Neapolis University

HEPHAESTUS Repository **http://hephaestus.nup.ac.cy**

Department of Real Estate MSc in Real Estate

2015

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

Vertsoni, Anastasia

Real Estate Program, School of Architecture, Land and Enviromental 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)
2. C.A.M.A.: Computer Assisted Mass Appraisal
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)
6. E.E.T.I.D.E.: Extraordinary Special Tax of Electrified Structured Surfaces (Greek abbreviation-Έκτακτο Ειδικό Τέλος Ηλεκτροδοτούμενων Δομημένων Επιφανειών)
7. EN.F.I.A.: Single Property Tax (Greek abbreviation-Ενιαίος Φόρος Ιδιοκτησίας Ακινήτων)
8. Eurostat: Statistical Office of the European Union
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. GSIS: 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

List of Tables

1. Introduction

The great recession that swept the globe in 2008 started with the collapse of major U.S. investment banks and resulted in serious problems in some of the world's economies, most notably in Europe. The world's major economies intervened with a unified response agreed within the framework of the G20 group and the crisis was mostly alleviated by the end of 2009 (Perić, R., & Kordić, L., 2014).

That was the moment when George Papaconstantinou, the then Greek finance minister, made public that the country's budget deficit would not be 3.7%, as it had been previously predicted, but it could reach as much as 12% and additionally he revealed that the country was having difficulties collecting taxes. This statement from a country that was a member of the Eurozone and previously enjoyed above EU-average yearly GDP-growth rates resulted in Greece's sovereign credit rating soon being degraded. A financial collapse in other European countries (Portugal, Italy, Ireland, and Spain) followed. These five countries had derisively been lumped together under the acronym "PIIGS". Additional European countries like Cyprus had to be placed under EUIMF supervision (Perić, R., & Kordić, L., 2014).

According to Barkham, R., (2013) the Global Financial Crisis of the new millennium had a remarkable affection on many economic sectors and more in real estate. Cycles in real estate markets, and generally in economy, are a common feature of free market economic development, destabilizing individual economies. However, this was the world's first coordinated real estate boom and slump. Such a phenomenon had not happened in real estate market for several years and specifically since the end of the Second World War. Before 2007, real estate values were peaked in the greater part of the developed world. In 2008 the values collapsed by up to 60% in some countries. The global financial system was seriously affected. It is said that this was the new Great Depression.

Lutz, B., Molloy, R., & Shan, H. (2011) believe that a key issue regarding the real estate market is the taxation. Taxation is an important issue even more in times of a financial crisis, when public finances suffer due to the reduction of tax receipts caused by higher unemployment and lower company profits. Tax issues are an important tool in the political agenda of the countries suffering from the current financial crisis, in relation to 'tax havens', tax cuts and increases. Krajewska, A. (2014) states that while hundreds of billions of Euro have been spent to save the Southern Europe economies, at the same time, these countries are characterized by the lowest level of fiscal policy - measured by share of taxes in GDP - among the countries of the Euro area.

A question that arises is why some countries do not succeed the desirable level of revenues extracted by taxes. Taking into consideration the aforementioned concerns about the disadvantages or advantages a taxation legal system may obtain, the identification of some elements that could lead to a successful system within the boundaries of the European Union will be looked searched. The research will be focused on the real property taxation. The countries of interest in this research are Greece and Cyprus, two countries that have suffered a lot from the economic crisis. Following, an overview of the EU tax legislative systems will be conducted using as axis these two countries. The purpose of the study will be to suggest legislative proposals that could be helpful for Greece and Cyprus.

The hypothesis of this study is that high income EU countries could give property tax legislation lessons to low income countries, such as Greece and Cyrus. The objective of this research will be 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 finally improve it. Data from literature review and especially the investigation of property tax laws and statistical evidence in different EU countries will be needed to prove or reject this hypothesis.

2. Literature Review

2.1. Attributes of Real Property Tax

Property taxes often are underutilized sources of revenue. Their unpopularity, coupled with opposition from taxpayers who benefit from entrenched inequities encourages “legislative neglect” (Almy, R., et.al., 2013). The property tax is the largest source of tax revenue for local governments (Hayashi, A.T., 2014), especially in developing countries (Dillinger, 1992). In order to fully understand the real property tax framework, the attributes of property tax should first be presented. Following, the classifications of property tax according to EUROSTAT and the advantages and disadvantages of the real property tax are analyzed. In addition, the necessity for the appropriate legal framework in property taxation and the indicators which lead to a successful tax legislation are being underlined. Furthermore, the rationale of the differences among EU property taxation systems is highlighted. Tis subsection leads to the next section regarding the EU property taxation regimes overview.

2.1.1. Classifications of property tax

'Property taxes' are usually associated with the notion of recurrent taxes on immovable property, but in practice a variety of levies on the use, transfer, and ownership of property are included (Norregaard, 2013).

