Streszczenie
Podatek od nieruchomości jest najpopularniejszym podatkiem majątkowym występującym we wszystkich państwach należących do Organizacji Współpracy Gospodarczej i Rozwoju (OECD). Podatek ten stanowi źródło dochodów budżetów władz lokalnych (poza kilkoma wyjątkami jak np. w Szwecji czy Japonii gdzie podatek od nieruchomości zasila budżet centralny). W systemach opodatkowania nieruchomości występujących w krajach Europy Zachodniej, nie istnieją ujednolicone rozwiązania specyficzne dla każdego państwa.
Słowa kluczowe: Opodatkowanie nieruchomości, systemy podatkowe, elementy techniki podatkowej, regulacje prawne.

Abstract
In particular national systems, the elements of tax construction (especially tax base, rates, tax exemptions and reliefs) have been formed by social and historical circumstances, which accounts for the fact that some countries have very particular solutions, unknown in other tax

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system. A common element connecting modern tax systems is the fact that the real estate taxation base (with few exceptions only) is the real estate value: defined in many different ways. **Keywords:** Estate taxation, tax systems, tax construction, legal regulations.

**Real estate taxation systems and their classification**

In particular national systems, the elements of tax construction (especially tax base, rates, tax exemptions and reliefs) have been formed by social and historical circumstances, which accounts for the fact that some countries have very particular solutions, unknown in other tax systems. However, we can indicate certain common features, typical of modern real estate taxation systems. A common element connecting modern tax systems is the fact that the real estate taxation base (with few exceptions only) is the real estate value (defined in many different ways) (Firlej & Firlej 2014, p. 289).

In most European countries we can see more than one local tax. We may differentiate two dominant models:
- Those in which real estate tax is the most important local tax. This group comprises, for example, Great Britain, France and Poland and nearly all Central and Eastern European countries that joined the European Union in 2004;
- Those in which income tax is the most important local tax. This group comprises mostly Scandinavian countries (Denmark, Sweden, Norway, Finland) and Switzerland, though the group may soon be joined by Croatia and Belgium, where the growing part of income is generated by the local authority addition to income tax. It sporadically happens that the main local tax is composed of various forms of tax imposed on companies operating in the territory of the commune (for example Hungary and Germany) (Alibegović 2008, Bajo & Jakir-Bajo 2008).

As we can see, in most countries of this region local authorities introduce other taxes as well, mostly real estate taxes, though nowhere is it treated as the most important or even significant local tax. The maximum share in all revenues equals 6% and is achieved in Denmark, where the real estate tax rate ranges from 0.6% to 2.4% of the property value (Blom-Hansen 2011). The other burdens are not imposed universally, though. For example, at the end of the 1990s real estate tax was collected...
by 200 out of 435 Norwegian self-governments, although we must bear in mind that in Norway only municipal communes may impose this tax (Borge & Rattso 2002).

It should be emphasized that there are no international standards defining the principles of property tax constructions, there is not any universally accepted system of such taxes. Therefore, as pointed out by Leonard Ethel “the system of real estate taxation is understood differently, depending on the country in which it is applied” (Etel 2003, p. 7).

The systems of real estate taxation in Europe vary significantly. The issue of real estate taxes is not covered by harmonization directives of the European Union (Wood & Wilimas 1994, Lichfield & Connellan 2000). It is also difficult to indicate international standards defining basic principles of the structure of taxes on possessed property. Generally the real estate taxation systems used in the European countries can be divided into two groups: the systems based on the value of the real estate as determined in the cadastre of properties and the systems in which taxation base is the area of the real estate. The former links the taxation base to the market value, defined as the price for the real estate when trading it (selling price, replacement value, discounted incomes) or rent value, defined as the value of the rent paid in a given period of time. The natural character of the taxation base covers its unit value, defined as the area of the real estate (number of square meters of the area of land and buildings).

As seen in practice, the actions taken in this area concern not bringing closer the construction of taxes, but standardizing the principles of registering real estate in their spatial, legal, and economic aspect as well as unification and standardization of the methods of real estate valuation for tax purposes. The existing differences in real estate taxation have not been eliminated by tax reforms conducted recently in many EU countries. The implemented changes mostly referred only to one section of the system and covered mainly the changes to valuation methods, shaping tax base or depreciation of the value of buildings and land. Due to such vital differences in taxes on real estate in European countries, it is extremely difficult to create a universal and precise definition of these public tributes in the European Union. A deeper analysis of the implemented systems of real estate taxation allows us to single out a group of regular tributes, related to broadly understood holding of property, which means...
they are used not only on the basis of the ownership rights but also on the basis of other laws and legal titles.

The practical differences between the possible ways of quantifying the taxation base boil down to the fact that the implementation of the quantity tax concept, contrary to value-based tax, does not guarantee tax authorities regular, real growth of revenues in times of inflation. The dynamics of the quantitative taxation base is significantly lower than value-based taxes, since the size of taxation base expressed in physical units is free from inflation effects. Adopting the natural taxation base forces us to introduce the value-raising mechanism, usually in the structure of tax rates. Value-raising rules do not always, as witnessed by Poland, bring the expected results. The system transformation processes of the Polish economy, i.e. their marketing and commercialization were correlated with key aspects of economic globalization namely trans-border flow of goods and capital that are more and more important. A significant support of those processes was adapting legal regulations and institutional standards regulating system functioning in Poland (Gwoździewicz, Prokopowicz 2017). Moreover, using a transparent mechanism preventing the decline in real quantity tax burden as a result of inflation processes is perceived by taxpayers as increasing tax burdens. Also in taxes on value we may expect the value-raising tax revenues, but this only concerns the taxation base. This solution is not visible, though, which undoubtedly decreases the scale of social dissatisfaction.

In countries which have not had taxes on real estate (for example Russia, Ukraine and other post-soviet countries) we may observe growing interest in placing burden on land. The buildings erected on that land will be taxes later on, after land tax stabilizes. Such an approach is attributed to the fact that establishment of rational principles of building taxation requires more preparation and information flow. Such buildings, contrary to land, are usually not shown in real estate registers created for non-fiscal purposes.

Real estate taxes are obligatory tributes, therefore the obligation to provide them results directly from the act of law, whereas local authorities are only authorized to modify some elements in their construction (rates, tax exemptions and reliefs, mode of payment). The real estate taxation systems in the European Union contain some
optional taxes, imposed at the discretion of local authorities. For example, properties located in Norway are subject to self-government real estate tax provided the commune used its rights to impose such a tax (it is usually used by municipal communes in Norway). It is therefore an optional tax, whose introduction depends on the decision of local authorities. Not all communes are interested in introducing it due to its collection costs which, in case of communes where there are not many properties to be taxed, may exceed possible revenues from taxation. Optional taxes on real estate are an exception to the rule that the obligation to pay a tax is determined by the act of law.

