Systems of Immobile Property Taxation in the States of the Visegrad Group

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The aim of this paper is to present the current systems of immobile property taxation in the states of the Visegrad Group. In Europe, beside the systems which base on the value of the property, characteristic of the vast majority of the EU, there are also surface area and mixed systems occurring. They are still in force, even though since the beginning of the 1990s it has been noticeable in Central Europe that the systems based on the area of the real estate are abandoned in favor of the taxes on the its value. In Poland, Czechia and in Slovakia the area still dominates as the basis for taxation, and the value functions in reference to certain types of immobile property only. It is similar in Hungary, where local governments are not interested in the systems based on the property value, even though they have such a choice. Why are they these countries where the reforms of property taxes has not been implemented yet, despite numerous declarations and prepared concepts? This article is an attempt to answer the question.

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Introduction

The aim of this paper is to present the current systems of immobile property taxation in the states of the Visegrad Group (Czechia, Poland, Slovakia, Hungary). In Europe, beside the systems which base on the value of the property (ad valorem), characteristic of the vast majority of the EU, there are also surface area and mixed systems occurring, for example, in the group of states under scrutiny (Bird, Slack, p. 4–8; Radvan, 2012 a, p. 244). They are still in force, even though since the beginning of the 1990s it has been noticeable in Central Europe that the systems based on the area of the real estate are abandoned in favor of the taxes on the its value (Etel, 2003, p. 5). This trend led to the introduction of taxes on the real estate value in countries such as Lithuania, Latvia and Estonia (McCluskey, Plimmer, 2007, p. 17). However, in certain states of the region taxation reforms have been in progress for over twenty years and failed to bring the expected results. In Poland, Czechia and in Slovakia the area still dominates as the basis for taxation, and the value functions in reference to certain types of immobile property only. It is similar in Hungary, where local governments are not interested in the systems based on the property value, even
though they have such a choice. Why are they these countries where the reforms of property taxes has not been implemented yet, despite numerous declarations and prepared concepts?

The concept of the system of property taxation

Before I go to characterizing the property taxation systems currently in force in the Visegrad Group states, it is important to establish which taxes should be counted among these systems, for they are differently understood (Etel, 2003, p. 17). There are no universally adopted criteria which would determine which taxes should be counted among the system of property taxation. These problems are not included in the harmonizing directives of the European Union at all, in contrast to VAT, excise, or income taxes. The analysis of the current taxation systems allows, however, for isolating a group of taxes the object of which is broadly understood control over real estates. The control means using the real estate not only on the basis of the ownership right but also on the basis of other rights and titles. The controlling one of the real estate in this meaning is its owner, which is a rule, but also the possessor who uses it for their needs. They also, by virtue of tax laws, are in principle property tax payers. The control of the real estate basically consists in its possession, use, making changes, collecting profits and other incomes, as well as disposal thereof.

The term real estate/immobile property as a physical object of property taxes. The term immobile property/real estate occurring in tax systems differs from its civil law definition (Youngman, 1996, p. 6). The object of property tax is land, buildings, premises, structures and other objects defined in tax regulations, no matter if they are properties in the understanding of civil law. It is a characteristic quality of understanding property/real estate for the needs of taxation. In most systems they are not only real estates defined in civil law but also other objects or their parts. Specific defining real estates/properties is very convenient at their taxation, because it enables to extend the range of the property tax. What should be recognized as a real estate which is subject to taxation is determined by the provisions of tax laws. Their analysis allows for stating that they may be such different things that it is not possible to propose one universal definition covering them all.

The aforementioned establishments allow for stating that the system of property taxation should be understood as a set of taxes in force in a particular state, the object of which is controlling over the things being subject to taxation, defined in the laws which regulate the taxes. Thus, so understood the system does not include the very close taxes on real estate trading (sale, exchange, donation) as well as the taxes on the growth in the value of the real estate.