In order to investigate the different tax regimes, a categorization of the property tax should be first conducted .The property tax is classified into six basic types: recurrent taxes on immovable property; recurrent taxes on net wealth; estate, inheritance and gift taxes; taxes on financial and capital transactions; other non-recurrent taxes on property and other recurrent taxes on property. Some of the above six types are subdivided into further categories (EUROSTAT, 2014).

2.1.2. The Advantages and Disadvantages of the Real Property Tax

Mccluskey, W. J., and Plimmer, F., (2011) consider that real property tax has been characterized as the "perfect" tax. It provides a predictable and durable revenue source for local economy and it fosters decentralization and local autonomy. Indeed, the property tax is the most important for local administration. This tax is characterized by immovability that makes clear which government is entitled to the tax revenue. Real property is also visible and a clear indicator of one form of wealth.

Bahl (2009) identifies some additional advantages of real property tax, such as the stability and the high taxpayer compliance. Real property tax collections are relatively stable because the property values are not as quick to react to general economic fluctuations as taxpayers' income (tax base for income tax) or regular spending habits (tax base for sales tax). Another significant advantage of the property tax is the high compliance rate and corresponding ease of enforcement. Failure to pay property taxes may result in a lien on the property and even a foreclosure sale. As a result, compared to other taxes, collection rates for the property tax are high, ranging often from ninety-two to ninety-eight percent.

There is lately a robust and revived interest in property taxation around the world. This is becoming obvious in varied reform initiatives recently adopted or being under consideration in several countries and in a robust rich recent literature focusing on developing and transition economies. The revived interest might have totally different motivations in several country groupings. For instance, one motivation could be to strengthen local democracy propulsion in some transition economies, whereas in several developing countries the lead motives are revenue mobilization and providing incentives for better use of land. Finally, the property tax transparency causes political accountability that may improve the quality of the total public financial system (Bahl, 2009).

Additionally, according to Norregaard (2013) property taxation could help reduce the dependency of local governments regarding to transfers, enhancing economic efficiency through strengthening of local responsibility. However, there are doubts regarding the results of strengthening local finances—for instance, through broadening of property taxation—on the improvement of the overall fiscal balance.

Unfortunately, the property tax has disadvantages. For example, some commentators view the property tax as inequitable. One of the reasons for this inequity is that the property tax is a regressive tax. A tax is considered regressive when low-income taxpayers pay relatively more of their income in property tax than wealthier taxpayers. The regressive nature is present because the property tax, in its most basic form, is calculated on the value of real property without regard to taxpayers' income. Because property taxes are not based on ability to pay, a taxpayer's property tax bill may increase even in the face of declining, or zero, income. Property taxes usually yield comparatively modest revenue, particularly in developing and rising economies (Norregaard, 2013).

Furthermore, when using property taxes on business raises explicit issues and needs attention. When a major factor of production is being taxed, it may raise costs disproportionately on businesses which use relatively more property as factor input. This is the reason why many countries use special reliefs to agriculture, applying lower tax rates or full or partial exemptions. It is possible-especially when the tax concerns to business property- harmful tax competition among native governments to be created. This is reason why various countries set narrow bands in the tax rates fluctuations (Bahl, 2009).

Melnik, S., and Cenedella, D. (2009) believe that despite the inequity issues discussed above, the relative stability of the tax base coupled with the high taxpayer compliance has made real property tax a preferred source of revenue for local governments.

2.1.3. The necessity for the appropriate legal framework in property taxation

A question that arises is why it is so important to set an appropriate legal framework. It is a fact that a country adopting competitive taxation policies manages to attract productive factors, funds and investments from countries. The tax system applied in a country has a serious impact on cross-country competitiveness. The differences and imbalances between EU countries reflect the different tax regime structures applied and this problem seems to have also a spatial character imposing a significant regional problem for the EU, and especially EMU countries, that already have a common currency and monetary policy. On the other hand, the mobility of productive factors is directly related to the country tax-regime differences, government budget funding from tax revenues and rates, which are the main fiscal policy tools (Liapis, K. et al, 2014).

The tax system in the most of the EU countries is the ad valorem system. Norregaard (2013) highlights that for any recurrent ad valorem tax, assessment problems are raised. These problems can be solved only with the appropriate and adequate legal framework for each country regarding mass appraisals. This kind of tax brings into focus political and legal issues concerning functional elements of the law. Each government, choosing a political current and the appropriate legislation to support it may use the asset taxation, through a recurrent ad valorem tax or in another form of tax, such as an estate tax, can mitigate the concentration of wealth that typically accompanies a regressive tax structure.