Taxable real estate may include such typical items as land and buildings, but also ships, pipelines, railways, technical networks, ponds and lakes, forests, swamps, mining excavations, sheds, land under truffle trees, phone booths, hedges, etc. What is classified as taxable property is determined by tax law regulations. Their analysis allows us to draw a conclusion that these can be too diverse things to propose one, universal definition that would cover them all. In this book, a taxable real estate will be understood as everything defined by the provisions regulating a given tax, regardless of its qualification in civil law and other branches of law. It should be emphasized though that these are things connected with land real estate understood physically and legally. Apart from a few exceptions (such as ships) the objects of real estate tax are the elements related to the land (buildings) or things situated on this land (such as a road, a hedge, networks, etc).

Recurrent taxes on real estate property are considered to be the least detrimental to economic growth given the immobility of the tax base. This reduces the behavioral effects to this type of taxation which in turn minimizes the economic distortions. Recurrent property taxes on real estate are largest in the UK, Denmark and France. Malta stands out since it does not levy this type of tax at all (Taxation trends in the European Union 2013-2017).

**Legal regulations of cadastre systems of real estate taxation**

Cadastre systems are typical of the EU countries, where the real estate taxation model is directly connected with the real estate cadastre. A dominant model
of real estate taxation in the European Union countries is the cadastre system based either on the capital value of the property – an assessed price which can be obtained when selling the property in the free market, or rental value – the highest rate of annual rent that can be obtained when letting the property in the free market. All data necessary to determine the tax are contained in the cadastre, which definitely facilitates the realization and collection of tax in its object and subject aspect. A taxpayer is usually a subject seen in the cadastre who pays the tax on the property defined there. The large significance of cadastre in real estate taxation systems explains why they are called cadastre systems of real estate taxation. They are also frequently called ad valorem systems, taking into account their value as a base for real estate taxation. There are two types of cadastre: fiscal and legal. Fiscal cadastre shows close ties with the tax system since it comprises data necessary to determine taxes on real estate taxes, such as: taxpayer’s data, property value and income obtained from it. It is mostly generated for the purposes related to real estate taxation, which does not exclude the possibility of using data contained in it for other purposes. Establishment of a financial cadastre is relatively easy, as it does not require creation of any ownership relations, which is connected with high financial expenditure. It is focused on registration and protection of material rights, though it may be used for tax purposes. It contains mostly information on ownership rights as well as other rights and encumbrances on real estate. Institutions of this type are related to land and mortgage registers and in some case even replace them. The implementation of a legal cadastre is preceded by sorting out ownership rights to particular real estate and establishing their boundaries, which is connected with large financial expenditure (land surveying work) and time-consuming. There are both fiscal and legal cadastres currently in use. In France the cadastre system is deprived of any legal nature and since its establishment it has been satisfying fiscal needs. The legal cadastre, on the other hand, is used in Germany. The fundamental differences in real estate taxation systems in the European countries mostly concern the level of revenues for the budget – in case of a value system it is constant, whereas in case of a quantity tax system, taking inflation into account, it is changeable. We also have significantly lower dynamics of the quantity tax base,
since its size expressed in physical units does not depend on inflation (Berliński & Hycner 1999, Hycner & Mika 2000).

Historically, the forerunner of the modern cadastre in Europe was the French cadastre established in 1850, greatly affecting the establishment of modern Austrian-Hungarian and Prussian cadastre systems. The Austrian cadastre was set up on 23rd December 1817 and constituted a patent of emperor Franz I on land tax. It is based on the Cassini-Soldner coordinate system (equal fields). Cadastral measurements were based on mathematical (triangular network, uniform map scales) and cartographic foundations and on the general principle used in land surveying – “from details to general picture”. The measurements were then used for fiscal and other economic purposes. After performing measurement experiments near Vienna, measurement methods were developed. Until 1897 the system of Austrian measures was used, then replaced with metrical measures. The documentation of this cadastre in Poland covers the following areas: provinces of Rzeszów and Kraków (without Olkusz and Miechów districts) and a part of Katowice province (Cieszyn and Bielsko-Biała districts). The Austrian cadastre was used in the land plot system. A plot of land here meant part of farmland, or a lot of land free from tax belonging to the same entity. A separate plot of land was the one in which: particular parts were entered into different registers; it was difficult to define them as one entity due to partition by, for example the escarpment and the property constituted a group of plots being a separate subject of examination. Taxation was imposed on all arable areas together with buildings. Tax exemptions were on bare areas of the plot, unused lakes and ponds, public roads, paths, rivers and canals, public cemeteries and yards and the area around the household.

In Prussian cadastre the law makers additionally defined primary maps and primary cadastral sketches, treated as archives, on which no changes were implemented. A primary map is a map developed in a pin copy technique from source maps (separation maps and others). The primary cadastral sketch is a map developed from direct land measurements in connection with establishing the land cadastre. Primary maps and primary cadastral sketches were kept in an archive and treated as an archive document. No cartographic work was done on these maps. Clean drawings of a cadastral map were the derivatives of the primary map and they were
used for further cartographic and calculation work related to conducting a land cadastre. The enumeration was similar to that in the Austrian cadastre, but here the division of a plot was shown in the numerator of the sheet (Mika 2010, p. 75-85).

Plots of land were numbered for each sheet of the map separately (then, within the district also separately). Also arable land, roads and ditches were enumerated. The last number of the plot of land was underlined once, while the last on the sheet of the map (ditch, stream) was underlined twice. The matricle (Mutterrolle) was marked with green. It served as a description and list of land belonging to one owner, run along the numbers of agricultural property, the so-called matricle articles (list and description of all plots of land included in one real estate). The register of plots (Flurbuch) is an equivalent of the plot protocol in the Austrian cadastre and it is a list of numbers of all plots of a given cadastral unit, organized arithmetically. It contains: the number of the plot, the number of the matricle article, name and surname, marking of land use and its classification, area of the plot, terrain category, number of the sheet of the map, year of entering into register, information on changes. It has the following sections: A – taxable land, B – non-taxable land, C – public land, D – developed land (no taxation here). The building register (Gebäudebuch) is an arithmetical list of buildings, according to the administration numbers in the village.