Types of property taxation systems

So understood property taxation systems currently in force in European states, may be divided into two basic groups, namely:

- systems based on the value of the real estate (ad valorem),
- mixed systems, where the basis for taxation is both the value of the real estate as well as its surface area,
- surface area systems, where the basis for taxation is the surface area of the real estate (natural systems) (Plimmer, McCluskey, 2010, p. 1–13).

It is important to state in the first place that surface area systems in their pure form do not occur. In all the systems under analysis, beside the surface are also occurs, to a considerably lower degree, the value of the real estate. In Czechia and Slovakia the mixed bases for taxation occur in reference to land, which are partly subject to taxes on their value. In Poland, structures are burdened with the tax calculated by their val-
ue, whereas land and buildings on the basis of their surface area. In Hungary local authorities may choose between property taxation based on its value or surface area. The combination of the surface area and the value as a basis for taxation is very characteristic of current property taxation systems in the group of states under scrutiny.

**Mixed systems of property taxation**

The mixed systems of property taxation dominated by the end of the 20th century in the former socialist states of Central and Eastern Europe. This was primarily connected with the fact that most of land was the state’s property, which established the rules of its purchase, very often far from its market value. The dominating position of the state on the real estate market brought about the situation that the prices, even those agreed on between non-state entities, were deformed. In this situation, in this states occur commonly huge difficulties in determining the real value of the immobile property (Bird, Slack, 2005, p. 106). The lack of uniform and reliable information about the value of the real estate caused a necessity to search for other criteria determining the amount of taxation. In effect the basis for property taxation becomes its surface area, and not the value, which very difficult to determine. Surface area with no data about the value, becomes a dominating basis for taxation. It is easy to determine and check. In most of these states operate different registers made for geodetic and cartographic purposes, which contain the data referring to the surface area of the real estate. Such registers become fundamental “tax” documents, whence both the tax authority and taxpayers may take information needed for calculating the tax. Despite severval initiatives taken by the Visegrad Group states aiming at bringing the property taxation systems together with the European standards, they are still models primarily based on surface area, which is confirmed by their short characteristics presented below.

**Czechia**

The Czech real estate tax burdens the land and the tax on buildings, apartments and non-residential spaces. (The Immovable Property Tax Act Nr 338/1992). Generally the surface area of land dominates as a basis for taxation, except farmland (including vineyards, orchards and meadows), where the basis is value. (Mrkyvka, 2003, p. 17). Farmland tax is determined as the ratio of the land area in square meters and the value of 1 square meter established by the minister of agriculture. The area of the land is documented in the official register: the real estate cadaster, which facilitates its determining.

In the building and apartment tax the basis for taxation is the developed area in square meters according to the state of 1 January of the tax year, multiplied by a certain coefficient. The tax rate is defined by the amount and depends on the type of building or premise.

The amount of the property tax is corrected by a coefficient dependent on the number of people residing in the municipality where the real estate is located. The municipality may, within statutory limits, increase or decrease the coefficient (Radvan, 2008, p. 24–30).

**Slovakia**

The Slovakian system of property taxation is similar to that in Czechia. The property tax consists actually of three parts, where the first refers to land, the second to buildings, and the third to apartments and non-residential spaces (Act no. 582/2004 Coll. on Local Taxes and Local Charges for Municipal and Minor Construction Waste). The value is the basis for taxation occurring in reference to developed areas and areas for development, gardens, etc. (Babčák, 2008, s. 102).

Their surface area expressed in square meters is multiplied by the value of one square meter defined in the appendix to the law. The value of farmland, despite certain differences, is also defined in this way for the purposes of taxation. Lo-
The tax on buildings, apartments and non-residential spaces is determined on the basis of surface area expressed in square meters. Annual rates are defined in the law. Local government bodies have a considerable influence on the tax rates. Like in the Czech system, in establishing the amount rate of the tax conversion factors are used, including the number of residents of the municipality on the territory of which the properties are located.

