

Property Taxes in Lithuania – from Area-Based to Market Value-Based

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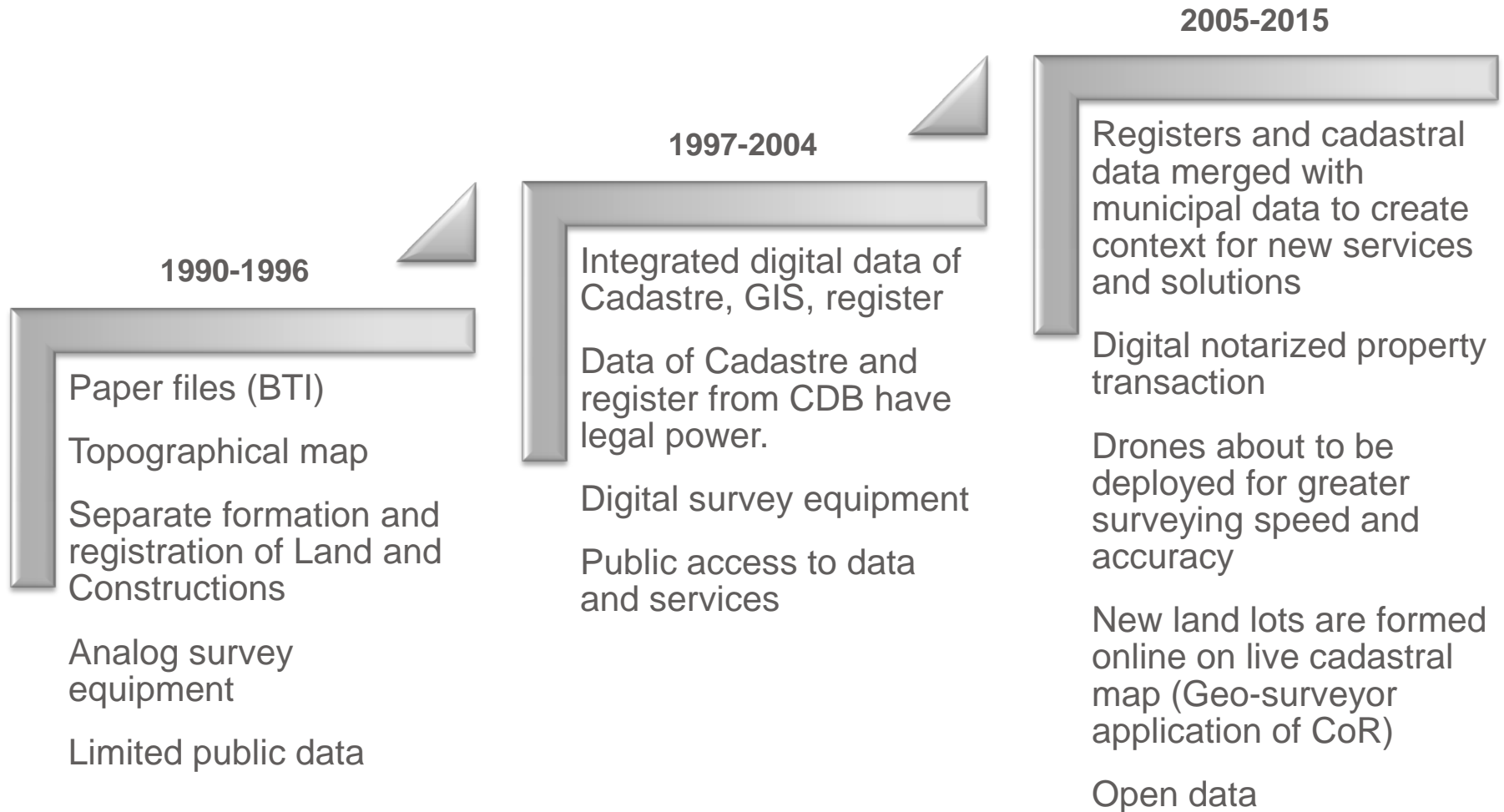


