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Problems of real estates' valuation for taxing purposes

The tax system in Poland

There are various taxes concerning real estates in Poland:

- ◆ They are agrarian tax, forest tax, household tax and commercial enterprises tax.

The tax rate is decided by the commune council and is the commune income.

The reform of taxing system in Poland seems to be necessary – it means changing tax base from estate's area to estate's value.

The Land Register

- ✦ The Land Register in Poland captures, keeps and reveals information concerning legal objects
- ✦ Nowadays, the Land Register's data are being migrated into electronic system, but they are often incomplete and out of date
- ✦ The Land Register in Poland is managed by the courts of law

The Ground and Building Cadastre

- ✦ One of principal polish cadastre modernization targets is cadastral data transfer into digital form,
- ✦ However, like the Land Register, the Ground and Building Cadastre does not include complete information about all estates in Poland,
- ✦ The prices' and values' register for real estates that is part of cadastre will contain all needed data, but some time is necessary for that to take place.

The market data analysis

- ✦ The complete estate's price without specifying the price of land parcel and the price of building (buildings) is not very useful for mass appraisal or similar estates' valuation
- ✦ It is necessary to divide estate's price into the prices of particular estate's components

The statistical models

- ✦ In the developed markets with numerous transactions the parametric models are possible for application

The estate's price formula

- ◆ The j-estate's price formula has the following form

$$C_{Tj} = S_1 \cdot c_1 + S_2 \cdot c_2 + \dots + S_i \cdot c_i$$

- ◆ The symbols are explained below:
- ◆ C_{Tj} – transaction price for whole j-estate,
- ◆ S_i – the area of every i-element (parcel, parcel parts having defined soil classes, flat or building usable areas or whole building),
- ◆ c_i – i-element unit price.

c_i

Conditional models

- ◆ For poorly developed real estates' markets with small transaction numbers, the conditional models are possible for application

Cadastral tax public opinion

- ✦ The important problem concerning cadastral value introduction into legal regulations is negative public opinion on real estates' tax reforms,
- ✦ It would be welcome to introduce an obligation of cadastral value calculation,
- ✦ During that time, the legal status for all real estates in Poland should be cleared,
- ✦ All the real estates should be explicitly related with tax payers and the necessary changes in taxation system should be performed

Conclusions

- ✦ Tax reforms are very complicated and often unpopular decisions, so the political determination is necessary to change regulations concerning real estates
- ✦ Promotion of tax reforms can help gaining wider support to carry out them
- ✦ The Ground and Building Cadastre and the Land Register data completing and updating may be very helpful there
- ✦ The real estates' valuation methods are continually updated and modernized and the real estates' estimation present solutions are adequate for the mass determination of cadastral value

Thank you very much