**Poland**

In Poland the property tax burdens non-agricultural land, buildings and their parts, as well as structures Act of 12 January 1991 on local taxes and fares (Dz. U. of 2018, item 1445). The system of property taxation also consists of the agricultural tax on farmland and the forest tax, which is imposed on woods Act of 15 November 1984 on agricultural tax (Dz. U. of 2017, item 1892) and Act of 30 October 2002 on forestry tax (Dz. U. of 2017, item 1821). The value established for the needs of depreciation, or else the market value, is the basis for taxing structures. The maximum rate of the structure tax is defined in the law and is 2% of the value. In reference to non-agricultural land and buildings, the basis for taxation is surface area. The rates are of a quantity nature (the lowest on residential real estates and the highest on the real estates connected with running a business). The maximum rates are included in the law, but the municipality council may reduce them taking into account the location and the use of the real estate. In the agricultural tax on farmland (land exceeding the surface area of 1 hectare or 1 comparative fiscal hectare) the taxation basis is surface area expressed in comparative fiscal hectares. The number of comparative fiscal hectares is established by multiplying one hectare by converters included in the law (from 0.05 to 1.95) depending on the type of farmland, the class of land and its location. The tax rate is connected with the price of rye. In the forest tax the basis for taxation is surface area expressed in hectares, with no converters. The rate of the forest tax is strictly connected with the price of timber which is annually communicated by the President of Statistics Poland. The surface area of land for taxation purposes is adopted from the official register of land and buildings.

Local government in Poland has instruments which affect forming the structure of taxes on real estates in the form of the possibility of establishing tax rates, exemptions, reliefs as well as the procedure of their payment.

**Hungary**

A peculiar mixed system of property taxation is in force in Hungary. The system consists of a tax on buildings and a tax on land, the imposing of which is decided by local authorities (Act No C. of 1990 on Local Taxes). Taxpayers are usually the owners, and in certain cases the possessors. In both taxes the basis for taxation may be the adjusted market value of the building/land or also the usable area of the building/land (Guide to taxes on real estate in Central and Eastern Europe. Edition 2017, KPMG, p. 49). Local authorities decide what basis is applicable (2018 Tax Guideline. Hungary, :accace, p. 13–14). However, it is impossible that on the territory of the same municipality buildings are taxed on the basis of their value and the land on the basis of surface area. The adjusted market value is 50% of the market value of the building/land. The value is established by the taxpayer, but the tax authorities may question it in the situation where it differs from the market value. It is worth noting that just a few towns decided to introduce the adjusted market value. Usable area dominates as the basis for taxation, which results from the fact that it is easy to determine (the surface area of the land is defined in the register of real estates). It is usually small municipalities that decide to introduce a surface
area tax, even though taxes on the value of the real estate bring higher income.

**The characteristics of the mixed systems of property taxation**

This general characteristics of property taxation systems currently in force in the states under scrutiny allows for pointing at certain typical qualities.

- Taxes composing the systems constitute income of the local government and are part of the group of local taxes (Youngman, 2016, p. 2–3). Local authorities have an impact – to different degrees – on the structure of the taxes. In Czechia and Slovakia it is primarily reduced to the possibility of using coefficients adjusting the amounts of taxes depending on the location of the real estate. The local authorities have quite extensive competences in Poland (establishing the rates, exemptions, reliefs and the procedure of payment) and in Hungary (the local government decides on imposing a tax, the choice of the basis for taxation, and may also introduce exemptions).

The taxes in most states are collected by local government tax authorities. Only in Czechia they are exercised by the state tax administration (Radvan, 2012 b, s. 203).

- The systems under analysis define the taxpayer in a very similar way. They are usually the owners of the real estate. Only in the cases defined in the law the taxpayer is the possessor of the real estate, usually the one who uses it, even without the legal title.

- The object of taxation in all systems is land, a building, an apartment and sometimes structures. It is worth underscoring that particular types of real estates subject to taxation have peculiar regulations. Hence, it is common to talk about, for example, a land tax as well as a building tax, a structure tax, etc., even though it is one property tax.

