Taxpayer checks data in the system of base registers

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Program

1. Valuation and taxation of real estate in the Netherlands
2. The system of base registers in the Netherlands
3. Methods for improving quality of data
4. Conclusions
Fiscal use of valuation

- Assessed values are used for
  - Municipal real estate tax
  - Real estate tax polderboard
  - Imputed income for owner occupied houses by central government (Income tax)
  - Limitation on fiscal depreciation of real estate by central government (Corporation tax)
  - Inheritance tax

Average tax bill

<table>
<thead>
<tr>
<th>VALUE</th>
<th>TAX</th>
<th>TAX RATE</th>
<th>TAX BILL</th>
</tr>
</thead>
<tbody>
<tr>
<td>€250.000</td>
<td>Municipal real estate tax</td>
<td>0.09%</td>
<td>€ 225</td>
</tr>
<tr>
<td></td>
<td>Real estate tax Polderboard</td>
<td>0.03%</td>
<td>€ 75</td>
</tr>
<tr>
<td></td>
<td>Income tax (imputed income owner-occupied house)</td>
<td>0.55% * 0.42%</td>
<td>€ 575</td>
</tr>
<tr>
<td></td>
<td>Total tax bill:</td>
<td></td>
<td>€ 875</td>
</tr>
</tbody>
</table>
Assessment of real estate

- Special Act for real estate assessment (1995)
- Objectives
  - uniformity and quality of the assessment
  - efficiency
  - clarity for the taxpayer

Act for real estate assessment

- Activities
  - 430 municipalities responsible for appraisal
  - 8 million properties to be appraised
  - yearly revaluation since 2007
  - owners and users are officially informed
  - assessed values transferred to national revenue office and (27) polderboards
- Quality control by special council
**Definition of value of real estate**

- **International Valuation Standards**
  - **Market value**
    - The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently, and without compulsion
  - **Mass appraisal**

**Computer assisted mass appraisal**

- **different types of models**
  - availability of market data
  - type of property and comparability of property
  - market competition
- **results of CAMA models**
  - assessed value
  - valuation report
Alternative use of assessed values

- Applications by the taxpayer
  - Financing
    - Banks allowed assessed value as base for mortgage
    - Mostly for second mortgage for improvements
  - Insurance
- Physical planning and public investments
- Prevention of real estate fraud

The system of base registers in the Netherlands (1)

- With the system of base registers government
  - can offer rapid and good services
  - can not be misled
  - can improve confidence in its work
  - makes not more costs than strictly necessary
The system of base registers in the Netherlands (2)

The principles of base registers

- Authorities must use data
- Authorities must indicate potential mistakes
- Persons (companies) have the right to demand corrections (appeal)
- Authority responsible must investigate all signals
Data needed for appraisal

- From base registers:
  - cadastral information
    - ownership, selling prices
  - registration of buildings
    - type, size and building year
    - building activities
  - register of inhabitants/Register of companies

- Additional collected data
  - quality of building, maintenance, location aspects

Methods used for improving quality of data for appraisal

1. accurate procedures for registration of changes
2. regular checks of registered data
3. intensive use of data and examining all problems encountered;
4. giving data to other users under the condition that all (potential) errors are reported;
5. giving registered persons (or companies or stakeholders) the possibility of reporting (potential) errors in the registration of “their” data.
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Concluding remarks

• Bringing several registers into one system of base registers has a positive effect on quality and maintainability

• The yearly tax-bill and valuation report is the major source of replies on potential mistakes in registered (building) data