2.1.4. Indicators for successful tax legislation framework

Thuronyi, V. (2015) writing in IMF publications suggested some indicators for “successful” drafting of a tax legislation framework. These indicators apply generally, regardless of language or jurisdiction. However, because languages and local drafting styles differ, the approach to drafting a tax law will vary widely from country to country. Thuronyi who made this proposal from a purely legislative point of view noticed four major fields where attention should be given: a) Understandability, b) Organization, c) Effectiveness, and d) Integration.

Understandability refers to making the law easier to read and follow. Organization refers to both the internal organization of the law and its coordination with other tax laws. Effectiveness relates to the law's ability to enable the desired policy to be implemented. Finally, integration refers to the consistency of the law with the legal system and drafting style of the country. These criteria are, of course, interrelated and somewhat overlapping. Organization is important for understandability, and all the criteria contribute to the effectiveness of the law. In the most general terms, the tax laws should be drafted so as to best fulfill their role in the tax system, which is to specify such matters as how much each taxpayer is liable to pay and what the taxpayer's rights and obligations are. Following, there is a table that concentrates Thuronyi’s findings and suggestions while drafting:

Understandability	Organization	Effectiveness	Integration
Brevity	General Issues	Relation between Policy and Drafting	Local Drafting Style
Transparency	Use of Code	Anticipating Application and Interpretation	Gender-Neutral Language
Avoiding Legalistic Language	Organization of Tax Laws in the Absence of a Code	Drafting for a Judicial Audience	Relation between Tax Law and Other Legislation
Numbering of Sections		Relation between Statute, Regulations, and Other Explanatory Material	Specific Problems of Terminology a. Legal Person b. Employee c. Property
Section Headings			Use of Models
Sentence Structure			
Plain Drafting a. In general b. Use of “shall” c. Use of active voice d. Use of the singular e. Provisos f. Use of “includes” g. Use of “any” h. “Where” and “if” i. Latin phrases j. “Described in” k. “Deemed” l. Punctuation m. Parenthetical			
Innovations in Format a. In general b. Footnotes c. Examples and notes d. Tables and graphics e. Definitions			

Table 1. Indicators for successful tax legislation.

Thuronyi describes how a law has to be written once the country has decided the policy it will follow. However, it is a crucial decision for a country to decide which policy it will follow and this will depend on its economic situation, the sources of revenue and the goals that the country wants to succeed. Thuronyi's indicators should be a significant indicator for each legislator.

2.1.5. The rationale of the differences among EU countries property taxation systems

There are lots of differences across countries regarding the use of different property tax sources, which depend on their adopted policy objectives. Some countries place emphasis on providing a stable and substantial source of revenue for sub-national governments through immovable property taxes, while others prioritize general revenue raising (by using mainly capital transfer taxes),or enhancing the progressivity and fairness of the overall tax system by relying on taxes on net wealth or inheritance and gifts. A defining aspect of property taxes is that they are assigned mainly to lower levels of government, because the increased reliance on this source of revenue involves vital problems of inter-governmental fiscal design (Norregaard, 2013).

Norregaard (2013) also notices that the share of the immovable property tax in total local taxes differs significantly across countries. In the United Kingdom and in Ireland, it is 100 percent with an average of 37.7 % in high income countries, and 35.5 % in middle income countries. However, a common feature is that all of the immovable property tax revenue collected by government accrues only to local governments in the massive majority of both high income and middle income countries.

It is a fact that in different European countries local tax position and fiscal significance differentiates. According to Felis, P. (2014) these differences result from many factors, which are described below: different perception of the local government operational scope (limitation to tasks in the area of public utilities or also support for social and economic development through impact on the environment),diversified groups of local taxes (there are two dominating models in which the most important local tax is property tax or local income tax), diversified property taxation systems (systems based on the property value registered in property cadaster and systems in which the property area serves as tax basis),practical problems connected with property tax (tax basis erosion, incorrect tax management).

2.2. Overview of property tax regimes in European Union

The study of property taxation in European Union offers special challenges because each country has a different definition of land and property, and a different approach to local property taxation. Despite the fact that the most important indirect taxes are harmonized at EU level, there is substantial variation in the amount of revenues raised from property taxes. Property Tax harmonization is not one of the declared aims of the EU, although it may be a natural consequence of many EU polices (Vasiliauskaite, A., & Stankevicius, E., 2013).

In Appendix 8.1-8.26 the property tax regime for all countries, which are European Union members in 2015 are presented. Greece and Cyprus are not included in this list, as their property tax regimes will be described more analytically in following section. The property taxes described concern the real property tax, the transfer tax, the stamp duty, the inheritance/gift tax and the capital gains tax. The taxes are separated in two categories. First, the taxes related with the corporations are described and following the personal taxes. The source of information regarding the tax regime in all the following EU countries is the Delloite highlights 2013.

