law on Municipalities ('Gemeentewet') (EC, 1996: 620). The real property tax is called the municipal tax on real property.

#### **III.2.10.2. 1. Tax Base and Rate**

Municipal tax on real property (Onroerende-Zaakbelastingen—OZB) was introduced between 1970-1979. There are two tax base options. The municipality may choose between a value base or an area base for the tax. The value base relies on capital market value and adjusted replacement cost, while the area basis utilises the square metres multiplied by factors for location, views and quality (Youngman and Malme, 1994: 157).

The tax has two components: one is a tax upon owners and the other is a tax upon users. The municipality sets the tax rate as part of the annual budget process. Since 1990 there is no limitation regarding tax rates, but the owner tax rate may not exceed 125 percent of the user tax rate (Youngman and Malme, 1994: 157).

The total amount raised by a municipality from its property tax is subject to specific limits. Within these, there is a wide variety in the tax burden between municipalities (Needham et al, 1993: 68).

The property tax rate for combined owner and user taxes is approximately one percent (Youngman, 1994: 158).

For the municipal tax, the tax base covers unimproved land value, improvements to land and buildings. For contributions to polder boards, the base covers unimproved land value and buildings. The basis of valuation varies both for the tax and the contribution (Messere, 1993: 433).

Tax proceeds are not earmarked for a specific use (OECD, 1983: 122).

#### **III.2.10.2.2. Organisation and Liability**

An annual property tax is levied by the municipality where the property is situated. Both corporations (resident and non-resident) and the individuals are subject to it. The taxable object is the property as it is entered in the cadastral register (Needham et al, 1993: 67). Information on land and property is held systematically in various places, mainly for registration and for cartographic purposes. One of these places is the cadastral service (Dienst Kadaster en Openbare Registers). This is an agency of their Ministry of Housing, physical planning and environment. Municipality has the information on land and property as well. They maintain the municipal cadastre and the dwelling register (Needham et al, 1993: 64).

The beneficiary government is the municipalities. The taxes are to be administered and collected at the municipal level. Before 1990, it was done at a ministerial level (Youngman and Malme, 1994: 157). Municipalities do the rearrangements for revaluations (OECD, 1983: 120). There is co-ordination for assessments and they are also subject to provisions determined by the central government (OECD, 1983: 123). The tax is assessed annually but may be paid in two instalments. Both owners and occupiers pay a portion of the tax (therefore, owneroccupiers paying for both). The occupier's portion is not payable for vacant property (OECD, 1983: 121). It is the central government which collects the tax and distributes the revenue to the local municipalities. Municipalities are charged for central administration and collection costs (OECD, 1983: 122).

### III.2.10.2.3. Valuation

A new valuation statute (1992) established a valuation supervision board to oversee municipal valuations (Youngman and Malme, 1994: 157). Valuations should be made at least once every five years (OECD, 1983: 120). Valuations for property tax are now subject to "Wer waardering onroerende zaken" which is the Property Act of 1 January 1995. This law is the basis of both local and central government taxation and states that, initially, valuations will take place every four years, but that the frequency will eventually be increased to an annual basis. The basis of valuation is the fair market value of the property, but under certain circumstances an adjusted replacement value will apply (Bardouil, 1995: 81). The land registry information records the name of the owner, the use of the property, the tenure, as well as the site area, the municipality in which the property is located, and the land registry number (Bardouil, 1995: 84).

For housing the practice is often as follows. Dwellings are grouped into categories, each category containing similar dwellings in the same general location. For each category separately, one or two of reference points (i.e. representative dwellings) are chosen. Every five years, these reference points are revalued. The result is then applied to all other dwellings and that category: sometimes the results are applied after adjustment for price raising and price lowering factors. Municipalities usually employed outside experts to perform their own revaluation. The legislation requires that property is valued for this tax within bands of 3,000 Hfl. The municipality can raise the necessary income by fixing the tax rate correspondingly higher (Needham et al, 1993: 146).

There are separate calculations for land and buildings, but only one value is assessed for the entire property. For property taxation more than 98 percent of their municipalities utilise a market value base. Alternatively the tax is based on surface area.

The value is the true economic value of the property which reflects highest and best use. Any valuation method can be applied. The comparable sales method is usually used for residential property, while capitalisation of rental value is often used for

shops. Unmarketable property is valued at the replacement cost adjusted for depreciation and obsolescence.

If a municipality chooses the area basis for the property tax, the actually measured area is first adjusted for the property's nature, location, quality and use. Specific multiplier for each of these factors are designed to reflect differences in market values among other properties. Market value is therefore indirectly a factor even in taxation on the basis of surface area. This system of multipliers is so complex that most municipalities originally using the area basis have changed to the value basis (Youngman, 1994: 160).

There is the National Cadastre which records property information as regards location, boundaries, ownership and legal rights. It is a computerised system (Youngman, 1994: 159).

#### III.2.10.2.4. Tax Revenues

Until 1975, real property tax revenues have been declining both as a percentage of GDP and as a percentage of total tax revenue for a decade, but after that they have been increasing at a moderate rate only to reach the figures that it used to be at. On the other hand, total tax revenue as a percentage of GDP has been increasing during 1965-1980, followed by a decline which continued until 1996. The proceeds from recurrent taxes on real property amounted to circa 4,200,000,000 guilders in 1996 as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.10.2.4 Amount of Real Property Tax by Country  
(in Nominal Values in Local Currencies)**

**Netherlands** (millions of guilders)

	1965	1970	1975	1980	1985	1990	1995	1996
Municipal Real Property Tax	130	150	90	1,810	2,820	3,080	3,960	4,200
Tax on Land	130	150	110	0	0	0	0	0
Other Municipal Taxes on Property	146	287	240	10	10	40	80	80
Contributions Polder Boards	98	157	270	430	540	650	930	960
Recurrent Taxes on Real Property (Total)	244	444	710	2,250	3,370	3,770	4,970	5,240

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998)

**Table IIIB.2.10.2.4. Property Tax Revenues in Netherlands**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	32.8	37.1	43.0	45.2	44.1	44.6	43.8	43.3
Real property tax revenue as a % of GDP	1.4	1.2	1.0	1.6	1.5	1.6	1.8	1.9
Real property tax revenue as a % of total tax revenue	4.4	3.3	2.4	3.6	3.5	3.7	4.1	4.4

### III.2.10.2.5. Exemptions

The types of property which are compulsorily exempt from taxation are as follows (Youngman and Malme, 1994: 158):

1. Land professionally cultivated for agriculture or forestry
2. Improved property used mainly (at least 70%) for churches or spiritual societies
3. Estates covered by the Nature Protection Act 1928 and natural sites managed by nature corporations
4. Public roads, waterways, lanes for public rail transport and related constructions
5. Water-defence works and works for the control of water levels managed by public authorities
6. Water purification plants managed by public authorities
7. Buildings under diplomatic immunity by treaty or decree (i.e. embassies, consulates, and international organisations such as the European Community and the International Court of Justice)
8. According to the Netherlands Union of Municipalities model by-law on property taxes rectories and sextons houses, municipal properties used for public service, public street fixtures, public gardens, parks and cemeteries are exempt from taxation. Municipalities are allowed the right to determine additional exemptions through by-laws as well.

### III.2.10.3. Land Value Capture/Betterment

A betterment levy may be imposed in respect of real property that benefit from public infrastructure improvements. The betterment levy (*this is comparable to planning obligations in other countries, the only difference being that local authorities pay for infrastructure in advance*) is a municipal tax, and may apply for as long as 30 years to allow the municipality to recover a reasonable portions (up to 85 percent) of its expenditure for this work. The tax is levied on the owner of the property or the person who has the principal right. It is not necessary for the market value of the property subject to the levy to have risen. The tax is determined by a formula set out in the municipal tax ordinance. The formula may, for example, relate to the market values

calculated for tax purposes, to the surface area or volume of the property, or to the length of frontages on the street which has been improved (Youngman, 1994: 164).

If landed property benefits from municipal provisions, a tax (baatbelasting) can be levied on the owners of real rights in that property, but not on tenants, as a contribution to the costs incurred. That tax is levied annually for not longer than 30 years. It would appear that this regulation allows taxation of betterment in the classical sense. In practice, however, it is rarely applied (Needham et al, 1993: 69).

In the Netherlands most development has been on land brought into public ownership at existing use value and a betterment levy is effectively charged through the selling price of the serviced land (EC, 1997a: 90). There is an increasing use of the baatbelasting (betterment tax levy) on non-municipal owned land which addresses the trend for more land to be developed privately (EC, 1997a: 91).

#### **III.2.10.4. Infrastructure Cost Recovery**

##### III.2.10.4.1. From Developers

Land development is a task for municipalities, and building development is the responsibility of the private sector. The municipality makes substantial investments in infrastructure provision. The municipality then hopes to recoup the expenditure, possibly with a profit, when it disposes of the land to building developers. However this may take several years with increasing interest charges with no guarantee that a developer will want the land or at what price. If the land is sold, the municipality still has the recurring costs of maintaining public spaces with no benefit from future rises in property prices (Needham and Van de Ven, 1995: 53).

A similar approach is to make a charge on the developer directly related to the cost of providing infrastructure (EC, 1997a: 91).

Negotiated agreement schemes have also been introduced, however there are limits on the amount which may be imposed on developers. The issuance of permits is not conditional on the payment of any contributions (EC, 1997a: 91).

##### III.2.10.4.2. From Landowners

If land becomes better suited for building upon as a result of municipal provision, a tax (bouwgrondbelasting) can be levied on the land (unless the land is supplied by the municipality) as a contribution to the costs incurred. The tax is levied annually for not longer than 30 years. When determining its level, land-use designation for the building land has to be specified (Needham et al, 1993: 69).

Most building land is supplied by municipalities. When determining the disposal price, the municipality aims to cover its costs for infrastructure works, etc. In those cases, it is not necessary to levy the “bouwgrondbelasting” in order to cover costs; moreover, the legislation specifically excludes the use of the tax when the costs are

covered by land sales, etc. The significance of the tax on building land is that it can be used to oblige landowners to contribute to the costs of necessary public works when the land has not been taken into municipal ownership. However, case law has determined that a contribution can be exacted only for public works that directly benefit the landowner (Needham et al, 1993: 69).