Prerequisites of Sustainable Market Data Base Property Taxation

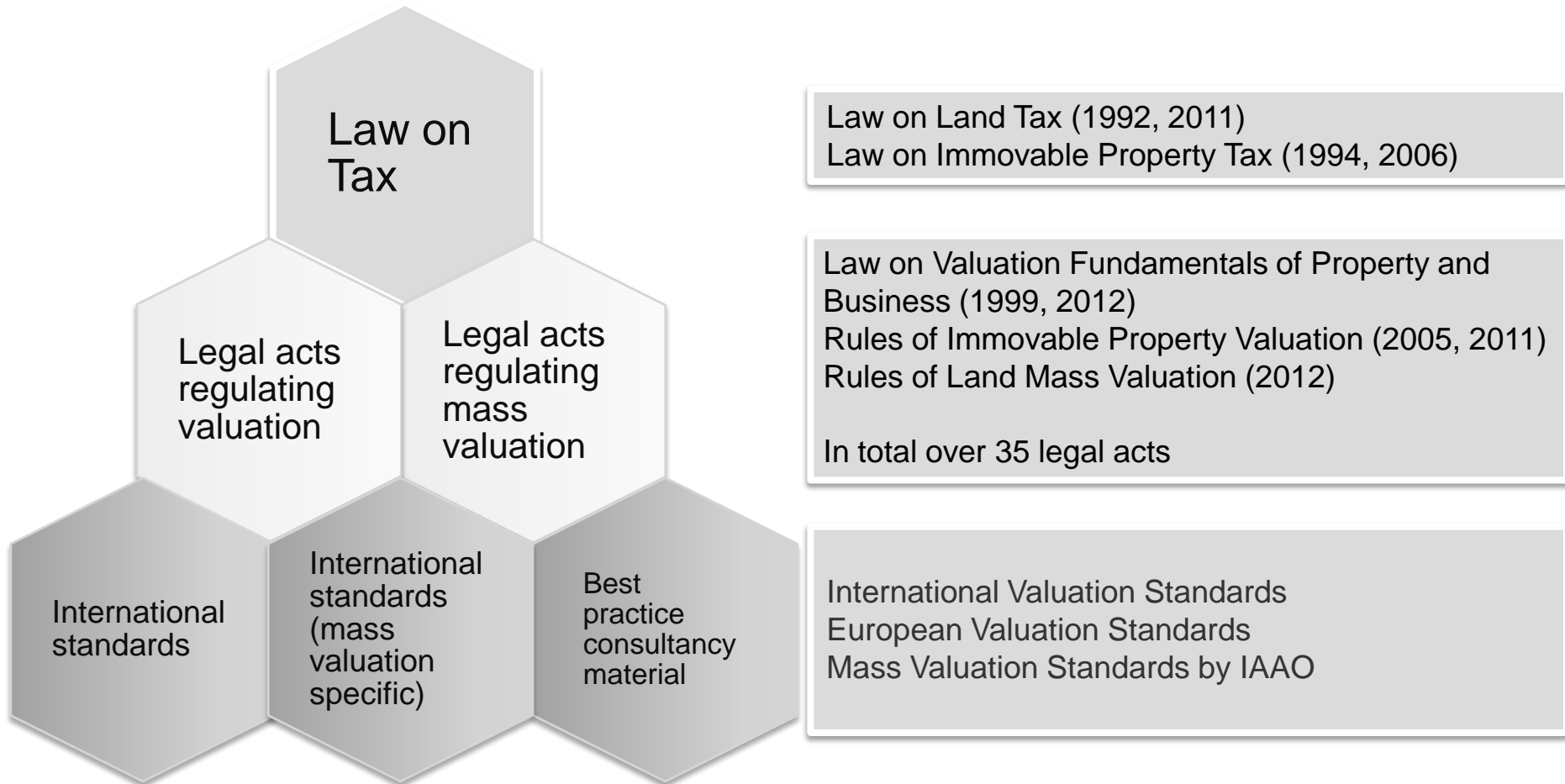
Conclusions of the Conference *Europe and Central Asia Property Valuation and Taxation for Improving Local Governance in ECA (P152456)*, 2015, 3-5 June, Vilnius

- ▶ Need to have the underpinnings of good **laws** that satisfy constitutional requirements and public support;
- ▶ Transparent and efficient land and property **markets** where prices are openly and freely negotiated;
- ▶ Reliable ways of collecting accurate **data on transactions** – prices and rents;
- ▶ Reliable systems for recording properties in **tax rolls**;
- ▶ A **valuation infrastructure** comprising valuation standards, qualification and professional education of valuers and ethical standards;
- ▶ **Good communication** and a strategy to explain to the public the use and purpose of mass valuation and property taxation – need to see the connection between the taxes and public expenditures to be persuaded that taxes are fair;
- ▶ Property taxes that meet requirements for **good governance**;
- ▶ **Reliable systems for collecting billed taxes**, collection led strategies.