All surveyed European countries have at least one tax on property, and most have several. Of all the European Union countries Malta and Croatia is the only one that does not have any recurrent tax on real property. Except from the recurrent taxes on immovable property, there are also in most of the EU countries recurrent taxes on net wealth and taxes on real estate transfers (a tax on the transfer of wealth). Some of the countries that make substantial use of recurrent taxes on net wealth include France, Luxembourg (on corporations), Norway, and Switzerland. Countries that recently abandoned such taxes include Denmark, Finland, Iceland (on corporations), Luxembourg (on residents), Netherlands, Spain, and Sweden. Taxes on transfers of real property are more widely used. High real property transfer taxes have a certain political appeal, but they create incentives to conceal transfers and/or actual transfer prices. Such concealments can make property markets less efficient and transparent. One issue that arises is what is considered as a “high” rate of transfer taxation. Rates below 2 percent are considered acceptable, and rates of 5 percent or higher are considered detrimental. Some of the countries that appear to exceed this rate are Belgium, Bosnia-Herzegovina, Croatia, Ireland, Luxembourg, Malta, Netherlands, and Spain. Belgium has the highest rate; 12.5 percent (Almy, R., Munene, J., & Ogana, A., 2013).

2.2.1. Property taxes data

The following table provides the benchmarks used to characterize as “low,” “mid,” or “high” the reliance on a particular kind of tax on property in the countries listed in the second table. These data are based on the research of Almy Richard (2013) for Lincoln Institute of Land Policy.

Reliance benchmarks	Recurrent, Immovable	Recurrent, net wealth	Estates, inheritances, gifts	Financial & capital transfers	Other non-recurrent	Other recurrent property
Low	≤ 0.0113	≤0.0 010	≤0.0008	≤0.0073	≤0.0008	≤0.0001
Mid	Ratios between the “high” and “low” thresholds					
High	>0.032	>0.0241	>0.0105	>0.0151	>0.0021	>0.0073
	The situation is uncertain due to contradictions among sources or GFS data anomalies.					

Table 2. Benchmarks Used to Classify Use of Taxes on Property in Europe.

Country	Property taxes utilized & relative reliance on each type of tax						Percent of total recurrent property		
	Recurrent, Immovable	Recurrent, net wealth	Estates, inheri-tances,	Financial & ca-pital transfers	Other non-recurrent	Other re-current property	Central	State (regional)	Local
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Austria	Yes	No	Mid	Mid	No	No	14.4	4.4	81.2
Belgium	Yes	Yes	Yes	Yes	Yes	No	11.3	51.6	37.1
Bulgaria	Yes	No	Yes	No	No	Yes	0.0	0.0	100.0
Croatia	Yes	No	Yes	Yes	No	No	51.7	0.0	48.3
Cyprus	Yes	Yes	Yes	Yes	No	No	91.7	0.0	8.3
Czech Republic	Yes	No	Yes	Yes	No	No	67.1	0.0	32.9
Denmark	Yes	Yes	Yes	Yes	Yes	No	50.7	0.0	49.3
Estonia	Yes	No	No	No	No	No	0.0	0.0	100.0
Finland	Yes	No	Yes	Yes	No	No	55.4	0.0	44.6
France	Yes	Yes	Yes	Yes	No	Yes	19.3	0.0	80.7
Germany	Yes	No	Yes	No	Yes	Yes	0.0	52.3	47.7
Greece	Yes	Yes	Yes	Yes	Yes	Yes	87.8	0.0	12.2
Hungary	Yes	No	Yes	Yes	No	No	37.6	0.0	62.4
Ireland	Yes	No	Yes	No	No	No	19.4	.0	80.6
Italy	Yes	Yes	Yes	No	No	Yes	4.5	0.0	95.5
Latvia	Yes	No	No	No	No	No	0.0	0.0	100.0
Lithuania	Yes	No	Yes	No	No	No	0.0	0.0	100.0
Luxembourg	Yes	Yes	Yes	Yes	No	No	92.2	0.0	7.8

Malta	No	No	Yes	Yes	No	No	100.0	.0	.0
Netherlands	Yes	Yes	Yes	Yes	No	Yes	69.3	.0	30.7
Poland	Yes	No	Yes	No	No	Yes	0.0	0.0	100.0
Portugal	Yes	No	Yes	Yes	No	No	0.4	0.0	99.6
Romania	Yes	No	No	Yes	No	No	2.8	0.0	97.2
Slovakia	Yes	No	Yes	Yes	No	No	0.6	0.0	99.4
Slovenia	Yes	Yes	Yes	Yes (2%	No	No	0.0	0.0	100.0
Spain	Yes	Yes	Yes	Yes	Yes	No	0.7	58.9	40.4
Sweden	Yes	No	Yes	Yes	No	No	60.8	0.0	39.2
United Kingdom	Yes	No	Yes	Yes	Yes	No	68.7	0.0	31.3

Table 3. Property Taxes Imposed and Distribution of Recurrent Property Tax Revenues in Europe.

Notes:

The percentages in column 5, when they appear, are the general rates for real property transfer taxes.