Some municipalities also levy a tax on non-residents who spend more than ninety nights per year in the area or retain furnished accommodation for more than ninety nights per year. The tax base is either the duration of stay or rateable value of the accommodation (OECD, 1983: 123).

### **III.2.11. PORTUGAL**

#### **III.2.11.1. General Overview**

*National Area:* The total area of metropolitan Portugal, including the Azores (2335 sq km/902 sq mi) and the Madeira Islands (794 sq km/307 sq mi), is 92,082 sq km (35,553 sq mi).

*Population Density:* The population of Portugal, including the Azores and Madeira Islands, was (1996 estimate) 9,865,114. The overall population density was about 107 persons per sq km (277 per sq mi). ("Portugal," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

#### **III.2.11.2. Real Property Taxation**

Real property taxation is governed according to DL No 41969 of 24/11/1958, as last amended by Law No 75/93 of 20/12/1993 (EC, 1996: 685). The recent tax reform of 1989 introduced a general income tax to replace a number of different taxes. In addition the present rural and urban property tax based on rental values will be replaced by a new property tax based upon the capital value of property. After the tax reform there are now four principal taxes on real property: the municipal tax, the transfer tax, the death and gift tax and capital gains tax. In addition to these taxes there are also other taxes which are of less importance such as sewerage and fire tax (Leitao and Carneiro do Amaral, 1991: 157).

The principal tax on immovable property is the property transfer tax (Sisa—Imposto sobre a transferencia onerosa da propriedade imobiliare) (EC, 1966: 685).

The first tax levied on real property goes back to 1843. Since 1979 the revenue from the real property tax has been allocated to the municipalities, although it is levied at central level. A small fraction of the tax is designated to cover costs incurred with tax collection and valuation. The property tax was made up of two elements: the rural property tax and urban tax (Leitao and Carneiro do Amaral, 1991: 158).

### III.2.11.2. 1. Tax Base and Rate

The tax rate is 10 percent on transfers of urban buildings of building land and 8 percent in other cases (EC, 1966: 685). There are reduced rates of tax as well, as for land being purchased for industry to promote national economic growth (EC, 1966: 686).

The tax rate to be applied to urban property ranges from 1.1 percent to 1.3 percent. For rural property the rate to be applied is 0.8 percent. These rates are applied to the assessed capital value of the properties. The level of tax rate on urban property is established every year by the municipalities (Leitao and Carneiro do Amaral, 1991: 162).

### III.2.11.2.2. Organisation and Liability

The beneficiary government is the municipality. Natural or legal persons purchasing real property are liable to pay the tax (EC, 1966: 685). The tax is collected generally prior to the act or deed of transfer of property (EC, 1966: 686).

According to the 1963 Code the valuation of rural property is carried out by the Geographical and Cadastral Institute (IGC) except for those which are not included in the Cadastral register and where the valuations are made by the General Direction of Taxation (DGCI). The area not included in the cadastral register is primarily in the northern and central parts of the country where properties are usually very small in size. The area within the register represents approximately 52 percent of the total land area (Leitao and Carneiro do Amaral, 1991: 160).

For urban and rural property not covered within the register, valuations are carried out by committees of valuation which work part time and are made up of three valuers, two appointed by the General Direction of Taxation and one by the municipality. Within each municipality, there exists a tax office, comprising two committees of valuation, one for urban properties and one for rural properties. In Portugal there are 305 municipalities and 726 valuation committees. The municipalities are gathered into 22 districts, with 670 valuers (Leitao and Carneiro do Amaral, 1991: 161).

The municipal tax is collected each year by the General Director of Taxation and is based on the values included in the register of properties as of 31st December. The penalties for not paying the tax include payment with interest to eventual sale of the property by court decision (Leitao and Carneiro do Amaral, 1991: 163).

### III.2.11.2.3. Valuation

The municipal tax is assessed upon the capital value as was the case with the property tax. The Decree No 442-C/88 which established the code of the municipal tax states that the taxable value of urban property will be obtained by applying a capitalisation

factor of 15 to the income, whilst a factor of 20 will be applied for rural properties (Leitao and Carneiro do Amaral, 1991: 160).

With reference to agricultural or rural land, factors which are relevant to valuation are income per hectare, quality of soil and a agricultural use. The officials of the IGC proceed to inspect and value the property. Property owners have a right to appeal against the valuation (Leitao and Carneiro do Amaral, 1991: 160).

For valuing rural property, the capital value is obtained from a capitalisation factor of 20 on the income value. The income value (RF) is calculated by taking the gross income (RB) and deducting exploitation expenses (EE) and the exploitation profit (LE) from it.

$$RF = (RB - EE) - LE$$

The expenses of exploitation include the costs of cultivation, conservation and transportation of products, the expenses of maintaining buildings, administration and other costs.

For the evaluation of urban properties there are two components: building land and buildings. While the Code of Valuation is not yet in force, the criteria for valuing building land is found in the Code of Transfer and Death and Gift Tax. The valuation of a plot is based on the market value of each square metre of building land. For buildings, the capital value is determined by applying a factor of 15 to its income according to the Code of Municipal Tax. This is obtained by deducting certain costs including maintenance charges, payment of door-keepers, lighting up entrance holes and staircases, central heating, electric power for both passengers and goods lifts, and the management of the condominium from its rental value. This expenditure is calculated by reference to a percentage on rental value (Leitao and Carneiro do Amaral, 1991: 161).

The rental value of leased property is to be equal to the amount of rent actually received each year, and for owner occupied property, the rental value will be determined by making comparisons to other leased property which is under contractual freedom, in the same area if possible, and which are deemed to be a similar standard (Leitao and Carneiro do Amaral, 1991: 162).

With reference to urban properties there is a new proposal to calculate the capital value according to the properties' classification as dwellings, commercial and industrial property, and building land (Leitao and Carneiro do Amaral, 1991: 163).

#### III.2.11.2.4. Tax Revenues

Since 1950 the urban property tax revenue has been higher than revenue from the rural property tax. The latter has been quite stable, whereas there is an accelerated

increase in urban property tax revenues, mainly as a result of the development of the urban areas (Leitao and Carneiro do Amaral, 1991: 158).

With respect to all other taxes property tax revenue has been the most important one for the municipalities, particularly during the period 1979 to 1986. In 1979, it represented about 60 percent of such revenue. Although there has been an increasing reduction, it still represented nearly 50 percent in 1986. After the allocation of the transfer tax (SISA) to municipalities from 1987, the same figure for that year amounted only to 30 percent. With the new tax system introduced in 1989, the property tax was abandoned (Leitao and Carneiro do Amaral, 1991: 158).

Real property tax revenues have declined both as a percentage of GDP and as a percentage of total tax revenue between 1965 and 1980s, but since then they have been increasing at a moderate rate. On the other hand, total tax revenue as a percentage of GDP has more than doubled between 1965-1996. The proceeds from recurrent taxes on real property amounted to circa 63,468,000,000 escudos in 1996 as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.11.24 Amount of Real Property Tax by Country  
(in Nominal Values in Local Currencies)**

**Portugal** (millions of escudos)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	0	0	0	0	0	26,700	62,157	63,468

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998)

**Table IIIB.2.11.2.4. Property Tax Revenues in Portugal**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	16.1	20.1	21.6	25.1	27.6	30.9	34.9	34.9
Real property tax revenue as a % of GDP	0.8	0.9	0.5	0.4	0.5	0.8	0.9	0.9
Real property tax revenue as a % of total tax revenue	5.1	3.0	2.5	1.4	1.9	2.7	2.5	2.5

#### III.2.11.2.5. Exemptions

There are different types of exemption, including the following (EC, 1966: 685):

1. purchases of real property for resale under certain conditions
2. the purchase of a dwelling for the purchaser or a third party, provided that the value on which the tax is to be levied does not exceed ESC 8,400,000.

The state, the municipalities and their associations are not entitled to pay municipal tax. National monuments are also exempt. In addition exemption is also granted for variable periods, to owner occupied houses and dwellings which are available for renting as can be seen in the following table:

**Table III.2.11.2.5. Property Tax Exemption for Residential Property in Portugal**

Capital Value (1,000 PTE)	Exemption (Years)	
	Owner-Occupied Houses	Rented Dwellings
<5,000	10	10
5,000-7,500	10	8
7,500-10,000	10	6
10,000-12,500	7	4
12,500-15,000	4	2

Other exempt properties include churches, seminaries, seat of political parties, trade unions, employers associations, etc (Leitao and Carneiro do Amaral, 1991: 162).

### **III.2.11.3. Land Value Capture/Betterment**

There is a tax based on the necessary costs of providing infrastructure or other facilities. Taxes are used also to fund the acquisition and development of public space (EC, 1997a: 90).

### **III.2.11.4. Infrastructure Cost Recovery**

#### **III.2.11.4.1. From Developers**

Developers may be required to hand over land ownership of a proportion of the development site as a contribution to public facilities such as public open space, or social housing (EC, 1997a: 91).

#### **III.2.11.4.2. From Landowners**

Taxes can be imposed on use of building and use licenses (EC, 1997a: 92).

## **III.2.12. REPUBLIC OF IRELAND**

### **III.2.12.1. General Overview**

*National Area:* The republic of Ireland has a land area of 68,890 sq km (26,600 sq mi).

*Population Density:* In 1996, the population was estimated at 3,566,833, giving the country an overall population density of about 52 persons per sq km (about 134 per sq

mi). ("Ireland, Republic of," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

### **III.2.12.2. Real Property Taxation**

A property tax known as rates has been the only form of local taxation. The earliest form of this tax goes back to the 15th century (Williams, 1991: 99).

#### **III.2.12.2. 1. Tax Base and Rate**

The tax base is known as the rateable value. For agricultural land this is a net annual value determined by reference to a fixed scale for farm costs and produce prices. For other property, the tax base is the estimated net annual value, in effect the estimated annual letting value less the cost of rates, repairs, insurance and maintenance. There is no earmarking (OECD, 1983: 110).