In the EU countries the assessment of the value of representative property in order to establish the cadastral value and also in order to make taxation maps and tables is done by real estate surveyors. Cadastral values, determined in the process of common real estate taxation should reflect differences between particular properties and they should be as close to market value as possible with principles applied in mass valuation. The basis for establishing the cadastral value of particular properties are taxation maps and tables. The value is established for the whole property or its part if it was separated as taxation objects in the real estate tax provisions. The cadastral value of a land property is the cadastral value of the land and the cadastral value of its elements. A taxation unit with reference to the land is a plot of land or its part which is used for a different purpose than neighboring plots or remaining parts of the plot, determined in local spatial development plan or another way of using a given part of the plot if there is no such plan. A taxation unit with reference to elements of the
land is a building, a flat in a multi-flat building or another premise permanently tied to the land. The property value in the taxation process is determined taking into account characteristic features of the property affecting its cadastral value. For this purpose two types of land are differentiated: developed land or land intended for development, as well as land intended for other than agricultural or forestry purposes and agricultural and forestry land. The typical features influencing the cadastral value of the former are: location, purpose determined in the spatial development plan or, if such plan does not exist – the way of using, its development (technical infrastructure), class of the soil if it was determined in the real estate cadastre (Mika 2002, Skotnicki 2001). The advantages of introducing the cadastre tax include (Grycuk 2000, p. 196-207):
- strengthening (increasing) the income base of self-government units;
- sorting out the issue of property ownership (for example positive influence on real estate trading safety);
- limiting the so-called grey zone of local taxes;
- an impulse for using the properties that have not been used so far (including commune-owned);
- it is socially justified (owners of more expensive properties pay proportionally higher taxes);
- positive influence on wealth distribution within the society (more proportional distribution of tax burden);
- limiting speculative investment in real estate.
- The disadvantages of introducing the cadastre tax include:
- it is expensive to implement (for example it requires establishment of an integrated system of information on real estate;
- it requires completing and arranging data in the register of land and buildings and in land and mortgage register;
- possible increase in costs of property rental and use;
- it may be socially unfair (the size of tax burden does not depend on taxpayer’s income);
- it weakens the inclination of some owners to renovate or modernize the real estate for fear of increasing its value (as this would be connected with the increase in the amount of due tax);
- the risk of deepening disproportions between poor and rich communes (differences between the taxation base value).

Real estate registers do not only serve fiscal purposes, that is collection of tax on such property. They were created first of all to ensure safety of real estate trading. Cadastral registers contain detailed descriptions of the property, registered transactions, debt burden. Everyone may obtain information they are interested in, usually paying some fees for it. Cadastre clients mostly include potential purchasers, investors, attorneys, public notaries, land surveyors. Real estate transactions are usually valuable, therefore they require the utmost diligence when making them. Therefore, for example in Poland they must be made in form of a notarial act or otherwise they shall be deemed null and void. The act on real estate introduces a common real estate taxation and applies property transaction prices to determine the cadastral value. This shows that the cadastral value is supposed to reflect the real market value. Taxes on property value are used in nearly all Western European countries as well as in Canada, USA, Middle and Far East countries. It is assumed that the tax should encourage rational management of real estate and conducting a policy favoring the investment. It is considered fairer than the system based on the property area. Revenues from this tax constitute a significant percentage of the territorial self-government revenues in most countries applying this principle. (for example in Sweden the tax goes to the state budget). On average, all over the world real estate owners pay their communes a tax of 0.5% to 1.8% of the value of each property annually. Fiscal cadastre may determine at least four different values of the taxation base: market value, rental value, income value, register value.

A cadastre is an information system, functioning continuously, which means that it is not a one-off list of properties. It is official, therefore it operates on the basis of acts and regulations and is run and supervised by state or local administration bodies. The cadastre is a system of public information, available to all interested parties, who may use the data included in it for their own purposes (Wójtowicz, 2007,
The essence of the cadastre is full conformity of the data included in the land and building register with the information contained in the land and mortgage register. Due to the scope of collected information and goals to be accomplished, we may differentiate: physical cadastre (register of land and buildings); legal cadastre (land and mortgage registers) and fiscal cadastre (register of subjects and objects of taxation).

The physical cadastre is a collection of information on the area, listing real estate located in a given area according to established borders and their detailed description. It contains plans, maps, descriptions and data determining the purpose and method of using a real estate (Wróblewska 2009, p. 652).

The legal cadastre is a register reflecting the legal state of the real estate. Its main goal is to register owners and rights to a particular property. It contains mostly data on the ownership rights and other rights as well as encumbrances related to the property, such as usufruct, perpetual usufruct, servitude, lease, hire, lending for use or management. In practice this function is performed by land and mortgage register (court register of properties). There is a close relationship between the legal and the physical cadastre, since data contained in the register of land and buildings form the basis for marking property in land and mortgage register. The implementation of the legal cadastre should be preceded by sorting out legal relationships of each property and determining their borders by means of precise geodetic measurement. Both of these activities are money and time-consuming. The tax register run on the data obtained from land and mortgage registers shows a strict relationship between tax and legal cadastres (Youngman & Malme 1994).

On the other hand, fiscal cadastre shows a close relationship with the tax system of a country which it serves. The goal of the fiscal cadastre is mainly to determine the value of property and the entity obliged to pay the tax. It reflects data necessary to levy taxes encumbering the property, such as: taxpayer’s data, property value and incomes obtained from the property. The fiscal cadastre is created only for the property taxation needs, which means that data included in it cannot be used for other purposes (Table 1.).
Table 1. Division of the rights to run real estate register systems in selected European countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Bodies responsible for running real estate registers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Separate land office</td>
</tr>
<tr>
<td>Austria</td>
<td>+</td>
</tr>
<tr>
<td>Belgium</td>
<td>+</td>
</tr>
<tr>
<td>Denmark</td>
<td>+</td>
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<tr>
<td>Estonia</td>
<td>+</td>
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<tr>
<td>Finland</td>
<td>+</td>
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<tr>
<td>France</td>
<td>+</td>
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<tr>
<td>Spain</td>
<td>+</td>
</tr>
<tr>
<td>Netherlands</td>
<td>+</td>
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<tr>
<td>Luxemburg</td>
<td>+</td>
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<tr>
<td>Germany</td>
<td>+</td>
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<tr>
<td>Sweden</td>
<td>+</td>
</tr>
<tr>
<td>United Kingdom</td>
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</table>


The area systems of real estate taxation.