Development of Land Administration in Lithuania



Legal Regulation And Guidance for Sound System

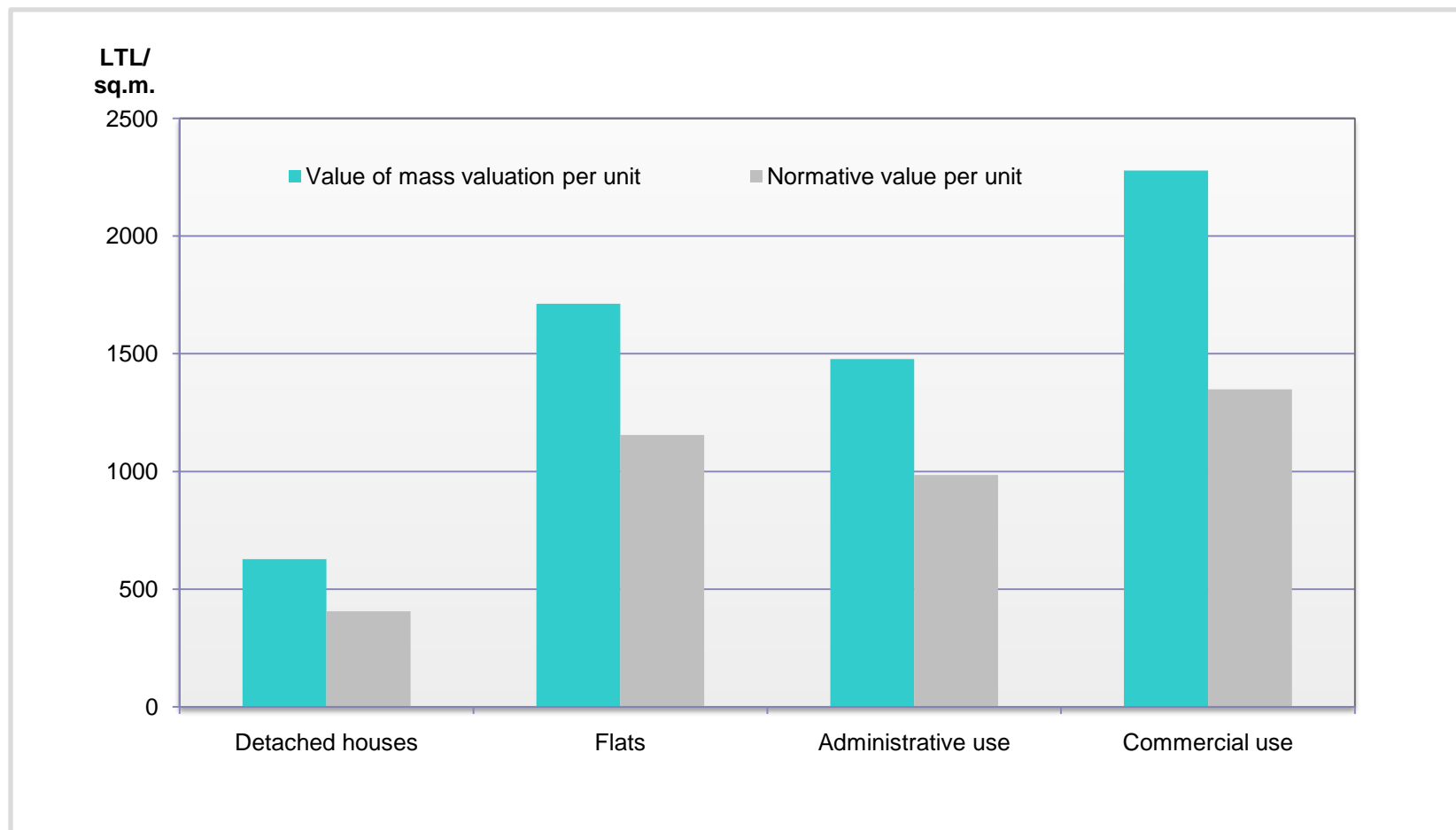


Land Tax Reform (suspended)

Resolution of the Government On the Procedure of Land Valuation was adopted which established mass valuation of land to be used for land taxation. In fact, this was a document, which established land ad valorem tax. However in 2003, when the results of the first mass valuation of land were published, severe reaction of the society and mass media forced the Government to withdraw this Resolution. The Resolution was in force only several months and it was not applied for land taxes.