The Valuation Act 1986 clarifies the categories of industrial plant deemed rateable through the insertion of a schedule listing categories to be rateable. This Act also provides for the rating of other properties not specifically referred to in the existing legislation. The legislation considers virtually every category of fixed property and land as being within the scope of valuation for rating purposes. However rates are not payable on agricultural land, farm buildings or domestic buildings. In 1978 payment of domestic rates by owners and occupiers was abolished and replaced by the payment of an annual block grant by the Minister of the Environment to local authorities not exceeding the rates bill for such properties. A National Residential Property Tax was introduced by the central government subsequently in 1984 which involves both an income threshold and a property valuation threshold. The tax is currently payable on the surplus of domestic property's capital value over the value of the £96,000 for owners whose overall household income exceeds the limit set of £28,500. The annual payment is based on a taxation level of 1.5 percent of surplus value. The threshold amounts are index-linked to the consumer price indices and are altered within each year's budget. This tax is paid to central government and has not had any linkage with local taxation and finance (Williams, 1991: 103).

#### **III.2.12.2.2. Organisation and Liability**

The tax is levied by local authorities. The beneficiary governments are county councils, county borough corporations, borough corporations and urban district councils. Generally it is payable in two instalments. It is the occupier who is liable for payment (OECD, 1983: 110). Valuation is carried out by the Commissioner of Valuation for the whole State (EC, 1996: 475). The area of a rating authority is usually divided into collection districts with a rate collector for each district. Rates are normally payable in two moieties (EC, 1996: 476).

The Valuation Office was established under the Valuation Act 1852 (Williams, 1991: 101). Changes to valuation lists on an annual basis and also a general revision of all valuations along with the processing of all appeals are the responsibilities of the

Valuation Office. This office, based in Dublin, deals with all rating valuation work with a professional staff of 75 along with administrative and support staff. They have additional responsibilities of providing government departments and agencies with advice on a broad range of property valuation matters, including property taxation matters, resources for the updating and reform of the rating valuation system.

Responsibility for the preparation and updating of the valuation list lies with various local authorities, who have the powers of rating authorities. Requests for revisions or valuations or for insertions of valuations on newly constructed properties are made by the local authorities on a regular basis to the Valuation Office. In terms of rating valuations the more important local government organisations are the county councils (27), county borough corporations (5), borough corporations (6) and urban district councils (49), all of which are statutory rating authorities. The assessment of the amount of rates is based on the 'rate in the pound and' for each year which is a function of the elected councillors of each rating authority. This 'striking the rate' provides the multiplier which coupled with the two rateable valuation determines the amount of rates levied on occupiers in the following year (Williams, 1991: 102).

Since the Poor Relief Act 1838 liability for rates has been with the occupier of rateable hereditaments. Since 1862, vacant buildings have been deemed rateable with provision for relief being introduced in 1946. Thus the owner is entitled to a refund in respect of the amount of rates as appropriate for every complete months during which the premises is unoccupied, if he is unable to find an occupier or suitable tenants at a reasonable rent (Williams, 1991: 101).

#### III.2.12.2.3. Valuation

There has been no general revaluation of property since the 1850s, with the exception of Dublin and Waterford cities in the early 1900s (OECD, 1983: 108). The assessments are prepared by local authorities (OECD, 1983: 109). The tax is assessed annually (OECD, 1983: 110). Rates are assessed on the valuation of real property such as buildings, factories, railways, canals, mines, woods, rights of fishery, right of easement over land and land developed for purposes other than agriculture, horticulture, forestry or sport (EC, 1996: 475).

The first measure to introduce a general revaluation for rating purposes was in 1826. It was the Poor Relief Act 1838 which provided the first general valuation of all property hereditaments. It was with the Valuation Act 1852 that the first complete set of valuations of all individual tenements was made for public and local assessments. The objective of this act was to provide a uniform basis for valuation on which taxes and levies could be charged. The basis of valuation of all hereditaments was defined as net annual value, which was to be calculated as the annual letting value over and above the rate, cost of repairs and insurance. This Act with various amending acts in the middle of the 19th century remains the core legislation dealing with the valuation system along with two modern statutes updating the legislation passed in 1986 and 1988 (Williams, 1991: 100). In general it can be concluded that the Irish legislation

and case law prior to independence in 1922 went parallel to the developments in the United Kingdom and that the valuation systems since 1922 have changed to a large extent with an absence of a general revaluations and the consequent lack of relativity within the Irish valuation system leading to pressure for the abolition of rates. Lack of reform led to the decline of the system and the consequent reduction in the valuation base to its existing position of encompassing industrial and commercial property only (Williams, 1991: 101).

Absence of reform to the valuation basis brought forward judicial and political decision to abolish payment of rates on various sectors of property. Eventually a modern statute, the 1986 Act, specifically dealt with the issue of giving statutory basis to the practice of reducing net annual value to give a rateable valuation and also restated the prime importance of net annual value in arriving at a rateable valuation. The Valuation Office established a consistent relativity factor or a fraction which could be used in rateable valuations. A factor of 0.63 percent of the 1988 net annual value was established as being the ratio in deciding rating valuations for the prime retail areas of Dublin. For uniformity a programme of comprehensive commercial revisions is being carried out using the standard 0.63 factor and the five main urban areas of Dublin, Cork, Limerick, Galway and Waterford with a factor of 0.5 being applied throughout the rest of the country (Williams, 1991: 105). Variations in the Dublin area range from suburban shopping centres which are valued at less than 0.5 percent of the net annual value to offices in central Dublin which are valued at over one percent of net annual value (Williams, 1991: 106).

#### III.2.12.2.4. Tax Revenues

Real property tax revenues have declined dramatically both as a percentage of GDP and as a percentage of total tax revenue between 1965 and 1996. On the other hand, total tax revenue as a percentage of GDP has increased within the same period. The proceeds from recurrent taxes on real property amounted to circa 353,000,000 Irish pounds in 1996 as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.12.2.4. Amount of Real Property Tax by Country (in Nominal Values in Local Currencies)**

**Republic Of Ireland** (millions of Irish pounds)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	31	51	87	110	178	245	333	353

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998)

**Table IIIB.2.12.2.4. Property Tax Revenues in the Republic of Ireland**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	24.9	29.9	30.2	32.6	36.4	34.8	33.8	33.7
Real property tax revenue as a % of GDP	3.8	3.7	2.9	1.7	1.5	1.6	1.5	1.6
Real property tax revenue as a % of total tax revenue	15.1	12.2	9.7	5.3	4.0	4.7	4.5	4.8

#### III.2.12.2.5. Exemptions

Following are the types of property exempt from real property taxation statutorily (OECD, 1983: 109):

1. Central government property
2. Property used for science, Literature and the fine arts (including museums and art galleries)
3. Public hospitals
4. Charities
5. Generating stations and transmission lines of the national electricity authority

In addition, properties used mainly for domestic purposes are not taxed, and in properties used partly for domestic and partly for non-domestic purposes, the domestic-purpose portions qualify for relieve. Primary and secondary schools and community halls are also exempt. Mines are given relief for seven years after opening or re-opening, local authorities may allow a seven year remission to industry established with the aid of grants in certain areas. Farm buildings are exempt, as are farmland holdings with an R.V. below £50. Those with an R.V. between £50 and £70 are given 50% relief. Public worship places are completely exempt (OECD, 1983: 109). In 1978 residential property was exempted from taxation (OECD, 1983: 110).

The main areas involve buildings used exclusively for the purpose of public religious warship, the education of the poor, charitable purposes and buildings used for the State or for public purposes (Williams, 1991: 104).

#### **III.2.12.3. Land Value Capture/Betterment (?)**

#### **III.2.12.4. Infrastructure Cost Recovery**

III.2.12.4.1. From Developers (?)

III.2.12.4.2. From Landowners (?)

There are charges levied in conditions attached to planning consent (EC, 1997: 92).

### **III.2.13. SPAIN**

#### **13.1. General Overview**

*National Area:* The area of Spain, including the African and insular territories, is 504,750 sq km (194,885 sq mi).

*Population Density:* The population estimate for 1996 is 39,181,114, giving the country an overall density of about 78 persons per sq km (about 201 per sq mi). ("Spain," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

#### **III.2.13.2. Real Property Taxation**

The principal taxes on immovable property are the rural land tax and urban land tax (OECD, 1983: 141). According to the (EC, 1996: 322), the Law No 39 of 28/12/88 which entered into force on January 1, 1990 replaced the taxes on urban and rural property and the tax on building land.

##### **III.2.13.2. 1. Tax Base and Rate**

The tax base is the presumed net income from agricultural property for the rural land tax, and the real or potential income from land and urban buildings for the urban land tax. The tax rate is 10% and 20% on rural land and urban land respectively (determined by the central government). Tax bases are set annually by agencies representing both central and local governments. They are determined according to property valuations (OECD, 1983: 141). The tax period is annual. There is no earmarking for tax proceeds (OECD, 1983: 142). According to (EC, 1996: 322) the basis of assessment is the cadastral value of the property. The tax rates are 0.4 percent for urban property 0.3 percent for rural property. But municipalities may increase or decrease these rates within the limits and in accordance with the circumstances given in the law.

For both the rural and urban land tax, the tax base covers unimproved land value, improvements to land and buildings. The basis of valuation is the annual value of property (Messere, 1993: 433).

##### **III.2.13.2.2. Organisation and Liability**

The beneficiary government is the local authority (OECD, 1983: 141). The tax is collected by the central government. The liability for payment is on the owner. However increases in urban land tax resulting from revaluations in 1979 and 1981 may be passed on to tenants (OECD, 1983: 142). According to (EC, 1996: 322), the tax is payable by owners, beneficiaries, tenants and concession holders.

### III.2.13.2.3. Valuation

Rural property is revalued every 5 years and urban property every three years (OECD, 1983: 141).

The Catastre is the registry for property establishing property prices and conditions, and serving as a reference price for taxation purposes (VAT, property tax, local rating for purchase) as well as for public acquisition (Calderón and Espanol, 1992: 87).