In some Central and Eastern European countries the other – area – system is used. It is applied in Bulgaria, Czech Republic, Poland and Slovakia. The third option is a mixed model, a combination of the features of two previous systems, and it is used in Romania and Hungary. Area systems of property taxation are based not only on the area, but also on other factors. We can discern several solutions referring to property value in these systems. Some types of real estate are taxed by referring the rates to their value, defined for other purposes. An example here is the taxation of buildings in Poland, where the tax base is the value adopted for the fixed assets depreciation and only when the taxpayer does not depreciate them, their market value is adopted. Another example of value reference in area systems is tying the amount of taxation to the type and use of the property. Generally, real estate located in cities and used for running business activity taxed more heavily than, for example, properties used exclusively for residential purposes.
The area systems of property taxation practically bring a fixed base for calculating property taxes. It should be emphasized that the consequences of such structure affect both active and passive taxation subjects. For local authorities the main problem resulting from the imperfection of the taxation base is that the growth of their tax income is curbed. On the other hand, in case of taxpayers – referring to the principle of equity, which says that the tax system should treat citizens in the same way as far as their features, positions and conditions are concerned – their payment capabilities are only partly taken into account in distribution of tax burden. This is manifested in solutions adopted in area systems of real estate taxation.

When determining the amount of tax according to a unit value (a unit of property area), we omit factors which could affect the taxation base, reflecting its location, market conditions and quality of the property. As a result, the quantitative determination of tax is socially unfair, as it puts the same burden on the owners of valuable properties, located in prestigious areas of cities as well as properties of lower standards with less attractive locations.

The use of the equity principle with reference to property taxation constitutes a separate and unique issue. At first glance, it seems that everybody should be obliged to bear tax burden in an equal way, that is for a particular, identical or similar item, tax should be the same (Wołowiec 2008, p. 227-249, Wołowiec 2008, p. 329-352). The method of calculating due taxes is then extremely simple, clear and cheap (for tax bodies). Nevertheless, we may observe that in the name of broadly understood taxation justice, we should first of all divide the properties into residential ones and those related to running business activity. In the latter, it is reasonable to introduce further division, in which properties related to forest and agriculture activity will be significantly less taxed. Moreover, certain “inequality” may be attributed exclusively to location, since commune authorities (within their tax powers) may, to a certain extent, shape the level of tax rates. Taking into account all elements indicated here, we may wonder whether it is just and fair to make exceptions in the taxation equity. The above-mentioned deviations have not caused serious objections. However, we should analyze them and consider why such solutions were implemented and whether it is still necessary to keep the currently used constructions. In the Central
and Eastern European countries, where the state was practically the only property owner and the state determined the conditions on which the property was passed (in various legal form), it was impossible for the free market – which would determine the real value of the property - to develop. As a result, the state, in order to ensure income from passed property, developed by particular owners, created an area-related taxation system. Constitutional changes after 1989 led to the origin of free market, as a result of which we have witnessed significant economic differentiation related to the use of the real estate, leading to considerable changes to their value. Currently, the use of real estate significantly influences the amount of income obtained by a particular entity, what is more, there is a real possibility of making a market valuation of the property. A question needs to be posed, then, whether the justice as determined before the constitutional reform, still reflects the current actual state or not. In order to answer it, we need to analyze various – economic and social – aspects of the changed situation. In my opinion, the current legal status protects the owners of large properties, who only “keep” them, that is, they do not use them either for residential or strictly economic purposes. Obviously, this negatively affects the development of the region, since entrepreneurs wanting to invest in a particular area encounter difficulties, while local authorities do not receive significant budget revenues (Wołowiec & Susel 2009, p. 60-69). It is also worth emphasizing that the current taxation system may constitute a barrier to particular types of economic activity (for example, it is practically impossible to run a golf course in Poland due to the amount of tax burden imposed on such property) (Wołowiec 2003, p. 125-137, Wołowiec 2002, p. 34-42). It is also hard to consider as fair the same taxation of, for example, an exclusive and profitable jewelry shop located in the city center and an undeveloped building in the suburbs, desperately needing renovation, whose area is the same. Such situations are possible, since it is enough for the entrepreneur to possess a taxation object in order to be forced to bear the burden imposed at the rates stipulated for buildings related to running economic activity (Wołowiec 2013, p. 36-39, Wołowiec 2012, p. 78-83, Wołowiec 2014, p. 30-35, Wołowiec 2014, p. 13017).
Our analysis of the advantages and disadvantages of area-based tax should not omit its simplicity. There is no doubt that the lack of complicated calculation procedures allows to lower administration costs. The current level of administration costs as well as the costs of taxpayers’ adjustment is not – in Poland and other countries with area system – too excessive. In a situation where the property taxation system has already been well-established, the task of providing a certain fiscal amount for the state and local authority is not too complicated and does not consume too much time, either (time needed to prepare, fill in and provide proper forms to tax administration bodies, number of tax return forms submitted by taxpayers in a year and amount of necessary information on the property). The costs absorption (alternative costs of a time unit needed for fulfilling tax obligation, costs paid to tax counseling companies) are also lower.

In area systems we may discern certain solutions referring to the value of property. Some types of property are taxed by referring rates to their value, determined for other purposes (Wołowiec 2005, p. 39-49). Another manifestation of referring to value in area systems is tying the level of taxation to the type and use of property (Bahl & Martinez-Vazquez & Youngman 2007). As a rule, properties located in cities and used for running business activity are taxed with higher rates than those serving only residential purposes. The tie between the amount of tax and the value is visible in area systems also when determining tax rates and exemptions by means of passing local law. Classifying properties into tax districts depending on their location and area development, exempting properties which do not bring income or which are used for conducting socially-beneficial activity (welfare, cultural, etc) they all constitute an attempt at legally relating the amount of taxation imposed on a given property to its broadly understood value.

A typical feature of area systems is preference taxation of agricultural and forest property. In these systems we use various solutions aimed at alleviating the taxation burden imposed on arable land and forest owners. In area-related taxation systems, properties used in conducting business activity are taxed very high as a rule. The amount of tax imposed on the area owned by an entrepreneur is a few times higher than the area used by other entities. In extreme cases, this makes it impossible
to conduct some types of economic activity at all, whereas in other cases, it makes such activity more expensive, since tax on property constitutes a cost of conducting activity. Property tax paid on the area in some cases distorts the real costs of conducting business activity in a given area. This is attributed to the fact that the amount of tax is treated on the entrepreneur’s side as an element of the costs of such activity. The same tax and thus the costs is shown both by the taxpayer using the property of low value and the taxpayer of very well-located and developed (and thus expensive) area. Tax costs are in such cases detached from the actual value of property used for conducting business activity. This is visible when comparing tax costs with depreciation costs which are significantly higher in case of properties (especially buildings). In area-related property taxation systems it is extremely difficult to tie the amount of taxation to the payment capabilities of a taxpayer. In such case, the differentiation of taxation level without referring to the value of property is not possible. It is, however, a feature of these systems which does not evoke protests of less affluent taxpayers. This may only be explained by relatively low burden constituted by those taxes. Taxpayers do not protest for fear that it might lead to increasing taxation for all taxpayers. And they are right, since you cannot increase the tax rate only with reference to one group of taxpayers, omitting others, who have the properties of the same areas. This would constitute subject discrimination, forbidden by the constitution.