The IMF data on net wealth taxes for the Czech Republic and Finland were reassigned to recurrent taxes on immovable property, because the Czech Republic does not have a new wealth tax and Finland's was abolished in 2006.

Slovakia: Real estate transfer tax and inheritance and gift tax were cancelled as part of 2004 tax reforms. Spain: The new wealth tax has been extended to 2014.

Table 3 identifies the known taxes on immovable property in each country in each of the three categories (land only, building only, and a combined real property tax). It also indicates the basis for the tax. (Capital value-based taxes are indicated by "CV;" annual rental value-based taxes, by "AV;" and area-based taxes, by "Area.") Column 5 indicates whether movable property is taxed on a value basis.

The following table identifies the known taxes on immovable property in each country in each of the three categories (land only, building only, and a combined real property tax). It also indicates the basis for the tax. (Capital value-based taxes are indicated by "CV;" annual rental value-based taxes, by "AV;" and area-based taxes, by "Area.") Column 5 indicates whether movable property is taxed on a value basis.

Country	Land Tax	Building Tax	Real Property (Land & Buildings) Tax	Movables Taxed on a Value Basis
(1)	(2)	(3)	(4)	(5)
Austria	--	--	Real Property Tax (1955,	--

Belgium	--	--	Onroerende Voorhef-fing/Précompte Immobilier: Annual rental value (AV)	--
Bulgaria	--	--	Immovable Property Tax (1997; amended	--
Croatia	Tax on Uncultivated Agricultural Land (2001): Area Unused Construction Land Tax (2001): Area Tax on Use of State Land: CV	Tax on Holiday Houses: Area	Unused Enterprise Real Estate Tax (2001): Area	?
Cyprus	--	--	Immovable Property Tax: CV	--
Czech Republic	--	--	Real Estate Property Tax (*Dan z nemovitostí*) (1993): Area	--
Denmark	Land Tax (*Grundskyld,* 1926): CV	Service Tax (Daekningafgift, 1961): CV	Property Value Tax (*Ejendomsvaerdiskat,* 2000): CV	--
Estonia	Land Tax (1993): CV	--	--	--
Finland	--	--	Tax on Real Property (Kiinteistövero; fastighetsskatt, 1994): CV	--

France	Land Tax (Taxe Foncière (sur les propriétés non bâties)): AV	Housing Tax (*Taxe d'Habitation*): AV	Land & Building Tax (Taxe Foncière (sur les propriétés bâties)): AV Local Economic Contribution (*Contribution Économique Territoriale*, 2010): AV	--
Germany	--	--	Real Property Tax (*Grundsteuerer,* 1973): CV	Some livestock & agricultural machinery
Greece	--	Special Duty on Buildings Powered by Electricity (2011): Area	State (Large) Real Estate Tax (FAP) (2010): CV Local Real Estate Duty (TAP) (1997): CV	?
Hungary (municipal options)	Tax on (certain undeveloped) Plots (1991): Area or CV	Tax on Buildings (1991): Area or CV Luxury Tax: CV Tourist Traffic Tax (on holiday houses)	--	--
Ireland	--	--	Rates: AV Non Principal Private Residence Charge (2009): Flat €200 charge Household Charge (2012):	--
Italy	--	Local Government Business Tax (Imposta comunale sull'industria,	Unified Municipal Tax (*imposta municipal unica*, IMU, 2012): AV Tax on Foreign Real Estate (imposta sul valore degli immobili	--
Latvia	--	--	Real Property Tax (1998): CV	--

Lithuania	Land Tax (1990, revised in 1992):CV	Real Property Tax (2006): CV	--	--
Luxembourg	--	--	Property Tax (*Impôt foncier*, 1936): CV	--
Netherlands (municipal option)	--	--	Immovable Property Tax (*Onroerende-Zaakbelasting* or OZB, 1970): CV	Houseboats and the like can be taxed.
Poland	Agricultural (*Podatek rolny*) & Forest (*Podatek lesny*) Land Taxes: Area	--	Urban Property Tax (*Podatek od nieruchomosci*) (1991): Area	Some plant & machinery
Portugal	--	--	Municipal Tax (*IMI,* 1989): CV	--
Romania	Tax on Land (1981): Area Fee for the use of State-owned land (1975)	Tax on Buildings (1981): CV	--	--
Slovakia	--	--	Real Estate Tax (1993; 2005): Buildings & Apartments: Area; Land: CV	--
Slovenia	Charge for Use of Building Ground (1995): CV	Property Tax (1988): CV	Tax on High-Value Real Property: CV	--
Spain	--	--	Real Estate Tax (Impuesto sobre Bienes Inmuebles - IBI): CV	--
Sweden	--	--	Real Estate Tax (*Statlig Fastighetsskatt,* 1985): (Since 2008, Commercial & Industrial Property)	--

Ukraine	Land Tax (1992): Area or CV	Residential Real Estate Tax (2012): Area	--	--
United Kingdom (national variations)	--	--	Uniform Business Rate (England & Wales) Council Tax (England & Wales)	--

Table 3. Base and Basis of Taxes on Immovable Property in Europe.