Purchase prices are not regulated except when public acquisition or appropriation take place. Often there is a duality in property prices. There is the official property price stated in the Estate Property Registry, and then the actual purchase price which is higher than the official price. The official price determines the tax rates (local rates and property taxes). The enforcement of general taxation control by the Treasury since the mid-1980s has forced non-declared income to enter the property market. The enforcement of tax control and the current updating of Catastre will make the two prices closer to each other (Calderón and Espanol, 1992: 87).

### III.2.13.2.4. Tax Revenues

Real property tax revenues have been unstable both as a percentage of GDP and as a percentage of total tax revenue between 1965 and 1985, declining sharply regarding the latter. Real property tax revenues, then, started to increase after 1985. Total tax revenue as a percentage of GDP more than doubled between 1965-1996. The proceeds from recurrent taxes on real property amounted to circa 503,000,000,000 pesetas in 1996 as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.13.2.4. Amount of Real Property Tax by Country  
(in Nominal Values in Local Currencies)**

**Spain** (billions of pesetas)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	1	2	4	7	6	246	470	503

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998)

**Table IIIB.2.13.2.4. Property Tax Revenues in Spain**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	14.7	16.9	19.5	23.9	28.5	34.2	34.0	33.7
Real property tax revenue as a % of GDP	0.9	1.1	1.2	1.1	1.0	1.9	1.9	1.9
Real property tax revenue as a % of total tax revenue	6.4	6.5	6.3	4.6	3.5	5.5	5.5	5.5

#### III.2.13.2.5. Exemptions

The following properties are exempt statutorily from real property taxation (OECD, 1983: 141-2):

1. Properties considered essential for rural development and livestock exportation (Urban Land Tax only)
2. Property belonging to foreign governments
3. Property belonging to central government and its agencies
4. Educational property
5. Hospitals
6. Religious property
7. Charities
8. Property intended for public use
9. Artistic and cultural heritage of the country

Besides, there is 95% and 50% tax rate exemption on toll motorways and social housing respectively (OECD, 1983: 142).

#### III.2.13.3. Land Value Capture/Betterment

Plans are implemented by using one of the three possible procedures. The first one involves the formation of a compensation committee by the owners involved and the negotiation of a satisfactory profit-sharing scheme for approval by the municipality. The second one involves co-operation between public and private sectors whereby the municipality brokers a solution to the profit sharing problems and may also take the lead in securing the necessary infrastructure (even though land owners still meet the infrastructure costs). Where neither of the strategies is appropriate, the third possibility is the expropriation of land at a fair price by the municipality (Keogh, 1994: 491).

There is a tax on the increase in the value over urban land (*impuesto sobre el incremento del valor de los terrenos de naturaleza urbana*). This replaces the tax on the increase in the value of land as of 1st January 1990. The tax applies to the increase in value during the tax period of land the ownership of which is transferred in any kind of way, or land in which any real right of enjoyment is created or transferred restricting the rights of ownership (EC, 1996: 323). Special taxes may also be levied on properties the value of which increase following improvements in infrastructure (2.4%-4% of building costs) (EC, 1996: 92).

The constitution requires that the increase in the value of development (development profit) should be shared equitably among the community. This is interpreted in Planning Law as the community of owners. The general principle is that development profit per hectare should be arranged in such a way that the profit should be the same regardless of the use allocated to any plot of land. This involves the identification of an allowable

average rate of return and the re-adjustment of land or development right to achieve it. In an attempt to make profit sharing feasible, the 1992 Planning Act also introduces the possibility of trading in the excess or deficient development rights between land owners within the urban area or between landowners and the municipality. This introduces the concept of a financial readjustment rather than ownership readjustment of land (Keogh, 1994: 491).

### **III.2.13.4. Infrastructure Cost Recovery**

Local authorities may levy special taxes on properties which increase in value as a result of certain infrastructure improvements (OECD, 1983: 143).

#### **III.2.13.4.1. From Developers**

According to Ley del Suelo (Ley sobre Régimen del Suelo y Ordenación Urbana enacted in 1976), which is the highest rank legislative document valid throughout Spain dealing with detailed land-use allocation, developers should dedicate land to the ayuntamiento (municipality, local council) free of charge for public rights of way, gardens, schools, etc. (Calderón and Espanol, 1992: 79). Developers are also obliged to give over 15 percent of the land to be developed for social housing (EC, 1997a: 91).

Developers should build all the basic infrastructure needed as stated in Ley del Suelo before the actual land development starts and meet all the costs incurred, including indemnities due and the cost of additional planning and project work (Calderón and Espanol, 1992: 79). Besides, if the developer cannot finish the development within the set time limit, his licence expires and he is not allowed for any compensation (Calderón and Espanol, 1992: 80). The private developer is responsible for all costs associated with the development (Calderón and Espanol, 1992: 81). Negotiated agreement schemes have also been introduced (EC, 1997a: 91).

#### **III.2.13.4.2. From Landowners**

For land which is going to be developed according to a plan within two four-year periods (suelo urbanizable programado), landowners must give 10% of their building rights which will be used by the ayuntamiento to provide for social facilities or land to be developed (Calderón and Espanol, 1992: 79).

When land is developed, 15% (this amount was only 10 percent with the planning Act of 1976, however it was increased to 15 percent with the planning Act of 1992 ) of the land must be given to the municipality for community benefit. In addition landowners are required to meet the costs of necessary infrastructure provision (Keogh, 1994: 489). Therefore this is a tax on development profit after infrastructure and other costs have been met.

With the 1992 Planning Act, landowners are also forced to comply with the adopted plan as a result of the provisions for the expropriation of up to 50 percent of

development value from landowners who fails to comply with the planned schedule of development.

The formal flat-rate tax requirement is commonly supplemented by planning gain as well. Planning gain also arises after the provision of necessary infrastructure and required social and environmental facilities. Therefore it can be regarded as a real planning gain in the sense that it reduces development profit and is not part of the normal requirement of the planning system. Actually there is no formal legal framework for the appropriation of planning gain. It usually comes up with the modification of a plan. Some municipalities have managed to secure up to 80 percent of development profit by means of the standard land tax and additional contributions offered by landowners. In principle, there are efficiency advantages arising from the extraction of planning gain without the associated risks that development will be discouraged at the margin in the way it is by a flat-rate tax. However the point is that such gains can only be extracted where development profits exist (Keogh, 1994: 490).

### **III.2.14. SWEDEN**

#### **III.2.14.1. General Overview**

*National Area:* The land area of Sweden is 410,928 sq km (158,660 sq mi).

*Population Density:* The population of Sweden was officially estimated at 8,900,954 in 1996. This gives the country an overall population density of about 22 persons per sq km (about 56 per sq mi). ("Sweden," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

#### **III.2.14.2. Real Property Taxation**

This is known as a municipal guarantee tax which took its present form in 1953 (OECD, 1983: 144).

##### **III.2.14.2. 1. Tax Base and Rate**

Property tax is levied on detached and semi-detached houses, farmhouses and rental housing (Calibre and Mattsson, 1995: 92). Each property is valued at 75% of its market value. Municipalities levy the guarantee tax on a base which is 1.5% of this valuation. The tax rates vary but on the average they are about 30% (municipalities have unlimited discretion over the tax rate) (OECD, 1983: 144). There is no earmarking requirement (OECD, 1983: 146).

Owners of private housing properties pay property tax at 1.5 percent of the property's assessed value. The site lessee pays a tax equalling 1.5 percent of the assessed value of both land and building as well. As taxable income, the co-operative has to declare a standardised income equalling three percent of the assessed value of the property.

In addition the co-operative has to pay a property tax at 1.5 percent of the assessed value if the property is a single family dwelling or 2.5 percent if it is a multiple-family dwelling. For a non-profit housing the property tax equals 2.5 percent off the assessed value as well (Calibre and Mattsson, 1995: 92). General property assessment comes in different years for different types of assessment units. Rental housing properties, industrial, development and special purpose unit were assessed in 1988, single family housing in 1990 and agricultural unit in 1992. Each category will then be re-assessed at six-yearly intervals. A special property assessment is made every year in cases where reassessment is called for, for example on completion of a building or extensive alterations. The basic principle is for the assessed value to equal 75 percent of the market value of the property two years before assessment. Thus the 1992 assessment was based on 1990 prices (Calibre and Mattsson, 1995: 93).

The property tax is restricted to residential land and buildings. Commercial property was removed from the tax base at the beginning of 1993 (Youngman, 1994: 181). Industrial, agricultural and forest lands are excluded from the tax base. The present property tax is based on the assessed value, officially set at 75 percent of the market value two years before their assessment year (Youngman, 1994: 182).

The tax base covers unimproved land value, improvements to land and buildings. The basis of valuation is the capital value of property (Messere, 1993: 433).

#### III.2.14.2.2. Organisation and Liability

The beneficiary governments are the municipalities (OECD, 1983: 144). Owners are liable for paying the tax (OECD, 1983: 145). The tax is collected by the central government agencies and the revenue is distributed to municipalities (OECD, 1983: 146). Property tax legislation, including the tax rate, is under the control of Parliament. The tax is administered by the National Tax Board, the local county tax authority and Real Estate Assessment Board. Then National Tax Board develops the computer systems used in assessment, notification and tax collection. Data on property identification ownership and sales is contained in the land data bank system, which contains the property and land registers. Assessments are made by local Real Estate Assessment Boards. The land data bank system is managed by the Central Board for real estate data. It contains the property register and the land register (Youngman, 1994: 183).

#### III.2.14.2.3. Valuation

Revaluations are under the responsibility of the central government (OECD, 1983: 144). Every property is re-assessed every six years (Youngman, 1994: 182). Data on property identification ownership and sales is contained in the land data bank system, which contains the property and land registers (Youngman, 1994: 183).

The valuation standard is fair market value at highest and the best use. All residential properties are assessed by the comparable sales methods. The rent control system and the tenement sector affect the calculation of the market value for those properties.

However, restrictions imposed by private agreements do not affect valuation. Public restrictions such as land use and zoning controls do affect the highest and best use of the property and thus the valuation. There is no self assessment. Tax payers only fill in the forms describing the features of the property. The most common valuation method is the comparable sales methods. For some specific types of property where no market generally exists the income or the replacement cost method is used. Assessed values are not indexed. A property carries the same value for six years unless major changes are made to it (Youngman, 1994: 185).