- A characteristic of mixed systems is also an attempt to combine surface area with the value of the real estate by virtue of statutorily determined coefficients dependant on the type of the activity conducted and the use of the real estate, its location or the status of the owner (possessor). This way of connecting the basis for taxation with the value (and sometimes incomes) is also visible in the structure of tax rates. In all the systems their amounts are, to a greater or lesser extent, dependent on the type and the use of the real estate. Usually the real estates located in cities and used to run businesses are taxed higher than, for example, real estates used for residential purposes only. The dependence of the amount of the tax on the value is visible in the mixed systems also at determining tax rates and exemptions through a resolution of local authorities. Including real estates into tax districts depending on their location and utility infrastructure, exempting real estates which do not bring profit or those used for publically useful activities, is an attempt to make the tax amount of a particular real estate on its broadly understood value.

- The taxes feed local budgets. They are not, however, a considerable source of tax revenue, except Poland. The share of the property tax in the GDP of Czechia is 0.2%, Slovakia 0.4%, Hungary 0.6%, whereas in Poland it is 1.2% (Taxation Trends in European Union, Date for EU Members, Iceland and Norway, 2017 edition). The highest share of the property tax in GDP occurs in France: 3.2% and the United Kingdom: 3.1%, and the EU average is 1.6%. This comparison allows for the statement that the incomes acquired from the property tax in the states under scrutiny are relatively low and may be potentially increased. It is worth noting that the revenues from real estate taxation in these countries are basically unchangeable and have been maintained at a low level for many years. On the other hand, revenues from property taxation are growing in the other EU member states. The average revenue of UE states has grown from 1.2% of GDP in 2003 to 1.6% of GDP in 2015 (Taxation Trends in European Union, Date for EU Members, Iceland and Norway, 2017 edition).

It is important to note, that relatively high revenues from property taxation in Poland result, to
a considerable extent, from charging for real estates, especially buildings connected with running a business. The property tax rate for this type of buildings is c. 30 times higher than the rate for residential buildings (Notice of the Minister of Finance of 25 July 2018 on upper limits of amount rates in local taxes and fares in 2019 (Dz. U. item 745). In effect, c. 85% of revenues from the property tax are the taxes paid for the objects of taxation connected with business activities (Nowecki, 2009, p. 3).

- The largest differences between the taxation systems under analysis occur in the structure of the basis for taxation (except the Czech and Slovakian solutions, which are similar to each other). The surface area of the real estate plays a decisive role, but beside it also the value is important. The combination of surface area and value occurs in all the states under analysis. However, value as the basis for taxation is in these systems differently defined and referred to different objects of taxation.
- The systems under scrutiny actually do not include market value as the basis for taxation. Usually it is a value established for the needs of taxation, which does not equal the market value. Only in certain cases the taxpayer may be taxed on the basis of the market determined by an expert, which is not a popular solution, primarily because of the cost of appraisal.
- The surface area of land for the needs of taxation is taken from official registers, which considerably facilitates the process of tax assessment. Both tax authorities and taxpayers have to problem determining the area, which cannot be referred to the value. The value adopted for the needs of taxation does not result from the registers. It is established in procedures defined in laws and usually is different from the market value of the real estate.
- A characteristic quality of the mixed systems under analysis is the preferential taxation of agricultural real estates. These systems apply various solutions aiming at alleviating the taxes imposed on the possessors of farmlands. They are usually lands taxed symbolically or generally excluded from taxation (for example, low class land in Poland). Thus, for example, in Poland the tax for 1 hectare of the land connected with business activities is c. 2,300 euros, and the agricultural tax for 1 hectare of farmland is c. 33 euros.
- In the analysed systems buildings and residential spaces are taxed relatively low. Thus, in Poland, a tax for an apartment of 100 square meters is c. 20 euros a year. The tax amount for apartments is symbolic, incomparable with the burden on entrepreneurs’ buildings. The space connected with a business activity of the same area is the tax of 580 euros.
- The systems under examination include an extensive catalogue of exemption and reliefs defined in the laws. They are preferences introduced by central authorities, which directly diminish the revenues of municipalities. Local governments have no influence on the introduction of such exemptions, even though the loss of revenue for this reason is very often not compensated by the state budget.