The area systems of property taxation offer simplicity of solutions used at the tax collection stage. To administer and collect them we do not need complex and specialized tax structure. A tax paid on the square meter usually only requires multiplying the number of meters by an appropriate rate, which cannot be too complicated or costly. The collection of such taxes does not require financing very expensive mechanisms of valuation and appreciation of the property value, typical for ad valorem systems. This definitely constitutes an advantage of area-related taxes. On the other hand, it restricts the possibility of obtaining higher income on taxation of property whose value grows and the area remains unchanged. As a result, the simplicity in determining the tax makes it impossible to obtain higher income from properties whose market prices grow rapidly. Area-related taxes are characterized,
at least it is assumed so, by lack of differences in taxation of property depending on its location and development. In this way, the so-called income “chimneys” appearing when properties are taxed according to their value, are cut. The value of property located in urban areas is usually higher therefore the taxation incomes obtained by local budgets are higher. This is to the detriment of rural and economically undeveloped areas, where the value of properties is relatively lower. In a situation where the tax is paid on the area, value is of no importance, therefore revenues obtained from taxation of land by particular local authorities are comparable. This positive feature of area-based systems – in practice – remains invisible, due to differentiation in tax burden imposed on entrepreneurs and other taxpayers. The highest tax on square meter is paid by entrepreneurs, which explains why communes with most developed economy obtain the highest incomes.

The elements of tax technique in property taxation. A law analysis
The subject and object scope
Taxpayers of property taxes are their owners (or property users). Due to the subject scope of property taxes two solutions are possible: one tax with broad subject scope or a few tributes imposed on particular types of real estate. Most European countries have used the solution consisting in adopting a uniform tax structure imposed on particular categories of property (Felis 2012, Wójtowicz 2007). In some countries (France, Denmark, United Kingdom), a different concept was applied, selecting various performances imposed on particular types of property. For example, in France, the law makers adopted a solution consisting in separate taxation of two types of property: tax on undeveloped properties (taxe fonciere sur les propriétés non baties), tax on developed properties (taxe fonciere sur les propriétés baties), dwelling tax (taxe d’habitation). On the other hand, the taxation system in Great Britain comprises two taxes imposed on two categories of property: „Council Tax” – on residential property and „Non-Domestic Rate” – for other properties (non-residential). The value base of taxation requires adoption of formalized method of property valuation and determination how often it needs updating. Taking into account a variety of practical solutions, as a simplification we may assume that this
could be the capital (hypothetical price) or rental value of property. There are two ways of property valuation for tax purposes these are:

- common taxation, run in a comparative or income way. The comparative way contains determination of a given property value, assuming that it reflects the value of the so-called representative real estate, and its correction due to features differing both properties, and finally the time factor. In the income way, we estimate income obtained from the property, decreased by operational costs incurred due to maintaining the property; this is done on the basis of actual incomes or the comparative analysis of incomes generated by properties similar to the valued one,

- self-taxation, in which the taxation base is determined by the taxpayer himself, by classifying the property into a certain value range determined by the taxation authorities,

- the bookkeeping method, in which the taxation base is determined on the basis of the bookkeeping balance value; it refers mostly to buildings used by enterprises.

In most European countries, the common property taxation is performed, conducted by authorized state or local administration bodies. The system of property taxation in France is an example of a variant in which the taxation base is the annual rent value of the property. In case of some properties, the cadastral rent value is decreased by lump-sum costs of maintaining the property. And thus for undeveloped properties, 80% of their value is taken; for developed properties the taxation base is the amount equal to 50% of cadastral rent value of a given property. On the other hand, in case of residential tax, the French law-makers did not adopt a solution typical for the other two types of property taxes. The taxation base is the amount equal to 100% of cadastral value of property.

In Great Britain, the taxation base for non-residential properties used for business purposes is the so-called rent value of property, that is hypothetical amount of annual rent which the owner would receive if he decided to rent a given property on market principles. The estimation of rent values of properties is performed every five years, since the process is extremely complicated. The statement of valuation of particular properties valid since 1st April 2010 contains the effects of rent value
estimation as of 1\textsuperscript{st} April 2008. On the other hand, in case of residential properties, the taxation base is their market value (properties were valued according to market prices which they could fetch on 1\textsuperscript{st} April 1991).

The taxation base for area tax in Germany is the property value (market or rent), corrected by a certain indicator determined in the law. The valuation of particular categories of property is done according to certain norms precisely determined in the act on the principles of estimating property objects for tax purposes (for example the area belonging to agriculture and forest companies located in “old” lands – their market value from 1964, determined in line with the act of valuation; the land property – the value determined in 1935). The determined value of moveable property is a starting point for calculating the taxation base. In the process of property valuation for fiscal purposes, an essential role is played by its updating. Apart from determining dates for new property valuation, it is justifiable to assume the obligation of annual indexation of property value between consecutive valuations. Such indexation should be most of all used in systems where there are quite rare repetitions of performed valuations. Contrary to property re-valuations, possible annual indexation is only a current correction in the property value, resulting from observed market trends. Just like in case of other elements of the property taxation system, also in this matter we may observe different approaches in particular states.