#### III.2.14.2.4. Tax Revenues

Although a clear trend cannot be established, real property tax revenues have increased both as a percentage of GDP and as a percentage of total tax revenue between 1965 and 1996. The proceeds from recurrent taxes on real property amounted to circa 24,028,000,000 kronors in 1996 as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.14.2.4. Amount of Real Property Tax by Country  
(in Nominal Values in Local Currencies)**

**Sweden** (millions of kronor)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	10	10	11	16	3,861	8,946	15,263	24,028

In terms of comparative percentage ratios the revenues are as follows (OCD: 1998)

**Table IIIB.2.14.2.4. Property Tax Revenues in Sweden**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	35.0	39.8	43.4	48.8	50.0	55.6	49.5	52.0
Real property tax revenue as a % of GDP	0.6	0.6	0.5	0.5	1.2	2.0	1.4	2.0
Real property tax revenue as a % of total tax revenue	1.8	1.5	1.1	0.9	2.3	3.5	2.8	3.8

#### III.2.14.2.5. Exemptions

Industrial and purely agricultural properties are exempt. As from 1993, no property tax is payable on commercial premises. If a rental property includes both housing and non-residential premises, then in principle, the assessed value is subdivided with reference to the non-residential floor space. Newly built or completely renovated homes qualify for a reduced rate of property tax. No tax is payable for the first five years; for the next five years a 50 percent reduction applies (Calibre and Mattsson, 1995: 92). Tenement houses constructed between 1973 and 1990, and one- or two-

family houses constructed after 1986 benefit from tax exemption until the year 2000 (Youngman and Malme, 1994: 182-3).

Churches and other buildings used for religious activities, certain public and governmental buildings, educational and cultural buildings, public sports facilities, national parks, public utilities, health facilities, nursing institutions and buildings and land owned by tax-exempt associations (such as the Nobel Foundation, student organisations and foreign embassies) are exempt from real property taxation. The land associated with these buildings is also exempt if the property is used mainly for the stated purposes. (Youngman and Malme, 1994: 182).

### **III.2.14.3. Land Value Capture/Betterment(?)**

### **III.2.14.4. Infrastructure Cost Recovery**

#### **III.2.14.4.1. From Developers**

Due to the decline of public resources to invest in maintaining and constructing infrastructure facilities, there is usually collaboration with the private sector for infrastructure investments as in other industrialised countries. This has given rise to negotiated agreements which has driven the debate over democracy and efficiency in decision-making (Bejrums et al, 1995: 149). There are limits imposed on local authorities' powers to charge costs on developers (EC, 1997a: 91).

#### **III.2.14.4.2. From Landowners**

Within an area covered by a detailed development plan, the municipality is normally responsible for water, sewerage, streets and parks. To compensate for the costs the municipality can collect fees from property owners. For water and sewerage facilities, the fee may be collected either in the form of a one-time charge to cover construction costs or as an annual fee for operating and maintenance costs. The compensation for municipal water and sewerage facilities is usually 100%. In areas covered by detailed development plans, the municipality has the right to charge a fee covering construction costs for local streets and parks. Operating costs must be financed through the local taxes (Bejrums et al, 1995:143).

When the municipality leases the land, the compensation described above does not hold. The lessee must pay special user charges for water and sewerage facilities (Bejrums et al, 1995:144).

There is no special land development tax. Municipalities may levy street improvement fees based on cost and benefit, as determined by the municipalities, in areas where access streets are constructed. About one-third of all municipalities levy these fees. From a fiscal point of view these fees are of no importance and they are not considered to be a property tax (Youngman, 1994: 187).

## **III.2.15. UNITED KINGDOM**

### **III.2.15.1. General Overview**

*National Area:* The total land area of the United Kingdom is 241,590 sq km (93,278 sq mi).

*Population Density:* The population of Great Britain (1996 estimate) is 58,489,975. The overall population density is 242 persons per sq km (627 per sq mi). ("United Kingdom," *Microsoft® Encarta® 98 Encyclopedia*. ©1993-1997: portions reprinted with permission from Microsoft Corporation)

### **III.2.15.2. Real Property Taxation**

There has been a form of property taxation known as rates. It is imposed upon the value of occupation as measured by their nominal rent and applicable to both residential and non-residential property. It was in force from the Poor Law Reform Act of 1601 until 19th April 1989 in Scotland and April 1990 in England and Wales. Domestic rates were then replaced by the community charge, also known as the poll tax. This was based upon the person rather than upon the property. However elements of a property tax remained in the special treatment of second homes and of empty properties.

Popular resistance to the community charge led to legislation replacing it with a council tax which is based mainly on the capital value of property, but with some personal element (e.g., automatic discounts for single householders). The main Council Tax legislation was passed on 19th March 1992. This tax is innovative in that it places properties into bands of capital value (Youngman and Malme, 1994: 198) at 1990 levels of value.

The reforms of 1988 also altered non-domestic rates by providing for a uniform, nationally determined tax for England and Wales, to be collected by local government and returned to them on a per capita basis. Harmonisation with Scotland was also planned in the future (Youngman and Malme, 1994: 199).

At the moment business rates are governed by the Local Government Finance Act 1988 and the Housing Act 1989; whereas the Council Tax is regulated by the Local Government and Finance Act 1992 (the Community Charge being replaced by the Council Tax as of April 1993) (EC, 1996: 764-7).

#### **III.2.15.2. 1. Tax Base and Rate**

Domestic properties are valued on a banded capital value basis with the rate of taxation fixed annually by local authorities for their respective Council Taxes. However, the other main form of property taxation is the national non-domestic rate, also known as the Uniform Business Rate (UBR). It was introduced in 1990 replacing the former locally determined business rates.

The base is the beneficial occupation of land and buildings. The rateable value of taxable property is set on a net rental basis. A tax multiplier (formerly known as rate poundage) is then applied to the rateable value (Youngman and Malme, 1994: 199). Annual increases in the multipliers are centrally determined by referring to the rise in the retail price index (RPI). There is provision for increases to be less than the RPI, but not more.

Actual taxes payable as from 1st April, 1990 were adjusted by a complex formula of transitional relief designed to dampen the effect of the inevitably substantial changes resulting from the long interval between revaluations. Although it will be some years before all occupiers pay a true rate, periodic five-year (quinquennial) re-evaluation cycles are planned for the future (Youngman and Malme, 1994: 200) and the first one took place in 1995 and is to be followed in 2000 by a second revaluation.

#### III.2.15.2.2. Organisation and Liability

Since 1981 the central government has set control mechanisms on the freedom of local authorities to set tax rates. (Youngman and Malme, 1994: 199).

The tax legislation is enacted by the central government. In England, Wales and Northern Ireland, the central government is responsible for gathering data on property identification and valuing property subject to tax; in Scotland this is currently a function of local government. The tax rate is set by the central government. Local government administers and collects the tax, and receives the proceeds on a per capita basis. There is no provision for local government to alter either the base or the rate of the tax.

Taxing districts do not overlap one another, and the tax revenue, being distributed on a per capita basis, does not affect the amount of inter-governmental grants. Property tax payments do not serve as deductions or credits for purposes of other taxes.

Property tax valuations are not used directly for other legal purposes, but the Inland Revenue Valuation Office Agency has responsibility for other valuations used for public sector purposes, and may indirectly use the information collected for rating purposes. The rating assessment is also a key factor in rent negotiations between owners and tenants (Youngman and Malme, 1994: 201).

The occupier is the party legally responsible for payment of the tax. The taxable period is one year. Payments are generally made in ten instalments throughout the year, or by other arrangements agreed to by the collecting authority. There are no programmes for deferral of taxes (Youngman and Malme, 1994: 203).

#### III.2.15.2.3. Valuation

Valuation officials are appointed. The officials are qualified according to the requirements of the Inland Revenue Valuation Office Agency.

There is no use of private contractors to value property for purposes of the non-domestic rate, but this may be undertaken in the future.

Various methods of valuation may be used according to property type, but the overall objective is to estimate the yearly rent payable in the open market for a tenancy with a reasonable expectation of continuance, under the assumption that the property is vacant and available for rental and that the tenant has responsibility for repairs, insurance and other expenses (Youngman and Malme, 1994: 202-3). Among the specific valuation methods, in addition to the rental approach, are the cost approach or contractor's basis, the profits basis and the output basis. Certain public or quasi-public utilities are valued by means of formulas. In general, the use of these special approaches is determined by custom and case law.

In valuing improved property, land and buildings are valued together as combined hereditaments, rather than separately.

From 1991, revaluations will take place at five-year intervals, based upon an antecedent valuation date two years earlier, to allow time for processing. New properties will be valued when completed. There is no general indexing of values to reflect the overall inflation (Youngman and Malme, 1994: 203).

#### III.2.15.2.4. Tax Revenues

Although a clear trend cannot be established, real property tax revenues have increased both as a percentage of GDP and as a percentage of total tax revenue between 1965 and 1996. The proceeds from recurrent taxes on real property amounted to circa 24,028,000,000 pound sterling in 1996 as shown in the following Table alongside previous years, (OECD: 1998):

**Table IIIA.2.15.2.4. Amount of Real Property Tax by country  
(in Nominal Values in Local Currencies)**

**United Kingdom** (millions of pounds sterling)

	1965	1970	1975	1980	1985	1990	1995	1996
Recurrent Taxes on Real Property	1,228	1,827	4,022	8,346	13,924	14,629	22,506	24,472
Betterment Levy	0	26	2	0	0	0	0	0
Development Land Tax	0	0	0	42	68	6	0	0

In terms of comparative percentage ratios the revenues are as follows (OECD: 1998):

**Table IIIB.2.15.2.4. Property Tax Revenues in the United Kingdom**

	1965	1970	1975	1980	1985	1990	1995	1996
Total tax revenue as a % of GDP	30.4	37.0	35.4	35.1	37.5	36.5	35.6	36.0
Real property tax revenue as a % of GDP	4.4	4.6	4.5	4.2	4.5	2.9	3.7	3.8
Real property tax revenue as a % of total tax revenue	14.5	12.5	12.7	12.0	12.0	7.8	10.4	10.6

### III.2.15.2.5. Exemptions

Major exemptions include:

1. agricultural land and buildings
2. churches, chapels, church halls used for public meetings, administrative offices and religious organisations
3. lighthouses, beacons and buoys
4. sewers and drainage authority buildings
5. parks and pleasure grounds
6. properties used for the care of the disabled
7. Enterprise Zones

There is mandatory tax relief of eighty percent of rates payable by charities, and local authorities may give further relief, up to full exemption. Relief may also be given to non-profit organisations. In Northern Ireland there is 15 percent relief (de-rating) of industrial property; in Scotland, the figure is 50 percent.