Advantages and disadvantages of the mixed systems of property taxation

The taxation systems presented have been functioning in the states under analysis since the early 1990s. They have been amended but the changes have no fundamental bearing and are reduced to small corrections of the regulations in force. The systems, even though they differ considerably from the systems ad valorem, common in Europe, have been in force in the states under analysis for nearly 30 years.

This is because they undoubtedly have advantages, appreciated primarily by taxpayers accustomed to pay symbolic taxes on land and buildings (except enterprises). This quality of the taxes is not, however, positively perceived by local government seeking to increase their own revenue from taxes. Evaluating the systems under analysis it is difficult to enumerate their advantages and disadvantages in two mutually exclusive
Oftentimes the advantages of the taxes for taxpayers are an evident disadvantage for local authorities. Weighing so understood pluses and minuses of the taxation systems under analysis it is important to draw attention to the following issues.

- The mixed systems of property taxation are characterized by the simplicity of solutions applied at the stage of collecting taxes. Their assessment and collection do not require an extensive and specialized fiscal apparatus. The tax paid for a square meter of surface area usually requires only multiplying the meters by the proper rate, which is naturally not very complicated and costly. The collection of the taxes does not require financing very costly mechanisms of assessment and valorization of the value of the real estate, so typical of ad valorem systems. This is undoubtedly a positive aspect of surface area taxes. Simultaneously, however, it limits the possibility of acquiring higher revenues from taxing the real estates the value of which grows whereas the surface area remains unchanged. In effect, the simplicity of the assessment makes it impossible to collect higher revenues from taxing the real estates, the market price of which grows rapidly. The tendencies confirm the aforementioned data indicating that in the states under analysis, where dominates surface area as the basis for taxation, budget revenues from property taxation do not grow in relation to GDP.

- Detachment of the tax amount for the real estate from its value leads to the situation that the tax amount for a luxurious hotel worth 2 million euros, and a ruined building of the same surface area yet worth 2 thousand euros, is the same. This has nothing to do with fiscal justice and tax equality (Felis, 2015, p. 40; Kopyściańska, 2016, p. 42). They are systems which clearly prefer “rich” taxpayers, for whom the tax for a real estate of a considerable value is minimally charged. The tax for 1 square meter of a hotel is the same as 1 square meter of a devastated object. Diversifying tax amounts in this situation, without reaching the value of the real estate, is impossible. However, this is a quality of the systems which does not, surprisingly, protests from less affluent taxpayers. This may be explained with the fact that these taxes are not a considerable burden. Taxpayers do not protest for fear that this could result in higher taxes for all taxpayers.

- Attempts at connecting the surface area with the value of the real estate through introducing various parameters and converters do not solve the problem. The aforementioned hotel and the runed building located in the same zone, district, are charged with the identical tax. Thus, it is possible to introduce additional converters dependent on the technical condition of the building, its age and use. Introducing an extensive catalogue of converters leads to a loss of the fundamental advantage of the surface area systems, which is their simplicity. Different converters, zones, coefficients commonly occurring in the systems under analysis, are elements of tax structures difficult to apply in practice and sometimes excluding the possibility of calculating the tax by taxpayers themselves. In effect, the tax authorities establish tax amounts to pay in a particular year in their decisions, which is connected with high costs, sometimes exceeding revenues acquired from the particular tax. Transforming the surface area tax into a tax similar to a tax on the real estate’s value through introducing a system of converters, is actually a process of evaluation for the needs for taxation which, however, makes the system excessively complex. A good example is the Netherlands, which for this reason abandoned improving the system of surface area as the basis for taxation (Verbrugge, 1999, p. 5). This is the basic drawback of regulations aiming at bringing closer of the surface area and its value.