The amount of tax burden

Tax rates are another element of the construction in which we can observe significant discrepancies. In contemporary democratic countries, local authority units have been guaranteed a certain scope of competencies in determining the level of tax rates. Depending on the constitutional position of the local authority in a state, that is on the scope of its independence in relations with central authority, it may independently shape the level of property tax rates or – which is observed much more frequently – it has limited competencies. These restrictions may cover: the necessity to observe certain statutorily limited levels of tax burden and the right to use certain rate multipliers, taking into account local circumstances. Tax rates are sometimes determined locally and sometimes by the central government.
In practice, in all European countries the level of tax rates is differentiated depending on the type, use and location of particular properties. For example, in Austria, tax rates range from 0.05% to 0.2% of the taxation base. The actual level of burden is usually much higher, since communes can use the coefficient (Hebesatz) reaching even 500% of the tax amount. In Estonia, the area tax rates range from 0.1% to 2.5% of the estimated value of the land. In Germany, tax rates are established, depending on the taxation object, between 2.6‰ and 10‰ of the taxation base. German local authorities, similar to Austrian ones, have the possibility of increasing the amount of tax burden. Due to considerable autonomy of communes when determining the amount of the so-called multipliers, tax rate coefficients, burdens imposed on property may differ between particular communes. The rates are determined separately for the area constituting an agricultural and forest farm (A type of land tax) and for real estate (B type of land tax). The average amount of multipliers measured in all communes in 2010 was in case of the A type land tax – 301%, whereas in case of B type tax – 410% of tax amount. In Great Britain, a principle was introduced, stating that the amount of “Council Tax” depends on the value range in which a given residential property is classified (differentiated amount ranges for England, Scotland and Wales). The tax is calculated on the basis of the value range in which a given property is classified and defined proportions between these ranges. With reference to the second tax – “Non-Domestic Rate”, rates are different for England and Wales. In England, separate rates are for London and for the rest of England. Apart from the base rate, a separate rate for small enterprises is applied. The “Non-Domestic Rate” in the period of 2012/2013 amount to slightly over 45 pence for each pound of rent (Boadway & Kitchen 1999, Kitchen 1992, Kitchen & Slack 1993).

There are very considerable differences between countries with respect to the extent to which local governments are free to determine tax rates. Sometimes rates are essentially set by the central government. Sometimes there is some local discretion, within centrally-set limits. Sometimes there is complete local discretion. Where rates are determined locally, local governments first determine their expenditure requirements. They then subtract non-property tax revenues available (for example, intergovernmental transfers, user fees, and other revenues) from their expenditure
requirements to determine how much they need to raise from property taxes. The resulting property tax requirements are divided by the taxable assessment to determine the property tax rate. Even where rates are locally determined, there are often limits placed on them by the central government. Setting tax rates at the local level places accountability for tax decisions at the local level. Local determination of tax rates is particularly important in many countries in which a senior level of government determines the tax base. Local tax rates may have to be set within limits, however, to avoid distortions. A minimum tax rate may be needed to avoid distorting tax competition. Richer local governments may choose to lower tax rates to attract business. With their larger tax bases, they can provide equivalent services at lower rates than poorer competing regions. The resulting location shifts are not always allocatively distorting, but they are generally politically unwelcome. In addition, a maximum rate may be needed to prevent distorting tax exporting, whereby local governments levy higher tax rates on industries in the belief that the ultimate tax burden will be borne by non-residents (Guevara & Gracia & Espano 1994, Holland & Vaughan 1997, Kitchen 1992). Many local governments levy rates that differ by property class. Different tax rates may be imposed for different classes of property (residential, commercial and industrial, for example). This system gives local governments the power to manage the distribution of the tax burden across various property classes within their jurisdiction in addition to determining the size of the overall tax burden on taxpayers. Generally, where such variable tax rates are applied, properties are assessed at a uniform ratio (100 percent or some lesser percentage) of market value. Another and probably more common way to differentiate among property classes is through a classified assessment system. Under this system, classifications or types of property assessed value, but a uniform tax rate is applied. In terms of accountability, variable tax rates would be more visible and easier to understand for taxpayers than a classified assessment system, which may, unfortunately, be one reason that differentiated rates are less commonly employed than differentiated assessment ratios. In many countries tax rates are differentiated by property class, or there is assessment differentiation or tax relief for some classes of property. Variable tax rates (or other differentiation of property taxes among
property classes) may be justified on a number of grounds (Boadway & Kitchen 2000, De Soto 2000):

a) On the basis of fairness with respect to benefits received, it can be argued that the benefits from local public services are different for different property classes. In particular, a case can be made on benefit grounds for taxing non-residential properties at a lower rate than residential properties.

b) On efficiency grounds, it has been argued that property taxes should be heavier on those components of the tax base that are least elastic in supply. Since business capital tends to be more mobile than residential capital, efficiency arguments again lead to the conclusion that business property should be taxed more lightly than residential property. In reality, however, lower rates are generally applied to residential properties.

c) Variable tax rates can also be used to achieve certain land use objectives. Since higher property taxes on buildings tend to slow development and lower taxes speed up development, a municipal policy to develop some neighborhoods instead of others might support differential taxes in different locations as well as for different property classes.

**Tax reliefs and exemptions.**

The amount of burden is related to the issue of tax preferences (reliefs and exemptions). The following types of preferences are worth paying special attention since they allow to use taxes to perform other functions (economic, social functions):

- subject ones, concerning particular type of property (state, commune property, used by administration bodies and intended for providing public services),
- resulting from the personal situation of a taxpayer (age, illnesses, number of dependants, affluence level),
- object ones, related to the way the property is used (agricultural or forest activity).

In most European countries the catalogue of valid tax reliefs and exemptions is gradually being limited.

No country taxes all immovable property uniformly. In addition to the limited coverage of some property taxes and the effects on tax burdens of the valuation options
mentioned above, there are myriad other ways to vary property tax burdens among different types of property and taxpayers. Sound reasons for granting exemptions and other forms of property tax relief exist, and all property tax systems provide selective relief. Administrative simplicity is the chief rationale for exempting government property (Wołowiec 2002, p. 39-46, Malme & Youngman 2001). Exemption of certain non-governmental organizations can be rationalized on the ground that they provide socially worthwhile services that government otherwise might have to provide. Exemptions of charitable, educational, and religious properties fall into this category. Exemptions and relief for residential properties are intended to cushion residents from excessive property tax burdens. They are politically popular as well. It is common to classify property on the basis of its use and to vary the amount of tax exacted from property in each class. The ostensible purpose of differentials is to shift burdens toward those better able to pay and away from those who are least able or who need an incentive to perform a useful activity. However, the real purpose can be merely to appease voters. Typically, agricultural and residential property is favored, and business property is not. The main mechanisms for establishing property tax differentials are to employ differing assessment ratios, differing property tax rates, or both. In area-based systems, different coefficients can be applied to the area measurements instead of, or in addition to, rate differentials (Malme & Youngman 2001, Maurer & Paugham 2001, McCluskey 1991, Plimmer 2007).

The differentials can be based on the population of a municipality, location within a municipality, and story within a building. Their rationale is to bring property tax obligations into line with presumed ability to pay or with general value patterns. Differentials based on types of crops or soil classifications have the same purpose. As noted, the basis of valuation also can be varied, such as between market value and current use value.