Crown properties (Government's buildings) are exempt, but a contribution in lieu of taxes is made, either by a reference to the normal principles of valuation or by reference to a statutory formula. Diplomatic premises are effectively exempt.

Exemptions are based upon the use to which a building is put and not the ownership.

Enterprise Zones were established in 1981 for a limited period to enable the establishment of entrepreneurial businesses free of most planning restrictions and of all liability for local taxes (Youngman and Malme, 1994: 201). One side-effect is that, free of local taxes, rents within the zones are some times higher than for comparable properties immediately outside. Special formulas were therefore applied to ensure that new values for rating purposes were not set at an artificially high level. The taxing authority has power to reduce or remit rates in the event of hardship.

Where properties capable of occupation are unoccupied, 50 percent of the full rate is payable, except in the case of industrial and storage premises which are exempted from tax (Youngman and Malme, 1994: 201).

### **III.2.15.3. Land Value Capture/Betterment**

In the pre-war era, betterment had been taxed through the Town Planning Acts, 1909 to 1932 to provide for recovery by a direct charge on those who benefited, from the provision of a town planning scheme (Lichfield and Connellan, 1997: 28). After World War II, the Town and Country Planning Act 1947 established a new provision for betterment, to be claimed as a development charge so far as the value of land was enhanced by the grant of permission. The development charge was assessed at the full increase in value due to the permission to develop. The development charge was then abolished with the Town and Country Planning Acts 1953 and 1954 (Lichfield and Connellan, 1997: 32). The Labour Government of 1967, then introduced a betterment levy with the Land Commission Act of 1967. Betterment was charged at 40% of the development value on all land sold. The Finance Act of 1967 established a capital gains tax as well. The tax was to be charged on the increases in the existing use value of land only, and not on the increases in the development value. The Land Commission Act of 1967 was repealed in 1971 by the Conservative Government (Lichfield and Connellan, 1997: 33). It is somewhat ironical that this is the only scheme for land value capture ever introduced by a Conservative Government, and it in fact survived when the incoming Labour Government of 1974 adopted the proposal in its Finance Act of 1974, under the title of Development Gains Tax (DGT). In 1976, the Labour Government established a development land tax with the Development Land Tax Act which provided for the taxation of development values (Lichfield and Connellan, 1997: 34). Development gain were calculated as the difference between the market value and either the current use value or the cost of land acquisition plus special additions (whichever was the highest). The tax would be paid when there was development on land, or when the land was sold or leased. However, this scheme was abolished as well by the Thatcher Government in 1979 (Lichfield and Connellan, 1997: 35).

### **III.2.15.4. Infrastructure Cost Recovery**

There are two parties involved: landowner and developer. They have either separate or joint identities.

#### III.2.15.4.1. From Developers

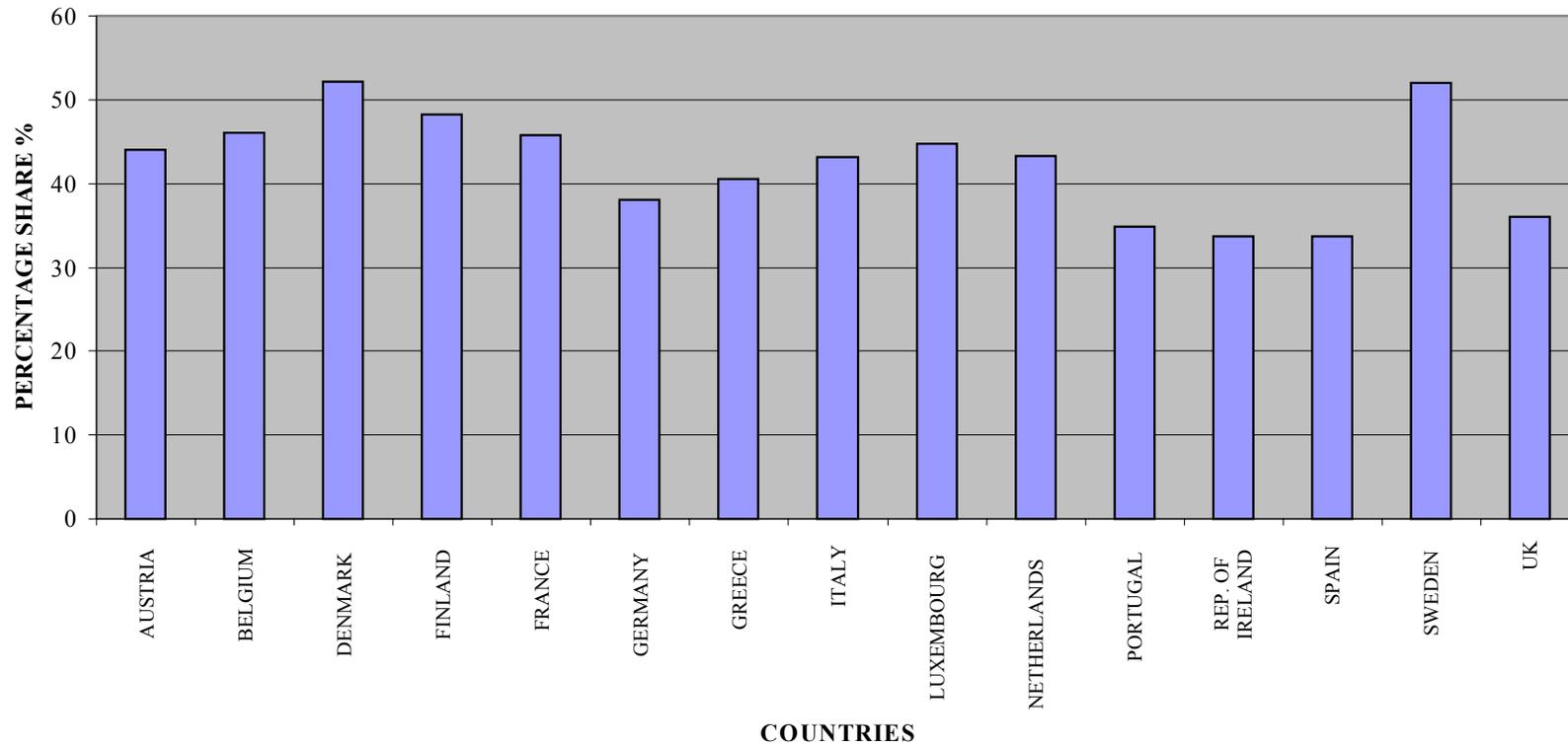
Traditionally, there is a mechanism which makes developers generally pay for infrastructure so that its capital cost enters into the price of the improved land which is charged ultimately to the consumer, depending on the strength of the bargaining power of the parties and the elasticity of the market. An example is the levy for water and sewerage in the Water Act 1989, supplementing the requisitioning required under the Water Act 1945 by a system of general infrastructure charging, intended to allow for capital costs incurred by undertakers when providing for additional capacity (Lichfield and Connellan, 1997: 38).

More recently, since the 1970s, an increasing trend for local planning authorities is to negotiate individual contractual agreements with the developers instead of a fixed levy. Accordingly, taxes on development have been abandoned in favour of planning gain/obligations. These are legally binding agreements whereby the developer agrees to provide the infrastructure or funding for services at the time the proposal is considered (EC, 1997a: 91).