- Surface area taxes are characterized, at least in assumption, by the lack of differences in property taxation depending on its location and infrastructure. This results in mitigating the differences between the revenue amounts acquired from property taxes occurring at ad valorem taxation. The value of real estates in urbanized territories is usually higher, and thereby the revenues from taxes acquired by local budgets are higher. Local governments in rural and economically neglect-
ed areas, where the value of real estates is relatively lower, suffer from this situation. In the situation where the tax is paid on surface area, the value is of no importance, thereby revenues from land taxation by particular local governments are comparable. This positive quality of surface area systems practically does not manifest itself due to the diversification of tax burden of entrepreneurs and other taxpayers. The highest tax for a square meter is paid by entrepreneurs, which results in the highest revenues from taxation acquired by the municipalities with developed economy.

- The systems based on the surface area of the real estate are accepted by the taxpayers who understand them and do not feel a need for replacing them with ad valorem systems (Popławski, 2001, s. 46). (Popławski, 2001, p. 46). The simple dependence between surface area and tax amount is clear and understandable to the taxpayer, whereby they are not afraid of this tax. Taxpayers do not usually question surface area as the basis for taxation, all the more that it is easier to determine or results from official registers. It is an element of the structure of this type of taxes which basically does not raise any social emotions. It is completely different at determining the value of the real estate for the needs of taxation. The taxpayer, usually not knowing the complex mechanisms of assessing the value, often feels deceived and therefore questions the tax amount. In the surface area systems it is a constant amount which never becomes outdated (Bird, Slack 2002, p. 15–20). The value has to be updated in principle, which is complicated and costly.

- The surface area systems encourage to keep land for speculation. This results from the fact that the real estate's growth in value has no bearing on increasing the tax amount. The tax is the same for the land worth 1,000 euros and 100,000 euros, which, at the growing tendency of real estate prices, justifies their purchasing and waiting for the growth in value. This phenomenon is very dangerous particularly in cities where there is usually not very much land for investment.

Taxing surface area (but also buildings) does not discourage the taxpayer from investing in real estates so much as in the case of the ad valorem tax. Investments in real estates increase their value, and thereby also the tax amount. Hence in certain tax systems only land is subject to taxation (e.g. Estonia, Latvia) (Głuszak, B. Marona, 2015, p. 88).

- A drawback of the systems under analysis is a considerable diversification of charge on particular types of land. It is a rule that farmland and woodland, even those of considerable value and bringing relatively high incomes for their owners, are taxed on preferential terms. So big differences in taxing plots of land of, sometimes, similar value and profitability have no justification. The characteristic of most property taxation systems is reduced taxation of farmland and woodland, but the differences cannot be so dramatic. The shift into the ad valorem basis for taxation reduces the differences.

- One of disadvantages of the property taxation systems is the fact that they do not include effective pro-ecological regulations. Property taxes, due to their object, may be, are, and should be used as instruments for broadly understood environment protection. Even though there are such regulations, they are generally of little importance, especially in financial terms. This results from the little importance of these due payments in the system of tax charges. If a particular tax is almost unnoticeable by the taxpayer, it is difficult to expect that the tax preferences included in its structure motivate the taxpayer to take or refrain from certain actions.

The analysis of advantages and disadvantages of property taxation systems presented above allows for the statement that the taxes on real estate currently in force do not bring potentially achievable revenues for local budgets and it is their fundamental drawback. The growth in value of land and buildings does not result in increase in revenues for local budgets. Their surface area is unchangeable, whereby the tax amount does not change. They are also unfair systems treating taxpayers unequally. The tax paid by the owner
of a luxurious hotel and the owner of a ruin is the same, the amount of which being determined in such a way that the latter could pay it. This is in contrast to the principle of equality of taxation. One of the fundamental disadvantages of the systems under scrutiny is also an excessive diversification of tax amounts for particular types of real estates (preferential taxation on agricultural and residential real estates ignoring their value and profitability).