Notes:

Croatia: As of this writing, only the holiday house tax and the charge for using state land seem to be in force. The 2001 taxes have been declared unconstitutional. A new tax on immovable property is being considered (to be effective 1 April 2013).

Greece: The situation is fluid.

Italy: The situation is fluid; the status of the Local Government Business Tax is unclear, and Italy may have an extra-territorial property tax (if foreign property taxes are less than would be paid under the Italian tax.

Following, there are data analyzed regarding property taxes. The data are presented in graphs and they were collected from IMF (2015) and EUROSTAT (2014). Table 10-14 can be found in Appendix 8.27. In the following graph the GDP per capita is presented. This is a significant indicator that shows the economic situation for each country. It seems that the highest by far GDP per capita is in Luxemburg. Ireland, Austria, Denmark, Germany, Netherlands and Sweden follow with high GDP. On the other hand, the lowest GDP appears in Bulgaria. Romania and Croatia follow with low GDP, as well. Greece does not exceed the 27,000€ and Cyprus seems to be in a better position having around 31,000€. Greece and Cyprus could be considered as low GDP per capita countries, as they are both below average (36,409€).

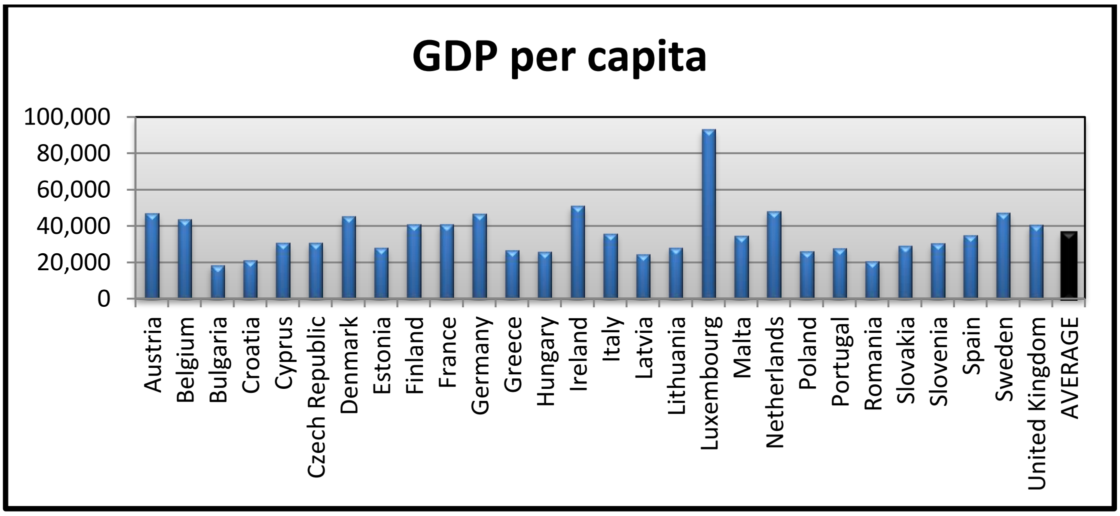

Table 4. GDP per capita in 28 EU countries.

Table 10 in Appendix represents the property taxes as percentage of total taxation. United Kingdom seems to have by far the highest percentage with its peak in 2008, the same year that the most of the rest countries seem to have a decline. Probably this decline occurred because in 2008 the economic crisis begun and the prices in real estate dropped. Spain, Belgium and France have also relatively high rates, while Latvia, Croatia, Bulgaria and Estonia have the lowest rates. Greece in red color is fluctuating over time and in 2010 a big drop appears, while in 2011 and 2012 it increases rapidly. Cyprus in bright yellow color appears many and significant fluctuations over years.

The graph in table11 (Appendix) represents the recurrent taxes on immovable property as percentage of the total taxation. United Kingdom again appears by far the highest rates, but the peak this time is in 2009. France, Denmark and Poland have also high rates. It is remarkable that Malta and Croatia do not have recurrent taxes and Luxemburg has very low rates. Greece had below average rates until 2010, but in 2011 a big increase occurred. Cyprus had also below rates until 2005, but then and until 2009 a big increase occurred, with the peak in 2007.

In table 12 (Appendix) were property taxes are presented as GDP percentage United Kingdom has the highest rate and a big increase appears in 2008. Belgium, France and Denmark appear also high rates, while the lowest rates are in Estonia, Bulgaria and Croatia. Greece has a many fluctuations going above and below average over time, with a peak in 2011-2012. Cyprus has also big fluctuations going above and below average, but the peak is in 2005 and 2007.