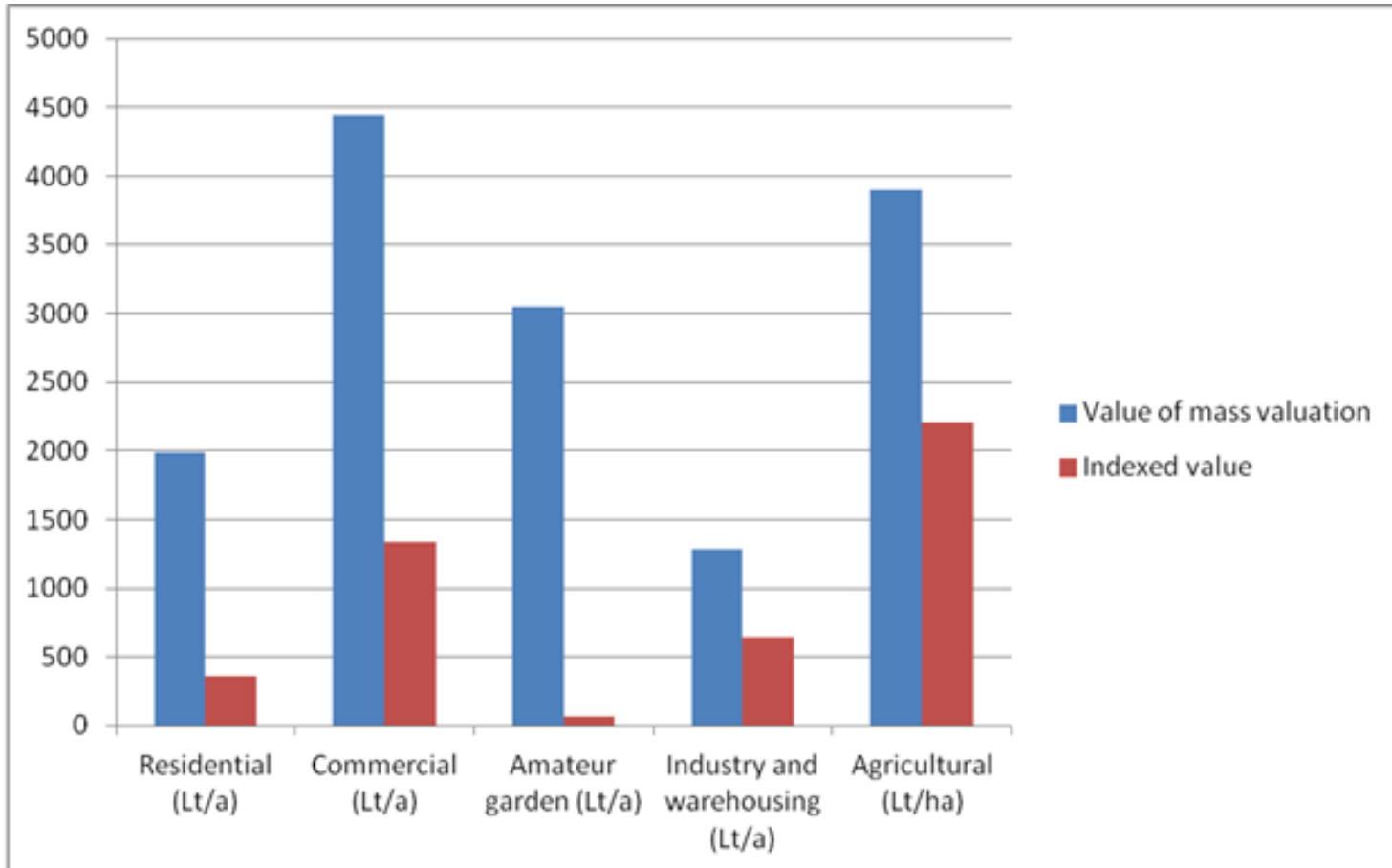
Type of use	Total number of land parcels	Total area	Total value set by mass valuation, Lt	Total nominal land value, Lt.	Average value of unit set by MV, Lt/ha	Average nominal value, Lt/ha	Increase (times)	Decrease (times)
Commercial land	10226	8681	1.612.051.196	653.772.998	185.699	75.311	2,47	
Residential land	232889	50893	4.733.137.503	1.337.666.226	93.002	26.284	3,54	
Industrial, warehouses land	13197	21150	2.693.679.080	1.873.349.194	127.361	88.574	1,44	
Gardening societies land	202996	13871	885.392.043	56.183.576	63.830	4.050	15,76	
Agricultural land	666290	2863461	3.437.631.635	4.151.863.616	1.201	1.450		1,21
Grand Total	1125598	2958056	13.361.891.457	8.072.835.610	4.517	2.729	1,66	

Values of Structures in Lithuania in 2006 - the Year of the Introduction of the Market-Based Property Tax



Appellation periods:
2006 – 925 reports;
2011 – 247 reports;
2016 – 30 reports.

Land Values in Lithuania in 2013 – the Year of the introduction of the Market Value Based Land Tax



Appellation periods:
2013 – 28 reports;
2014 – 4 reports.
(for 4-year transition period taxable value reductions was set out by law).

Main Stakeholders of Property Taxation and Mass Valuation System



Ministry of Finance

- Budget, planning, research, analysis;
- Approval of mass valuation results of buildings.



STATE TAX
INSPECTORATE

- Data on taxable property and taxpayers;
- Tax collection.



Ministry of Agriculture



NATIONAL LAND SERVICE
UNDER THE MINISTRY OF AGRICULTURE
OF THE REPUBLIC OF LITHUANIA

- Approval of mass valuation results of land;
- Control of abandoned lands;
- Lease and sale of the state-owned land;
- Land statistics.



CENTRE OF REGISTERS

- Data management;
- Data analysis;
- Property valuation;
- Provision of data to the Tax Inspectorate, state institutions, public;
- Investigation of appeals.



Municipalities

- Setting the tax rate (within the limits set by laws);
- Receipt of property tax revenue;
- Reviewing of draft mass valuation documents;
- Use of mass valuation results for social support and other issues.

Other users:

- Land & immovable property tax payers;
- Ministry of Justice;
- Ministry of Environment;
- Ministry of Social Security and Labour;
- The Bank of Lithuania ;
- Department of Statistics;
- Notaries etc.

Main Characteristics of Property Taxes in Lithuania (1)

	Land Tax	Immovable Property (Building) Tax
Introduced	2013	2006
Taxpayers	The owners of land (legal and natural persons)	The owners or users of taxable imovable property
Tax object	Private owned land	Immovable property used in commercial and economic activity.
Tax base	Market value of the land (mass valuation)	Market value of the building (mass valuation), value estimated by cost approach – engineering structures and industrial properties.
Tax rate	From 0.01 to 4 % in the Law (abandoned agricultural land can be taxed at the highest rate)	0.3- 3% , property belonging to physical persons valued more than €220,000 is taxed at 1 % .
Tax rate determination	Determined annually by municipalities	
Tax revenue is levied	To the budgets of municipalities	