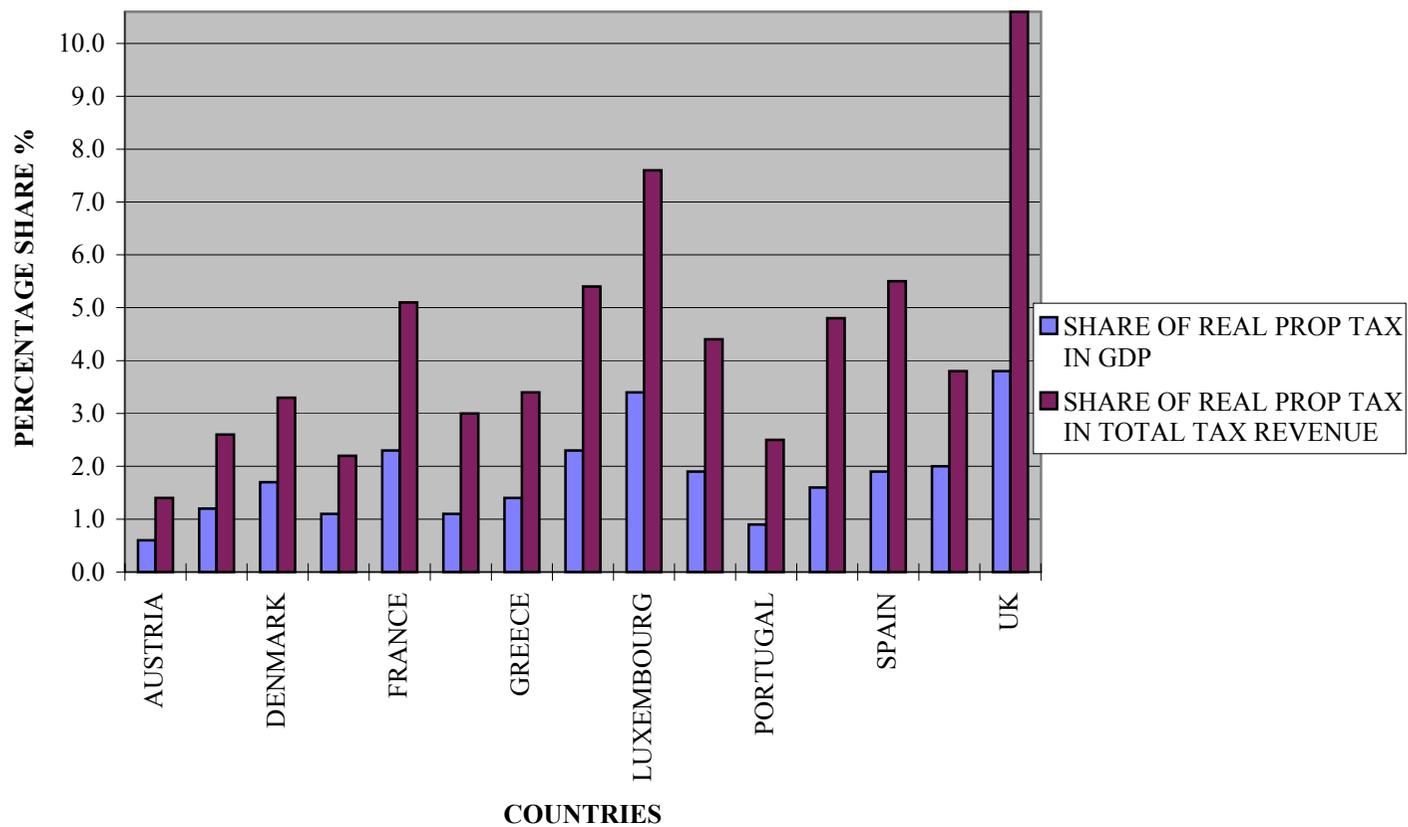
#### III.2.15.4.2. From Landowners

The practice provides for the agreement to be made with the developer and not the landowner.

**TOTAL TAX REVENUE AS A PERCENTAGE OF GDP IN 1996  
(SEE TABLE III.4.1)**



**REAL PROPERTY TAX REVENUE AS A PERCENTAGE OF GDP AND TOTAL  
TAX REVENUE IN 1996  
(SEE TABLES III.4.2 and III.4.3)**



**Table III.4.1. Total Tax Revenue As A Percentage of GDP**

	1965	1970	1975	1980	1985	1990	1995	1996
AUSTRIA	33.9	34.9	37.7	40.3	42.4	41.0	42.3	44.0
BELGIUM	31.1	35.7	41.6	43.7	46.9	44.0	46.0	46.0
DENMARK	29.9	40.4	41.4	45.5	49.0	48.7	51.4	52.2
FINLAND	30.3	32.5	37.7	36.9	40.8	45.4	46.1	48.2
FRANCE	34.5	35.1	36.9	41.7	44.5	43.7	44.5	45.7
GERMANY	31.6	32.9	36.0	38.2	38.1	36.7	39.2	38.1
GREECE	22.0	25.3	25.5	29.4	35.1	37.1	40.8	40.6
ITALY	25.5	26.1	26.2	30.4	34.5	39.2	41.3	43.2
LUXEMBOURG	27.7	28.0	38.8	42.0	46.7	43.4	44.1	44.7
NETHERLANDS	32.8	37.1	43.0	45.2	44.1	44.6	43.8	43.3
PORTUGAL	16.1	20.1	21.6	25.1	27.6	30.9	34.9	34.9
REP. OF IRELAND	24.9	29.9	30.2	32.6	36.4	34.8	33.8	33.7
SPAIN	14.7	16.9	19.5	23.9	28.5	34.2	34.0	33.7
SWEDEN	35.0	39.8	43.4	48.8	50.0	55.6	49.5	52.0
UK	30.4	37.0	35.4	35.1	37.5	36.5	35.6	36.0

Source: OECD (1998) Revenue Statistics (1965-1997), Paris.

**Table III.4.2. Real Property Tax Revenue As A Percentage of GDP**

	1965	1970	1975	1980	1985	1990	1995	1996
AUSTRIA	1.3	1.3	1.2	1.2	1.0	1.1	0.6	0.6
BELGIUM	1.2	1.1	1.0	1.0	0.8	1.2	1.1	1.2
DENMARK	2.4	2.4	2.4	2.6	2.1	2.1	1.8	1.7
FINLAND	1.2	0.7	0.7	0.7	1.1	1.1	1.1	1.1
FRANCE	1.5	1.2	1.3	1.5	2.0	2.3	2.3	2.3
GERMANY	1.8	1.6	1.4	1.3	1.2	1.2	1.1	1.1
GREECE	2.1	2.3	2.5	1.3	0.9	1.7	1.4	1.4
ITALY	1.8	1.6	0.9	1.1	0.9	0.9	2.3	2.3
LUXEMBOURG	1.7	1.8	2.0	2.4	2.6	3.7	3.2	3.4
NETHERLANDS	1.4	1.2	1.0	1.6	1.5	1.6	1.8	1.9
PORTUGAL	0.8	0.9	0.5	0.4	0.5	0.8	0.9	0.9
REP. OF IRELAND	3.8	3.7	2.9	1.7	1.5	1.6	1.5	1.6
SPAIN	0.9	1.1	1.2	1.1	1.0	1.9	1.9	1.9
SWEDEN	0.6	0.6	0.5	0.5	1.2	2.0	1.4	2.0
UK	4.4	4.6	4.5	4.2	4.5	2.9	3.7	3.8

Source: OECD (1998) Revenue Statistics (1965-1997), Paris.

**Table III.4.2. Real Property Tax Revenue As A Percentage of GDP**

	1965	1970	1975	1980	1985	1990	1995	1996
AUSTRIA	1.3	1.3	1.2	1.2	1.0	1.1	0.6	0.6
BELGIUM	1.2	1.1	1.0	1.0	0.8	1.2	1.1	1.2
DENMARK	2.4	2.4	2.4	2.6	2.1	2.1	1.8	1.7
FINLAND	1.2	0.7	0.7	0.7	1.1	1.1	1.1	1.1
FRANCE	1.5	1.2	1.3	1.5	2.0	2.3	2.3	2.3
GERMANY	1.8	1.6	1.4	1.3	1.2	1.2	1.1	1.1
GREECE	2.1	2.3	2.5	1.3	0.9	1.7	1.4	1.4
ITALY	1.8	1.6	0.9	1.1	0.9	0.9	2.3	2.3
LUXEMBOURG	1.7	1.8	2.0	2.4	2.6	3.7	3.2	3.4
NETHERLANDS	1.4	1.2	1.0	1.6	1.5	1.6	1.8	1.9
PORTUGAL	0.8	0.9	0.5	0.4	0.5	0.8	0.9	0.9
REP. OF IRELAND	3.8	3.7	2.9	1.7	1.5	1.6	1.5	1.6
SPAIN	0.9	1.1	1.2	1.1	1.0	1.9	1.9	1.9
SWEDEN	0.6	0.6	0.5	0.5	1.2	2.0	1.4	2.0
UK	4.4	4.6	4.5	4.2	4.5	2.9	3.7	3.8

Source: OECD (1998) Revenue Statistics (1965-1997), Paris.

**Table III.4.3. Real Property Tax Revenue As A Percentage of Total Tax Revenue**

	1965	1970	1975	1980	1985	1990	1995	1996
AUSTRIA	4.0	3.7	3.1	2.9	2.4	2.7	1.5	1.4
BELGIUM	3.7	3.0	2.3	2.4	1.8	2.6	2.4	2.6
DENMARK	8.0	6.0	5.9	5.7	4.2	4.2	3.5	3.3
FINLAND	4.0	2.2	1.9	1.9	2.7	2.4	2.3	2.2
FRANCE	4.3	3.5	3.4	3.5	4.4	5.1	5.2	5.1
GERMANY	5.8	4.9	3.9	3.3	3.0	3.4	2.7	3.0
GREECE	9.7	9.3	9.7	4.6	2.7	4.6	3.4	3.4
ITALY	7.2	6.0	3.3	3.7	2.5	2.3	5.7	5.4
LUXEMBOURG	6.2	6.6	5.1	5.6	5.5	8.5	7.2	7.6
NETHERLANDS	4.4	3.3	2.4	3.6	3.5	3.7	4.1	4.4
PORTUGAL	5.1	3.0	2.5	1.4	1.9	2.7	2.5	2.5
REP. OF IRELAND	15.1	12.2	9.7	5.3	4.0	4.7	4.5	4.8
SPAIN	6.4	6.5	6.3	4.6	3.5	5.5	5.5	5.5
SWEDEN	1.8	1.5	1.1	0.9	2.3	3.5	2.8	3.8
UK	14.5	12.5	12.7	12.0	12.0	7.8	10.4	10.6

Source: OECD (1998) Revenue Statistics (1965-1997), Paris.

### III.5.1. Draft Questionnaire 1

#### Real Property Taxation

*Please answer the following questions by either filling in the spaces or ticking the options that apply. For some of the questions identification of three kinds of real property taxation is made. This is to allow space for you to provide information in case there is more than one tax on real property in your country. However if there is only one, please ignore the space provided for other kinds of taxes.*

#### **A. Personal Information**

1. Your Name .....

2. Name and address of your institution  
.....  
.....  
.....  
.....

3. Other contact details:  
tel: .....  
fax: .....  
e-mail: .....

#### **B. General Questions Regarding Real Property Taxation**

4. Is there a specific real property tax in your country?  
 Yes (*Go to Question 5*)  
 No (*Skip to Question 7*)

5. What is the name/s of the existing tax/es on real property (*please specify the name/s both in English and in the original language*)  
First kind of property tax: .....  
Second kind of property tax: .....  
Third kind of property tax: .....

6. When was real property tax first introduced in your country?  
.....

7. Was there another real property tax other than the existing one/s which was abolished?  
 Yes (*Please specify its name and when it was abolished*)

.....  
 No (*Please go to Section G on p. 6, if you have also replied NO to Question 4*)

8. Is there earmarking for the property tax proceeds?

For the first real property tax	For the second Real property tax	For the third real property tax
<input type="checkbox"/> Yes, for .....	<input type="checkbox"/> Yes, for .....	<input type="checkbox"/> Yes, for .....
<input type="checkbox"/> No	<input type="checkbox"/> No	<input type="checkbox"/> No

9. Are increases in property values included in the tax base?

Yes (*Please name in which real property tax and explain the system briefly*)

.....  
 .....  
 .....