In the table 13 (Appendix) where the recurrent property taxes as percentage of the GDP are presented United Kingdom appears once more with the highest rates and the peak is in 2009. France and Denmark have also high rates. Malta and Croatia, as referred above have zero recurrent taxes and Bulgaria and Poland have low rates, as well. Greece has a low percentage, below average, but in 2011 the increase is very significant. Cyprus is generally below average, but in 2005-2008 there is big increase.

The graph in table 14 (Appendix) regarding the real GDP growth (annual rate) shows that all countries have similar fluctuations. The biggest decrease for almost all countries is in 2009, with Latvia, Lithuania and Estonia decreasing more than the rest countries. It is remarkable that after 2010 while all countries started increasing rapidly except from Greece, which kept decreasing.

In table 5, following, that represents the composition of property taxes as percentage of GDP in 2012 it is obvious that Denmark, Estonia, Latvia and

Poland have relatively high recurrent taxes and United Kingdom, France and Denmark give high results in property tax, while Croatia, Bulgaria, Estonia, Austria and Czech Republic give respectively low results.

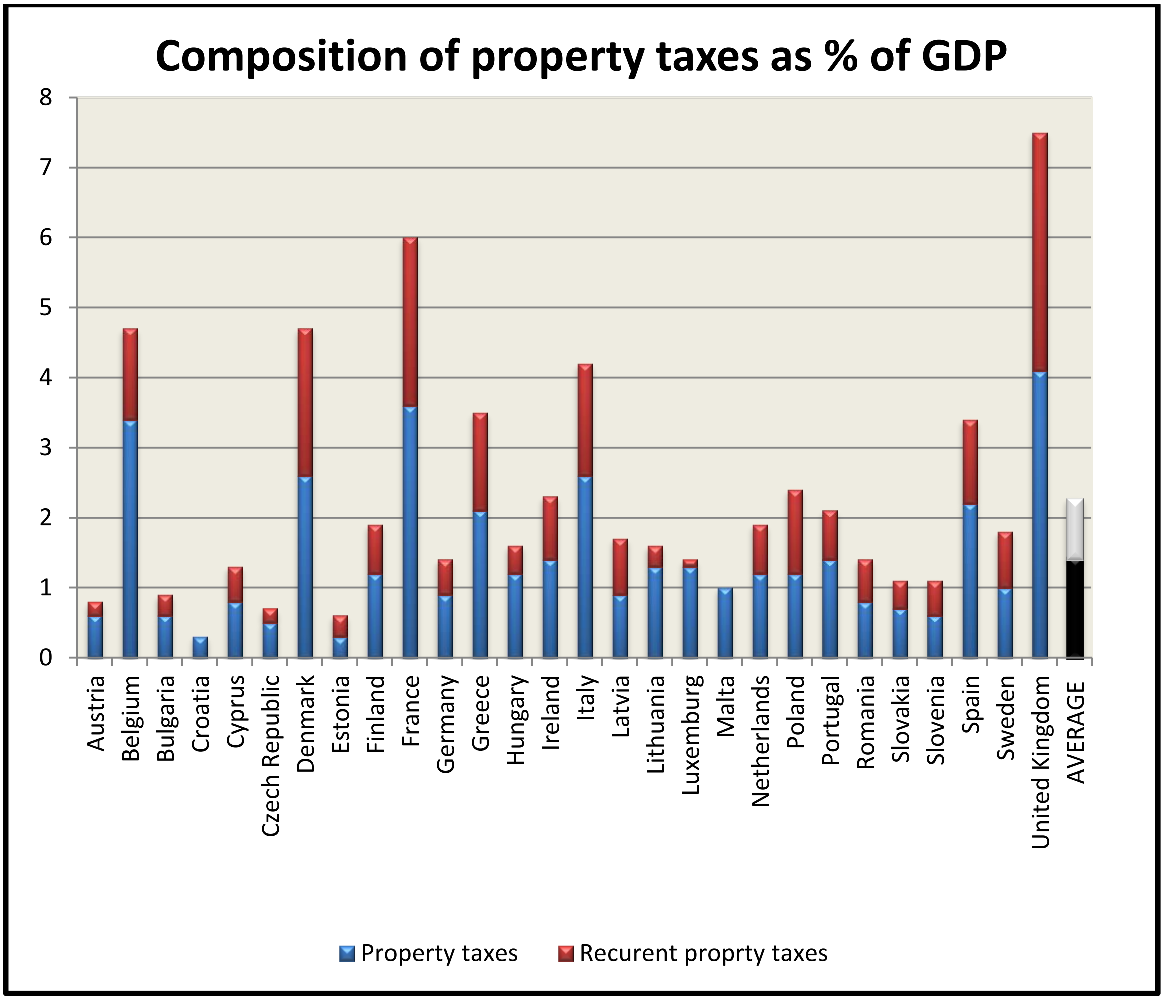

Table 5. Composition of property taxes as percentage of GDP in 2012. Emphasis on the total across series for each category.