Main Characteristics of Property Taxes in Lithuania (2)

	Land Tax	Immovable Property (Building) Tax
Number of municipalities	60	
Valuation administration	State Enterprise Centre of Tax Registers	
Tax administration	Tax Inspectorate	
Main exemptions	<ul style="list-style-type: none"> - publicly used roads; - forestry land; - land containing historical, cultural, nature monuments and parks; - land of embassies; - individuals of 0 - 40 % working capacity, individuals at the retirement age and young children, if there are no persons capable to work in the families. - municipalities are entitled to reduce the tax at the expense of their budget or completely exempt from the payment; 	<ul style="list-style-type: none"> - state-owned or municipal real property ; - real property of embassies, - real property of churches, charitable organizations; - real property used for education, science, cultural activities, social, environmental purposes; - real property owned by companies registered in the free economics zones, agricultural and insolvent companies; - the structures, which have not been acknowledged as suitable for use (unfinished buildings), where they are not actually used.

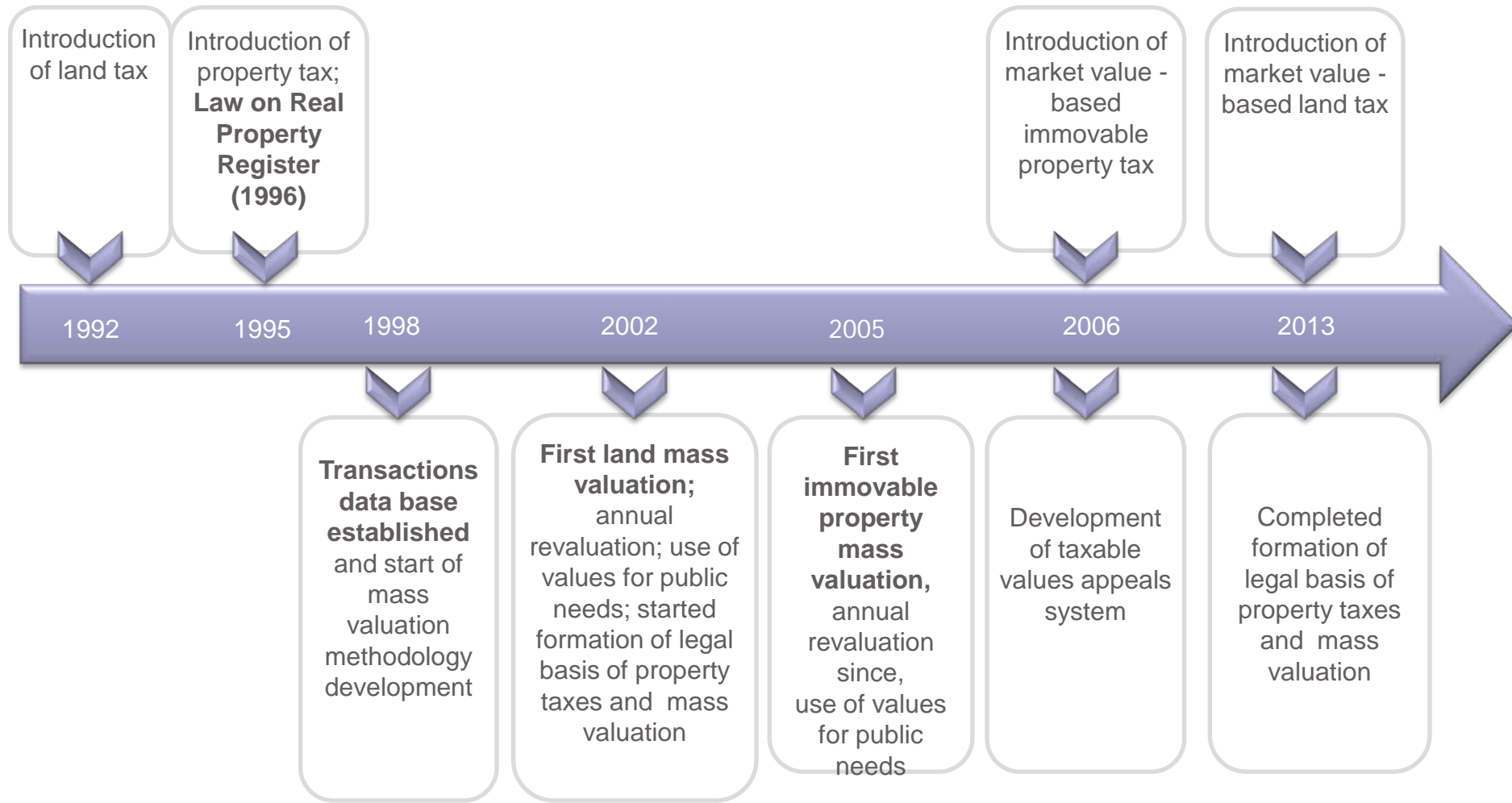
A Part of Immovable Property Tax in Municipality Budget

Indicator	2010	2011	2012	2013	2014
Amount of tax, thousand Euros	86 444	79 720	75 609	76 019	82 515
A part of tax in the municipal budget, %	8.7%	8.6%	7.8%	7.8%	6.9%
Number of taxpayer	42 463	42 958	44 180	45 778	48 322