No

10. What is the name of the law governing real property taxation in your country?

First kind of property tax: .....

Second kind of property tax: .....

Third kind of property tax: .....

### C. Tax Base And Tax Rate

11. The real property tax base is (*Please tick which apply*):

For the first real property tax	For the second real property tax	For the third Real property tax
<input type="checkbox"/> annual rental value	<input type="checkbox"/> annual rental value	<input type="checkbox"/> annual rental value
<input type="checkbox"/> capital market value	<input type="checkbox"/> capital market value	<input type="checkbox"/> capital market value
<input type="checkbox"/> site-land value	<input type="checkbox"/> site-land value	<input type="checkbox"/> site-land value
<input type="checkbox"/> other: .....	<input type="checkbox"/> other: .....	<input type="checkbox"/> other: .....

12. What is the real property tax levied on? *(Please tick which apply)*

For the first real property tax	For the second Real property tax	For the third Real property tax
<input type="checkbox"/> land only	<input type="checkbox"/> land only	<input type="checkbox"/> land only
<input type="checkbox"/> building only	<input type="checkbox"/> building only	<input type="checkbox"/> building only
<input type="checkbox"/> land & building	<input type="checkbox"/> land & building	<input type="checkbox"/> land & building

13. How is the real property tax paid? *(Please tick which apply)*

For the first real property tax	For the second real property tax	For the third real property tax
<input type="checkbox"/> at once in a lump-sum	<input type="checkbox"/> at once in a lump-sum	<input type="checkbox"/> at once in a lump-sum
<input type="checkbox"/> in ..... installments per year	<input type="checkbox"/> in ..... installments per year	<input type="checkbox"/> in ..... installments per year
<input type="checkbox"/> other (please specify): .....	<input type="checkbox"/> other (please specify): .....	<input type="checkbox"/> other (please specify): .....

14. What is the real property tax rate? *(Please tick which apply):*

For the first real property tax	For the second real property tax	For the third real property tax
<input type="checkbox"/> same for all types of property and is .....	<input type="checkbox"/> same for all types of property and is .....	<input type="checkbox"/> same for all types of property and is .....
<input type="checkbox"/> ..... for residential property	<input type="checkbox"/> ..... for residential property	<input type="checkbox"/> ..... for residential property
<input type="checkbox"/> ..... for commercial property	<input type="checkbox"/> ..... for commercial property	<input type="checkbox"/> ..... for commercial property
<input type="checkbox"/> ..... for industrial property	<input type="checkbox"/> ..... for industrial property	<input type="checkbox"/> ..... for industrial property

15. What is the assessment ratio for real property tax?

a. For the first real property tax: .....

b. For the second real property tax: .....

c. For the third real property tax: .....

## D. Organisation and Liability

16. Please tick which apply for the first real property tax named.

Name:.....

a. Which level of government enacts legislation regarding the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other: .....
b. Which level of government gathers data regarding the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other: .....
c. Which level of government levies the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other: .....
d. Which level of government administers the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other: .....
e. Which level of government benefits from the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other: .....
f. Which level of government determines the real property tax rate?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other: .....
g. Which level of government determines the real property tax base?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other: .....
h. Which level of government makes valuations for the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other: .....

17. Please tick which apply for the second real property tax named.

Name:.....

a. Which level of government enacts legislation regarding the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
b. Which level of government gathers data regarding the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
c. Which level of government levies the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
d. Which level of government administers the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
e. Which level of government benefits from the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
f. Which level of government determines the real property tax rate?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
g. Which level of government determines the real property tax base?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
h. Which level of government makes valuations for the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....

18. Please tick which apply for the third real property tax named.

Name:.....

a. Which level of government enacts legislation regarding the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
b. Which level of government gathers data regarding the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
c. Which level of government levies the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
d. Which level of government administers the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
e. Which level of government benefits from the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
f. Which level of government determines the real property tax rate?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
g. Which level of government determines the real property tax base?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....
h. Which level of government makes valuations for the real property tax?	<input type="checkbox"/> central	<input type="checkbox"/> federal	<input type="checkbox"/> local	<input type="checkbox"/> other .....

19. Who is liable for the real property tax?

First kind of property tax: .....

Second kind of property tax: .....

Third kind of property tax: .....

20. How often is the real property tax charged?

a. For the first real property tax: .....

b. For the second real property tax: .....

c. For the third real property tax: .....

**E. Valuation**

- 21. How often are valuations made?
  - a. For the first real property tax: .....
  - b. For the second real property tax: .....
  - c. For the third real property tax: .....
  
- 22. What is the valuation method for real property?
  - a. For the first real property tax: .....
  - b. For the second real property tax: .....
  - c. For the third real property tax: .....

**F. Tax Revenues**

- 23. What was the total yield from real property taxation in your country in the last collection year? .....
  
- 24. What percent of the total local tax revenue did the total yield from real property taxation account to in your country in the last collection year? .....
  
- 25. What percent of the total local revenue did the total yield from real property taxation account to in your country in the last collection year? .....
  
- 26. What percent of the total government revenue did the total yield from real property taxation account to in your country in the last collection year? .....
  
- 27. What percent of the gross domestic product (GDP) did the total yield from real property taxation account to in your country in the last collection year? .....

**G. Guidelines**

Thank you for completing this questionnaire. Please return it by using the stamped, addressed envelope enclosed. If you have any queries, do not hesitate to contact ..... at the address below.

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### III.5.2. Draft Questionnaire 2

#### Land Value Capture/Betterment

Please answer the following questions by either filling in the spaces or ticking the options that apply. For some of the questions identification of three kinds of instruments of land value capture is made. This is to allow space for you to provide information in case there is more than one instrument of land value capture in your country. However if there is only one, please ignore the space provided for other instruments.

#### **A. Personal Information**

1. Your Name .....

2. Name and address of your institution

.....  
.....  
.....  
.....

3. Other contact details:

tel: .....

fax: .....

e-mail: .....

#### **B. General Questions Regarding Land Value Capture**

4. Is there any mechanism of land value capture (betterment, compensation) in your country?

Yes (*Go to Question 5*)

No (*Skip to Question 7*)

5. What is the name/s of the existing instrument/s of land value capture (*please specify the name/s both in English and in the original language*)

First instrument: .....

Second instrument: .....

Third instrument: .....

6. When was land value capture first introduced in your country?

.....

7. Was there any mechanism of land value capture other than the existing one/s which was abolished?

Yes (*Please specify its name and when it was abolished*)

.....

No (*Please go to **Section D on p. 2**, if you have also replied NO to Question 4*)

**B. Betterment**

8. What is the legislation governing betterment?

First instrument: .....

Second instrument: .....

Third instrument: .....

9. What are the possible causes of betterment?

First instrument: .....

Second instrument: .....

Third instrument: .....

10. What is the basis of assessment for betterment?

First instrument: .....

Second instrument: .....

Third instrument: .....

**G. Guidelines**

Thank you for completing this questionnaire. Please return it by using the stamped, addressed envelope enclosed. If you have any queries, do not hesitate to contact ..... at the address below.

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### III.5.3. Draft Questionnaire 3

#### Infrastructure Cost Recovery

Please answer the following questions by either filling in the spaces or ticking the options that apply. For some of the questions identification of three kinds of instruments of infrastructure cost recovery is made. This is to allow space for you to provide information in case there is more than one instrument for infrastructure cost recovery in your country. However if there is only one, please ignore the space provided for other instruments.

#### **A. Personal Information**

1. Your Name .....

2. Name and address of your institution  
.....  
.....  
.....  
.....

3. Other contact details:  
tel: .....  
fax: .....  
e-mail: .....

#### **B. General Questions Regarding Infrastructure Cost Recovery**

4. Is there any mechanism of infrastructure cost recovery (from developers and/or landowners) in your country?  
[ ] Yes (*Go to Question 5*)  
[ ] No (*Skip to Question 7*)

5. What is the name/s of the existing instrument/s of infrastructure cost recovery (*please specify the name/s both in English and in the original language*)  
First instrument: .....  
Second instrument: .....  
Third instrument: .....

6. When was infrastructure cost recovery first introduced in your country?  
.....

7. Was there any mechanism of land infrastructure cost recovery other than the existing one/s which was abolished?

Yes (*Please specify its name and when it was abolished*)

.....  
 No (*Please go to **Section D on p. 3**, if you have also replied NO to Question 4*)

**B. From Developers**

8. What is the legislation governing infrastructure cost recovery involving developers?

First instrument: .....

Second instrument: .....

Third instrument: .....

9. Is there a maximum limit to local authority powers of imposing costs on developers?

First instrument: .....

Second instrument: .....

Third instrument: .....

10. Is any contribution to public facilities required from developers?

First instrument: .....

Second instrument: .....

Third instrument: .....

11. Do negotiated agreement schemes exist?

First instrument: .....

Second instrument: .....

Third instrument: .....

12. Is the issuing of permits conditional on the payment of contributions?

First instrument: .....

Second instrument: .....

Third instrument: .....

13. Is there any tax on developers exceeding the predefined land/building ratios?

First instrument: .....

Second instrument: .....

Third instrument: .....

14. Is there a land dedication requirement to the local authority?

First instrument: .....

Second instrument: .....

Third instrument: .....

**C. From Landowners**

15. What is the legislation governing infrastructure cost recovery involving developers?

First instrument: .....

Second instrument: .....

Third instrument: .....

16. Does the property tax include any public improvements to land?

First instrument: .....

Second instrument: .....

Third instrument: .....

17. Is there a land dedication requirement to the local authority?

First instrument: .....

Second instrument: .....

Third instrument: .....

18. Are landowners required to cover the cost of public utility provision?

First instrument: .....

Second instrument: .....

Third instrument: .....

**G. Guidelines**

Thank you for completing this questionnaire. Please return it by using the stamped, addressed envelope enclosed. If you have any queries, do not hesitate to contact ..... at the address below.

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