Why have the mixed systems of property taxation have not been replaced with ad valorem systems in the states of the Visegrad Group?

The aforementioned drawbacks of the systems in force, which occurred as early as the moment of their introduction (the beginning of the 1990s), show the need for their reform. The proposals of general reconstruction of the systems appeared immediately after they were introduced but until today they have not been implemented. What reasons were decisive? The answer to this question requires empirical examination in particular states. Carrying out the research it would be necessary to emphasize the following questions:

Who is interested in the reform of property taxation? We can assume that it is highly probable that taxpayers are not interested in the reform (Wójtowicz, 2007, p. 200). They are afraid of the ad valorem tax because they do not understand its essence (Opinions about the cadastral tax project. Communication from research, Center for Public Opinion Research Warszawa 2000, https://www.cbop.pl/SPISKOM.POL/2000/K_155_00.PDF)

- The currently paid taxes are relatively low, and therefore taxpayers have a feeling that the changes must lead to their growth. It is also possible to assume that decision-makers (the government) are not interested in the introduction of the reforms. The expenditures for the implementation of the reform are considerable (especially common appraisal), and the revenues from property taxes will feed local budgets. At the tight budget of the state allocating a great deal of money for the reform of taxes feeding local budgets is not an action easily acceptable by both the minister of finance and the parliament. Previous experiences connected with attempts at a property tax reform justify the statement that most local government units are not interested in the reform either. They are afraid that the government would transfer the costs of its implementation onto municipalities, and its effects will be perceived in a longer perspective that the term of the local authorities. The fears of municipalities, particularly those small, are also connected with the service of complex and costly cadastral systems. (Radovan, 2012, p. 3). For these reasons municipalities do not postulate changes in the current systems. Of course, these assumptions require verification in specific studies, but even now we can state that it is difficult to implement a reform unwanted by anyone. It is important to note that now it is impossible to introduce the reform without its approval by local government as a beneficiary of the revenues from property taxation. In all the states under analysis local governments were given property taxes based on surface area without their thorough reform. In the early 1990s there were the best circumstances to introduce a radical property taxation reform by the government and then to transfer the taxes to municipalities. However, that chance was never used.

Is there a political “will” to implement a reform of property taxation? Property taxes are very unpopular among taxpayers – voters. The studies which aim at pointing at the most unfair taxes, carried out for many years, demonstrate that this is how property taxes are perceived (Changing Public Attitudes on Governments and Taxes. Advisory Commission on Intergovernmental Relations, S-20, Washington 1991)

- If the reform was additionally to cover agricultural and residential real estates (so far symbolically taxed), there is nothing strange that there are few politicians and political parties interested therein.
• Who is a beneficiary of the maintenance of the current rules of property taxation? To precisely determine the group of taxpayers (types of real estates) taxed on preferential rules or exempted from the taxation enables us to define the enemies of the reform. We may assume in advance that the beneficiaries of the favourable surface area taxes are the owners of real estates of a huge value, including apartments and residential houses, as well as farmlands and woodlands. Justifying the need for implementing the reform it is important to strongly emphasize the need for making the taxation of this type of real estate real, to present simulations connected with the tax amount and potentially introduce transition periods in approaching target solutions.

• Is it necessary to introduce the *ad valorem* system? In recent years there appeared concepts of the reform which could be reduced to a “further” perfection of surface area as the basis for taxation. They are presented as an alternative for the *ad valorem* reform, costly and unpopular among taxpayers. Response to these concepts require their detailed analysis, although even now we can state that it is not a new idea and, as the previous experiences show, it does not bring the assumed results (Verbrugge, 1999, p. 5). However, this is no obstacle for the opponents of the *ad valorem* taxes to state that the surface area systems may be marketized through introducing “value” coefficients, such as, for example, those operating in Czechia and Slovakia (Swianiewicz, 2004, p. 68; Swianiewicz, J. Neneman, J. Łukomska, 2013, p. 7–8, p. 25–50). Referring to the solutions

1 In the Netherlands, until 1970 the converted surface area of land had been adopted as the basis for taxation. Until the 1990s local government, like now in Hungary, could introduce surface area or value of the real estate as the basis for taxation. Improving surface area as the basis for taxation failed and now the property tax (and water tax) currently in force in the Netherlands is based on the value determined in the process of universal appraisal.