A Part of Land Tax in Municipality Budget

Indicator	2010	2011	2012	2013	2014
Amount of tax, thousand Euros	15 140	16 247	16 853	18 193	22 768
A part of tax in the municipal budget, %	1.5%	1.7%	1.7%	1.9%	1.9%
Number of taxpayer	912 017	929 502	943 791	948 555	957 188

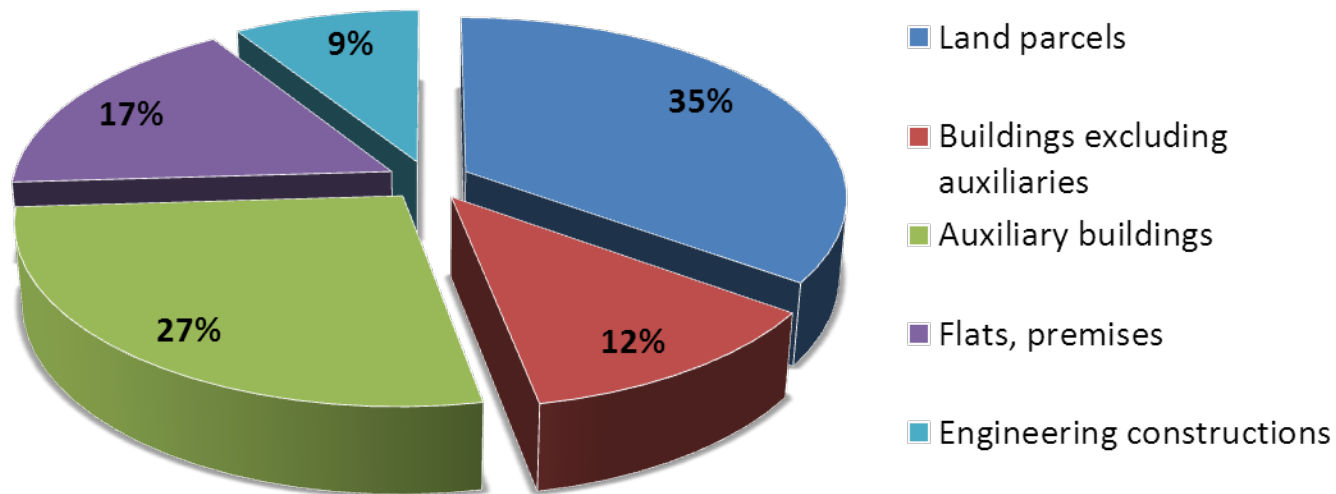
Development of Real Property Mass Valuation System



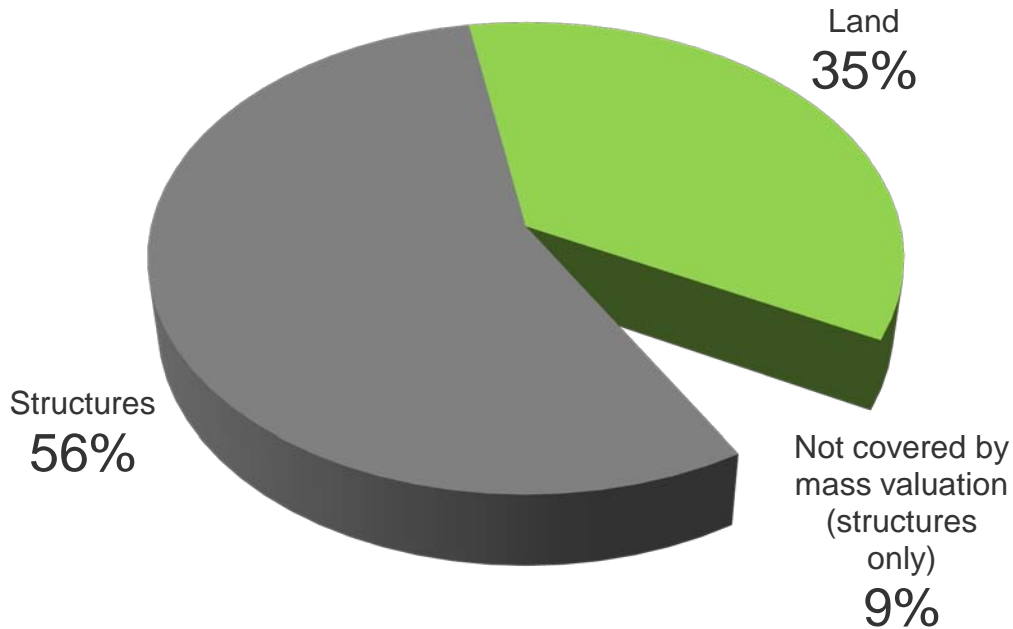
Registered Real Property in Lithuania

Real property objects formed in the manner prescribed by laws are registered in the Real Property Register. Only registered real property is subject to transactions.

On 1 January 2016 the Real Property Register database contained **6 467 497** units of real properties: land parcels, buildings, flats and premises, and engineering constructions.



