2015

Attributes of EU property taxation policies: lessons for Greece and Cyprus

Vertsoni, Anastasia

Real Estate Program, School of Architecture, Land and Environmental Sciences, Neapolis University Pafos

http://hdl.handle.net/11728/7045

Downloaded from HEPHAESTUS Repository, Neapolis University institutional repository
ATTRIBUTES OF EU PROPERTY TAXATION POLICIES.
LESSONS FOR GREECE AND CYPRUS.

by

VERTSONI ANASTASIA
MSc in Real Estate

Neapolis University Pafos
Pafos, Cyprus
2015

Submitted to the Faculty of School of Architecture, Land and Environmental Sciences
in partial fulfillment
of the requirements
for the Degree of
MASTER OF SCIENCE
THE LEGAL FRAMEWORK OF EU PROPERTY TAXATION POLICIES: MERITS AND HANDICAPS.

Master Thesis

Supervisor
Thomas Dimopoulos

Rector
Spyros Makridakis

Program Director
Petros Sivitanides
Acknowledgements

Firstly, I would like to express my sincere gratitude to my advisor Professor Thomas Dimopoulos for the continuous support of my master thesis, for his patience, motivation, and immense knowledge. His guidance helped me in all the time of research and writing of this thesis.

In addition, I would like to thank my family, my parents and especially my grandmother Anastasia supporting me spiritually throughout writing this thesis and my life in general.
Abbreviations

1. A.P.A.A.: Objective Determination of Value Property (Greek abbreviation-Αντικειμενικός Προσδιορισμός Αξίας Ακινήτων)
3. C.G.E: Computable General Equilibrium
4. E9: The tax form filled by taxpayer and given to the state, covering all the properties one has in his possession.
5. E.E.T.A.: Extraordinary Special Property Tax (Greek abbreviation-Έκτακτο Ειδικό Τέλος Ακινήτων)
7. E.N.F.I.A.: Single Property Tax (Greek abbreviation-Ενιαίος Φόρος Ιδιοκτησίας Ακινήτων)
9. F.A.I.: Tax of Automatic Price Premium (Greek abbreviation-Φόρος Αυτόματου Υπερτιμήματος)
10. F.A.P.: Real Property Tax (Greek abbreviation-Φόρος Ακίνητης Περιουσίας)
11. F.M.A.P.: Large Property Tax (Greek abbreviation-Φόρος Μεγάλης Ακίνητης Περιουσίας)
12. GDP: Gross Domestic Product
13. GESIS: General Secretariat of Information Systems
14. IPT: Immovable Property Tax
15. MV: Market Value
16. T.A.P.: Annual Duty on Property (Greek abbreviation-Τέλος Ακίνητης Περιουσίας)
17. V.A.T: Value Added Tax
18. Vt: Value taxed
Summary
The objective of this research was to identify whether and where property tax is a suitable tax, identify the ways that this tax can be successful (through legislation and application), compare the property tax regimes of all EU countries and find any correlation with the GDP, identify the problems in Greece and Cyprus immovable property tax system and suggest recommendations that could improve it. European Union offers special challenges because each country has a different definition of land and property, and a different approach to local property taxation. Conducting a legislation overview and statistical data it was found that high income countries have heavier reliance on property taxes with Luxemburg being an exception. Regarding Greece and Cyprus many problems in the property tax system were identified. Among the recommendations for improvement is the reduction of transfer fees, the reduction of the multiple laws for the same subject and the better application of the laws.
Table of Contents

Acknowledgements ........................................................................................................ 3
Abbreviations .................................................................................................................. 4
Summary .......................................................................................................................... 5
1. Introduction ................................................................................................................ 9
2. Literature Review ...................................................................................................... 10
   2.1. Attributes of Real Property Tax ................................................................. 10
       2.1.1. Classifications of property tax ......................................................... 11
       2.1.2. The Advantages and Disadvantages of the Real Property Tax .... 11
       2.1.3. The necessity for the appropriate legal framework in property taxation .......................................................................................................................... 12
       2.1.4. Indicators for successful tax legislation framework ................. 13
       2.1.5. The rationale of the differences among EU countries property taxation systems ................................................................. 15
   2.2. Overview of property tax regimes in European Union ......................... 15
       2.2.1. Property taxes data ........................................................................ 16
       2.2.2. Determination of the tax base ......................................................... 24
       2.2.3. Frequency of reassessment ............................................................. 27
       2.2.4. Vertical & Horizontal Equity ......................................................... 28
       2.2.5. Tax rate ......................................................................................... 29
       2.2.6. The resulting tax revenue ............................................................... 30
       2.2.7. Tax reliefs ..................................................................................... 31
   2.3. Greece property tax regime ........................................................................... 31
       2.3.1. Overview of property taxes ............................................................. 31
       2.3.2. Deeping in Real property tax .......................................................... 32
       2.3.3. Tax base ....................................................................................... 33
       2.3.4. Property Valuation ....................................................................... 34
       2.3.5. Tax revenue received-Exceptions-Reliefs ..................................... 34
       2.3.6. Problems about the property tax system in Greece ...................... 35
   2.4. Cyprus property tax regime .......................................................................... 38
       2.4.1. Overview of property taxes ............................................................. 38
       2.4.2. Immovable Property Tax bands & Transfer fees ......................... 39
       2.4.3. Property valuation ......................................................................... 41
8.25. Sweden ........................................................................................................... 76
8.26. United Kingdom ............................................................................................ 77
8.27. Property tax graphs ...................................................................................... 79

List of Tables

Table 1. Indicators for successful tax legislation .................................................. 14
Table 2. Benchmarks Used to Classify Use of Taxes on Property in Europe. 17
Table 3. Base and Basis of Taxes on Immovable Property in Europe. .......... 22
Table 4. GDP per capita in 28 EU countries. ...................................................... 22
Table 5. Composition of property taxes as percentage of GDP in 2012.
Emphasis on the total across series for each category. ................................... 24
Table 6. EU countries map demonstrating the ad valorem and area based tax
systems ..................................................................................................................... 27
Table 7. The tax bands of Cyprus Immovable Property .................................. 39
Table 8. Graphically demonstrated the tax bands of Cyprus Immovable
Property ................................................................................................................... 40
Table 9. Graphically demonstrated the transfer tax bands of Cyprus
Immovable Property ................................................................................................. 41
Table 10. Taxes on property as percentage of total taxation. ....................... 41
Table 11. Recurrent property taxes as percentage of total taxation ........... 80
Table 12. Taxes on immovable property as percentage of GDP ................. 81
Table 13. Recurrent property taxes as percentage of GDP ......................... 82
Table 14. Real GDP growth (annual rate) ......................................................... 83