2 Land zoning is also the main criterion of the reform proposed by Capital Strategy and International Property Tax Institute, Propozycja zmiany zasad kształtowania stawek podatku od nieruchomości gruntowych. Raport dla Związku Miast Polskich i Unii Metropolii Polskich (Proposal to change the principles of shaping the tax rates on land. Report for the Union of Polish Cities and the Union of Polish Metropolises, Warszawa–Kraków 2014.)

• How should be the reform of property taxation funded? It does not seem that it is possible to point at one source of financing without showing where the revenues from property taxation will go. The financing model should take into account the interest of the local government, the main beneficiary of the revenues from property taxation. For certain it is not possible to finance the reform from local resources only. It would be difficult to propose an organizational and legal form of implementing the reform by municipalities. The only real source of financing is the state budget with a potential participation of municipalities. The instrument which should be include in the process is potential shares of the state budget in higher revenues of municipalities resulting from the implementation of the *ad valorem* system.

• Who should prepare the concept of the reform and its principal assumptions? It does not require an extensive justification that the central authorities cannot impose the reform upon local governments. It is also not possible to effectively prepare the bill and to pass it by local government. It seems that the assumptions of the reform and the bill of legal regulations should be prepared by a committee composed of representatives of the government, local government as well as scholars and practitioners. For it is only this form of preparing the reform which gives a chance for its effective implementation. It is also crucial to reanalyze the concepts of the reform already prepared by the government, which, for different reasons, has been rejected. It may turn out that the bills, usually well-prepared and supported with data gathered, require just updating. For nearly 30 years there have been many government initiatives aiming at eliminating the obsolete property taxation system, which, in part, if not as a whole, may be used in works on a subsequent reform.
form. The same refers to the authorial concepts of the reform prepared by the representatives of the doctrine and practitioners. The solutions proposed there, and never implemented, should be obligatorily taken into consideration at the stage of preparing new assumptions of the reform.

Conclusion

The response to the questions posed above is indispensable for establishing not only if to introduce the property taxation reform, which seems settled, but how to implement it. Taking into account experiences of most EU countries, where the *ad valorem* taxation system functions, the over 30 years’ discussion on which system is better, surface area or mixed, has no grounds. The success of the reform seems to depend on, primarily, its understanding by taxpayers and thereby its approving by politicians (Frenzen, 1999, p. 57; Ansttet, 1999, 52). To achieve it is important to develop an effective plan of its implementation including the need for rational justification of its assumptions. In the first place we should rule out a one-off, from one year to another, replacing the surface area by the value which determines the tax amount. This must be a gradual process of building the *ad valorem* system, based on the regulations to which taxpayers are accustomed and not triggering rapid jumps in tax amounts. It also does not seem possible to develop the same procedure of reform implementation for all countries in the Visegrad Group. The differences in the current regulations and perception of the need for the reform demonstrate that the procedure must be individually developed for each state. This does not mean that preparing the assumptions of the reform one cannot use experiences of other states in its implementation. They are precious and their analysis allows for avoiding replication of the same mistake. Hence, a very important question is to thoroughly learn not only the solutions in force in particular countries and bringing the assumed results, but also those which proved wrong and were eliminated from the system. The process of perfection of the current regulations should be studied in order to select proven institutions, yet also the ones which should not be tested in other systems. So acquired data will facilitate preparing assumptions of a rational reform of the property taxation system.

List of references


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