Mass Valuation Coverage



Total number of real property objects in RE register 2016-01-01 approx. 6.5 mln. units, including:
2.3 mln. land parcels,
4.2 mln. structures.

Revaluations:

For other purposes annually

- Structures since 2005
- Land since 2002

For taxation purposes every 5 years:

- Structures 2006, 2011, 2016,...
- Land 2013, ...

The Number of Transactions

Transaction type	Property type	Year											Grand total
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Rent	Garden building		1	4	4	7	8	6	6	14	5	10	65
	Land parcel	8.945	9.964	11.482	17.258	15.688	16.091	15.653	12.111	14.463	15.439	18.915	156.009
	Mixed-type building	13	14	17	42	33	31	45	36	40	48	42	361
	Non-residential building	390	469	686	1.045	1.041	962	1.068	1.252	1.795	1.327	1.088	11.123
	Non-residential premise	258	317	533	798	848	835	862	846	1.007	1.093	1.001	8.398
	Residential building	28	49	161	212	232	203	231	256	390	288	266	2.316
	Residential premise	321	239	597	1.570	1.779	1.212	1.311	1.241	1.726	1.908	1.862	13.766
	Total	9.955	11.053	13.480	20.929	19.628	19.342	19.176	15.748	19.435	20.108	23.184	192.038
Purchase	Garden building	3.490	3.602	3.126	3.296	1.736	1.029	1.474	1.809	2.035	2.390	2.427	26.414
	Land parcel	50.745	64.721	65.432	69.635	50.100	34.587	40.032	49.032	53.666	67.029	51.876	596.855
	Mixed-type building	74	110	92	85	74	48	54	52	61	64	133	847
	Non-residential building	6.098	5.975	5.556	5.135	3.415	2.511	2.874	3.359	3.375	3.681	3.849	45.828
	Non-residential premise	7.903	9.168	7.967	9.390	8.118	5.015	5.481	6.568	7.135	8.023	9.372	84.140
	Residential building	10.121	12.097	11.221	11.593	8.299	5.097	6.252	7.193	7.850	8.712	9.594	98.029
	Residential premise	34.376	35.728	30.982	34.460	23.388	14.075	18.608	20.426	21.827	27.496	30.601	291.967
	Total	112.807	131.401	124.376	133.594	95.130	62.362	74.775	88.439	95.949	117.395	107.852	1.144.080
Buying from state	Garden building	1		1					1	3	5	7	18
	Land parcel	10.003	12.093	12.346	10.845	11.299	8.389	8.707	14.973	22.054	34.293	23.297	168.299
	Mixed-type building	1		2				1	2	3	3	7	19
	Non-residential building	19	17	34	21	70	35	29	68	105	190	144	732
	Non-residential premise	13	8	5	19	6	8	13	29	69	57	51	278
	Residential building	7	2	9	16	14	9	12	37	46	51	52	255
	Residential premise	14	14	19	37	15	35	31	102	123	156	204	750
	Total	10.058	12.134	12.416	10.938	11.404	8.476	8.793	15.212	22.403	34.755	23.762	170.351
Hire purchase	Garden building	12	15	15	13	20		1					76
	Land parcel	93	211	117	132	134	108	56	32		8		891
	Mixed-type building		2			1							3
	Non-residential building	13	33	7	24	21	3	3					104
	Non-residential premise	22	14	13	8	12	3	2	1				75
	Residential building	52	60	37	45	62	20	14	2				292
	Residential premise	209	243	114	101	162	45	34	7		1		916
	Total	401	578	303	323	412	179	110	42		9		2.357
Grand total		133.221	155.166	150.575	165.784	126.574	90.359	102.854	119.441	137.787	172.267	154.798	1.508.826

Groups of Constructions



Residential:
Dormitories,
Apartments
Detached houses

Administrative and health care
Commercial and services

Recreation and sports
Culture, education and science
Garden buildings
Auxiliary
Garages