The main types of property can be taxed differentially. Of particular interest to policymakers is a differential between land and buildings. Some have long advocated not taxing buildings or taxing them at a lower rate than land. Estonia and Ukraine are examples of countries that tax only land value. Denmark is an example of a country that, in effect, taxes buildings at a lower rate than land. The chief rationale
for taxing land at a (much) higher rate than buildings is more efficient land use. The argument has two elements. First, as land essentially is fixed in supply, a uniform tax on land value cannot be avoided. If the effective tax rate on land is high, speculation or hoarding land becomes uneconomic. Second, taxing buildings is a disincentive to development. It also is argued that land value taxation is easier to administer than land and building taxation, because cadastral record keeping is simpler. Unfortunately, there are few, if any, examples of where the putative superiority of the preferential taxation of buildings has been demonstrated. There are several reasons for this. The disincentive effects of taxing buildings are trivial when effective tax rates are low. Taxing all land at its full market value can collide with other policy objectives, such as providing affordable housing in cities, preserving the ambiance of old town centers, and preserving farmland and open space. Valuation of land in developed areas, where site values often are greatest, is more difficult, because, by definition, there are few vacant land sales. In this situation, indirect methods of estimating land values require estimates of building values, undercutting the economy of administration argument. The resulting land value estimates would be more subject to challenge on appeal. Although it would be theoretically possible to tax 100 percent of land rents under an annual value tax, under a capital value tax, the greater the percentage of real or imputed rents that are taxed away, the smaller the tax base due to capitalization effects. Hence, there also is a revenue sufficiency problem with exempting buildings. Another dimension along which differentials may be constructed is the value of each property or the total value of a taxpayer’s property holdings (Müller 2003).

Such differentials can be created by imposing progressive tax rates. The rationale for progressive rates is “ability to pay.” However, the strength of the argument for progressive rates is weak when applied to the value of individual properties. The value of individual properties can have little correlation to the income or wealth of the taxpayer, especially when the property is mortgaged. High marginal effective rates encourage the subdivision of parcels and other efforts to avoid them. In contrast, the Council Tax in the United Kingdom has a regressive structure (Paugham 1999, p. 34-47) - that is, higher value properties have lower effective property tax rates (Almy & Dornfest & Kenyon 2008. p. 280).
In addition to differentials, there are several additional ways of providing property tax relief to residential property owners and occupants. These measures can be comprehensive, favoring all residential properties, or selective, favoring only the elderly, the disabled, those who provided qualifying military service, or those with lower incomes. Relief usually is restricted to a person’s primary residence (in fact, second or holiday houses can be taxed at higher than normal rates). Relief can be given for only a portion of the assessed value (or area of the property), providing a further element of progressivity to a property tax system. Small, low-value residences are exempt from property taxes on grounds of “efficiency” (Netherlands). Other approaches for providing selective residential property tax relief are based on building area and area per family member. Residential property also can completely escape taxation (Belgium). An application for such relief can be required, and eligibility can be verified (“means testing”). Eligibility can be based on some combination of age, property value, and family income. Another approach is to place limits on the proportion of income that can be taken by property taxes (these measures are called “circuit-breakers” in the United States). Property taxes in excess of the limit may be waived or rebated. In comparison to blanket measures, the aim is to target relief where it is most needed. Local governments may be compensated for the loss of revenue (McCluskey & Plimmer 2004).

Some systems allow needy taxpayers to delay payment of property taxes temporarily without incurring any penalties other than perhaps interest. A number of property tax systems make it possible for elderly people to defer property taxes on their residences indefinitely. Any unpaid tax may remain a lien on the property, which is to be repaid when owner sells the property or is to be recovered from the owner’s estate when he or she dies. The lien may be capped at the value of the property. Denmark allows taxpayers aged 65 years or more to defer the land tax related to either an owner-occupied dwelling or an owner-occupied summerhouse (Property Tax Regimes in Europe European Union 2012-2017 & Taxation Trends in the European Union 2011-2017).
Table 2. Unusual Institutional Exemptions

<table>
<thead>
<tr>
<th>Category of Exemption</th>
<th>Countries Not Exempting Category</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign embassies &amp; consulates</td>
<td>Denmark (sometimes)</td>
<td>Usually reciprocity is assumed</td>
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<tr>
<td></td>
<td>Germany (sometimes)</td>
<td></td>
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<tr>
<td></td>
<td>United Kingdom</td>
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<tr>
<td>Government</td>
<td>Denmark (sometimes)</td>
<td>In Netherlands, government properties pay contribution to polder boards.</td>
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<tr>
<td></td>
<td>Germany (sometimes)</td>
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<td></td>
<td>United Kingdom</td>
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<tr>
<td>Educational institutions</td>
<td>Denmark (sometimes)</td>
<td>Concessions: United Kingdom (rate reduction)</td>
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<tr>
<td></td>
<td>France (liable for land &amp; building tax)</td>
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<tr>
<td></td>
<td>Ireland (sometimes)</td>
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<tr>
<td></td>
<td>Netherlands (partly exempt)</td>
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<td></td>
<td>Sweden (sometimes)</td>
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<tr>
<td>Hospitals</td>
<td>Denmark (sometimes)</td>
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<td></td>
<td>France</td>
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<td></td>
<td>Ireland (sometimes)</td>
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<td></td>
<td>Netherlands</td>
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<td></td>
<td>Switzerland</td>
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<tr>
<td>Religious institutions</td>
<td>France (pays land tax)</td>
<td>Not assessable: Denmark</td>
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<tr>
<td></td>
<td>Ireland (sometimes)</td>
<td></td>
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<tr>
<td></td>
<td>Netherlands (pays contribution to polder boards)</td>
<td></td>
</tr>
<tr>
<td>Cultural &amp; historical properties</td>
<td>Germany (concessions)</td>
<td>Poland: If registered, provided they are in compliance with historic preservation regulations and are not being used for commercial purposes.</td>
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<tr>
<td></td>
<td>France</td>
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<tr>
<td></td>
<td>Ireland</td>
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<td></td>
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<td>Poland</td>
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<td>Sweden</td>
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<td></td>
<td>Switzerland</td>
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<td></td>
<td>United Kingdom</td>
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<tr>
<td>Cemeteries</td>
<td>Netherlands (pays contributions to polder boards)</td>
<td>Not assessed: Denmark</td>
</tr>
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Source: own work