Industrial,
warehouses,
transport and
engineering

Groups of Land

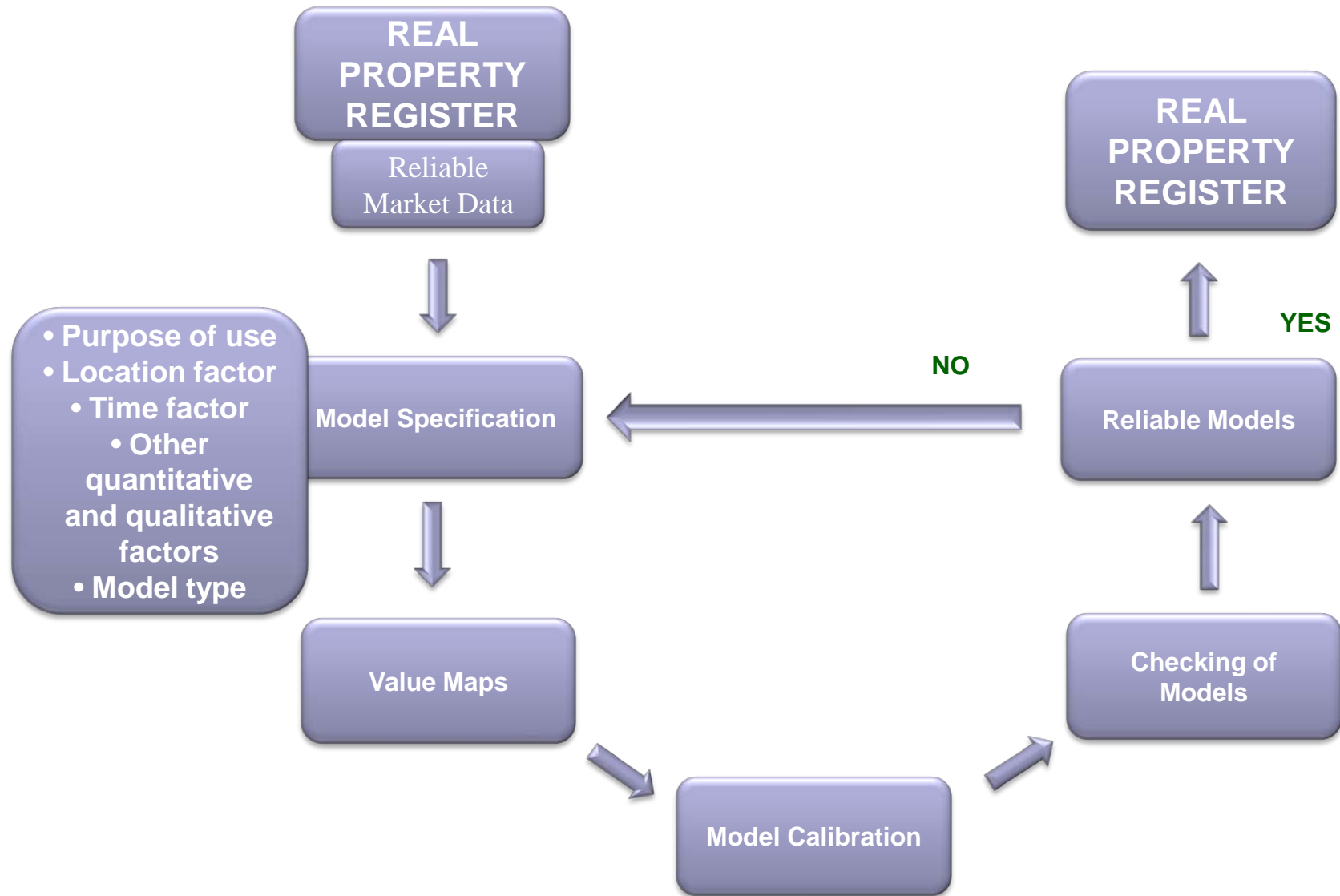


Agricultural,
land of gardeners associations

Commercial, industrial

Residential

Mass Valuation Process



Public Review and Appeals

Public review:

Publication of the preliminary values of land and buildings in the Internet.

Public announcement of the start of public review of Mass valuation documents.

Documentation for Municipalities.

Correction of mistakes in Mass valuation documents.

Appeals:

Period: I quarter of the year, annually; Criteria: Individual valuation report;

Institutions:

1 step – Centre of Registers (Appeals Commission), Institution of Supervision of Property Valuation;

2 step – County Administrative Court;

3 step – Supreme Administrative Court.

Use of Real Property Mass Valuation Data and Values (1)



Assessment of taxable values of land and buildings



Calculation of inherited or gifted property taxable value



Providing of social support for low income citizens



Providing of state guaranteed legal assistance



Estimation of initial sales or rental value of state-owned land



Estimation of rent of state-owned fixed assets (constructions)

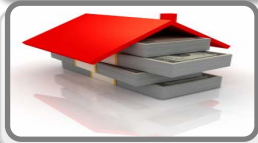


Estimation of statistical indexes

Use of Real Property Mass Valuation Data and Values (2)



Calculation of fees for registration of real property and rights thereto



Calculation of notaries fees



Activities of insurance companies



Activities of bailiffs for estimation of initial action price



Banks activities



Providing market data to real estate professionals



For other state economic needs (estimation of losses, compensation, etc.)

Mass Valuation System – Main Features

- Mass valuation of land and structures (buildings) **are separate, accordingly with the separate land and buildings taxes**. Property assessment is **computerized and performed automatically**, daily assessment of new properties is conducted. Valuation program procedures make an integral part of the real property management application.
- Mass valuation is **centralized** and performed by the Centre of Registers (certified valuers and specialists of computer technologies, GIS, cadastre are involved in mass valuation).
- Values (value maps and reports (61 X 2)) are approved by the Ministry of Finance (structures), the National Land Service under the Ministry of Agriculture (land).
- Three level appeal system is developed.
- Values, assessed by mass valuation are used for different purposes – public needs.
- Given the fact of multipurpose use of mass appraisal outcome, all real property (land and buildings) is revaluated annually, regardless of whether the property is subject to tax,
- Lithuanian mass valuation system was presented in different international events, articles, international projects (China, Russia, Azerbaijan, Egypt, EU countries, etc.)

Thank You For Attention