Another strategy for providing property tax relief is to limit year-to-year increases in taxes while property values are increasing. A longstanding variant of this strategy is to continue to rely on values set in the distant past (sometimes called “base-year” values). Countries commonly exempt from property taxation some or all of the property owned by certain types of non-profit organizations, provided that the properties are used for qualifying purposes. That is, the exemption is granted...
to a qualifying legal person, rather than a physical person or family (Bahl 2009). Common exemptions include property owned by: (1) governments (central, regional, and local governments) and used for governmental purposes (including property of foreign states, such as embassies); (2) institutions that provide charitable, educational, and other quasigovernmental services and used for stipulated purposes (such as non-profit hospitals); and (3) religious institutions and used for religious purposes. Usually institutional exemptions are complete (100 percent) and are of indefinite duration. Initial applications and periodic reapplications can be required. Other unusual situations also are mentioned. For example, sports facilities are exempt in Denmark. As discussed in the subsection on incentives, agricultural and forest properties can be exempted in whole or in part (Jyh-Bang J., Tan 2008, Connolly & Bell 2009). Two other categories of property are worthy of note. The first is public areas, open spaces, and environmentally sensitive land. Streets, public squares, and the like often are not assessed (that is, not separately identified and measured or valued). Denmark is an example. Other open space can be exempted (Ireland, Sweden, and United Kingdom) or pay reduced property taxes (Germany and Netherlands).

Property tax incentives are intended to influence investment decisions and reward (or subsidize) certain economic activities. Incentives usually provide only a partial exemption. Except for agriculture, incentives usually are for a limited period, such as five to ten years. When they are of a fixed duration, they often are on a sliding scale basis. That is, the amount (percentage) of property tax relief is reduced in steps each year until the exemption is completely eliminated. Incentives available to individual properties often require an application, and they may be contractually enforced. That is, they are received only as long as contractual conditions are met. Penalties may be applied when property use is changed. Agricultural and forest lands are exempt in Bulgaria and Finland. In Armenia and Estonia, property used in agricultural research is exempt. In Georgia, Lithuania, and Poland, temporary exemptions are granted for re-cultivated land or for using agricultural land more intensively. Poland also exempts enterprise garden plots (Bahl & Martinez-Vazquez & Youngman 2007, Bird & Slack 2004, Brown, P., Hepworth 2001). In France, agricultural and forest properties are exempt from the land and building tax.
In Germany, agricultural land values are not indexed. In Hungary, land plots below municipality-determined thresholds are exempt. In Ireland, agricultural land is exempt as a result of a court decision. In Italy, rural properties are exempt from the tax on immovable property. Forest land is exempt in Lithuania. In Netherlands, agricultural and forestry land, including horticultural land, are exempt from the municipal tax (but not from contributions to polder boards). In Poland and Slovenia, buildings used in agriculture are exempt (forestry buildings also are exempt in Poland).

The properties of agricultural enterprises are exempt in Russia. In Spain, forests may be temporarily exempt from the rural land tax. In United Kingdom, agricultural and forestry land are exempt. Property tax incentives are used to encourage the preservation of historic buildings, renovations, and new construction. The Czech Republic allows expenses for maintaining historic buildings to be deducted from the property tax, which could easily exempt the property temporarily. New residential buildings have temporary exemptions in Bulgaria (five years), Romania (ten years for first homes), and Slovakia (fifteen years for new apartments). Czech Republic grants fifteen-year exemptions for restituted house, as long as the buildings are not sold and the taxes saved are used for repairs and improvements.

In Germany, building values of new residences under certain size limits (particularly low-cost housing) are exempt for ten years. Germany also had a ten-year exemption for certain houses located in the five East German lander. Slovenia grants a ten-year exemption to newly constructed buildings and for renovated buildings when their values are increased by 50 percent. Slovenia also exempts land for new buildings and for apartments from the charge for use of building ground for five years. In addition to the incentives they provide, such exemptions sometimes are justified on the grounds that the owners paid value-added taxes. In Sweden, new residential properties are exempt for five years after construction and receive a 50 percent exemption for the next five. Turkey also provides property tax relief for new houses. In Poland, properties used in filmmaking are exempt. In Russia, newly organized enterprises receive a temporary exemption. In Ireland, mines are exempt from rates the first seven years after opening or re-opening. In Spain, mines are exempt from the rural land tax (but they are subject to a special tax). In Germany, empty apartments are taxed
at favorable rates. In United Kingdom, vacant properties receive a full exemption for the first three months of vacancy and a 50 percent exemption thereafter under the Uniform Business Rate. Under the Council Tax, vacant houses receive a 50 percent tax reduction. Property tax relief for renovations and new construction can be offered on an aware wide basis. The goal is to stimulate property improvements and new development in an area that is economically depressed. Typically, all properties in a designated area have their property taxes frozen. Examples of such incentives include “enterprise zones” in Ireland and the United Kingdom (Brzeski 2003, Bird & Slack 2004).

Conclusions

Since the economic growth in many countries has been accelerating for several years, production, employment, incomes and investments have been growing. Thus the pressure to improve procedural and institutional procedures within credit risk management resulting from the concluded transaction with derivative instruments may be decreasing (Gwoździewicz, Prokopowicz 2017a). The fiscal significance of property taxes in the European Union countries is manifested by, among others, the relationship of revenues from them to GDP. Examining this relationship we may notice that some countries have witnessed growth in this area, while others have seen a decline or stabilization of this share. The continuous growth is seen in countries in which this ration is still small (such as Bulgaria, Finland, Portugal, Romania) as well as in countries with a high level of the ration (Denmark, France, United Kingdom). A slight downward trend is observable in such countries as the Netherlands, Sweden and Italy. Other countries enjoy relative stability or slight growth trend, accompanied by some temporary periods of decline. In the EU countries property taxes in the research period constituted on average 0.7% of GDP, whereas in the old Member States – which only have cadastral systems – the property tax share ratios in GDP were generally above the EU average. It is worth adding that among member states, the revenues from property taxes show considerable differences between countries. For example, in 2010: from 0.1% in Luxemburg; 0.2% in Austria and Czech Republic, to 1.3% in Belgium, 1.4% in Denmark, 2.3% in France and 3.4% in the United
Kingdom. With very few exceptions, the significance of property taxes is low, which means that the tax potential of local authorities is definitely lower than central authorities (local authorities have less efficient tax sources of income). Only in a few states property taxes exceeded a 1% share in their GDP. In countries with the area system of property taxation – apart from Poland – we may observe low or negligible (not exceeding 0.5%) relationship between property tax incomes and GDP. In Poland the greatest revenues from property taxes are obtained from the taxation objects occupied for economic activity, to which the highest rates apply.

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