2.2.2. Determination of the tax base

There are numerous ways of defining and measuring the property tax base. Approaches can be classified broadly along three basic dimensions. The first is the different methods that can be applied when assigning value to property, which can be grouped into market price based methods, encompassing valuation based on rental values or capital (market) values, and area based methods. A second key dimension relates to the property components included in the base (land only, buildings (or other improvements) only, or combinations of the two); and a final key distinction relates to the use of the property, since different uses can be treated differently for tax purposes, such as in particular residential versus business property, or urban versus agricultural land. The specific definition of the base adopted depends in part on the objective of the tax (such as financing local governments, securing better use of land, or financing urban development), and in part on the depth of local property markets and sophistication of administration in individual countries (Bahl, 2009).

According to Yuan, B., Connolly, K., and Bell, M. (2015) suggest that there are two basic approaches to property tax base systems. In developed countries the system is based on the market value of property, known as the ad valorem system. This system is generally considered more equitable than alternative approaches because it more accurately differentiates properties regarding their use, age, quality, location, and other characteristics. However, market-value-based property tax system has drawbacks as well. It can be extremely costly or even infeasible to implement such a system in places where there is not a well-developed property market or well-maintained property records. On the other hand, an area-based approach calculates property tax liabilities on the basis of the area of land and buildings, multiplied by a rate per unit of measurement. Area-based system is easier for local officials to administer and easier for taxpayers to comprehend. It is less costly and easier to calculate the amount of tax owed by the property owner. However, this system seems unfair as the same amount of tax is imposed on structures that vary in quality.

Bahl (2009) proceeds in deeper categorization and he analyses the following systems: rental value, capital value, land value and area based systems. Rental value systems and define the tax base as the rent that can be reasonably expected in a fair market transaction. It is used in countries as diverse as India, Nigeria, Malaysia, and Trinidad. While simple in concept, there are also serious practical challenges: a scarcity of data on actual rent payments make base assessment difficult; some properties are rarely in the rental market (owner-occupied housing, industrial property, vacant land); and some countries operate rent control systems. Estimates of the base may rely on rent surveys for different areas, often combined with expert judgment; estimated capital values of the property (from sales data or based on construction costs), converted to rental equivalent; or estimated (net) profit of the property. Rental value typically reflect the present use of the property, and may, therefore, not reflect best alternative use of the property—with the lack of incentives that entails.

Capital value systems define the base as the market value of the property (land and improvements or structures) in an open market. This is the system used in EU countries, and there seems to be a shift towards this method. Some countries use a separate valuation for land and buildings, while others base the assessment on the total value of the property (Cyprus). While also conceptually straightforward, this system avoids some of the problems of the rental value system (for example, the value of vacant land, reflecting the value in best alternative use), and it could be held to be the most equitable method—particularly to the extent that property value reflects the benefits of public investment. Key problems include again scarcity of data reflecting market transactions and/or under-declaration of such prices (for example, due to high property transfer taxes as discussed below). Valuations may be provided by expert assessors, who are often in short supply, and administrative costs can be high (Bahl, 2009).

Land (or site) value systems tax the market value of land alone is used in a variety of countries (Denmark, Estonia). Apart from raising revenue, it could be argued that the land value tax provides the strongest incentive for the most efficient use of land, although the nominal tax rate must be higher to yield a given amount of revenue due to the smaller base. It has been held that this tax also implies lower administrative costs than a capital value tax. The system suffers from the same type of administrative shortcomings as the capital value tax, in addition to the complexities of assessing land only in highly urbanized areas (Bahl, 2009).

Area-based systems comprise the simplest methods by taxing each parcel at a specific rate per area unit of land and per area unit of structures. It is used in many Central and Eastern European countries and a number of developing countries. It is a simple, transparent, and fairly easily administered system, which allows imposition even in countries or localities with no—or only an embryonic—property market. The system ranges from a ‘pure’ form based only on physical area, to hybrid forms that aim to better proxy capital value by using also other inputs such as zoning and indicators of quality (as used in a variety of forms in, for example, Poland), which are more complicated and often involves an important measure of judgment. Other disadvantages include that it is generally not considered a fair tax, owing to potentially sharp differences in effective tax rates, and its buoyancy may be limited since it may not trace well market price developments (Norregaard, 2013). The EU countries with area based tax system are the following: Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Poland, Romania, Slovakia, and Slovenia. The rest EU countries use the ad valorem system (Yuan, Connolly & Bell, 2015). In the following map blue color is used for the countries with ad valorem tax system, while red color is used for the countries with area based tax system. A significant result extracted from this map is that the countries with area based system are obviously less than the rest and that they all are geographically in the same area.

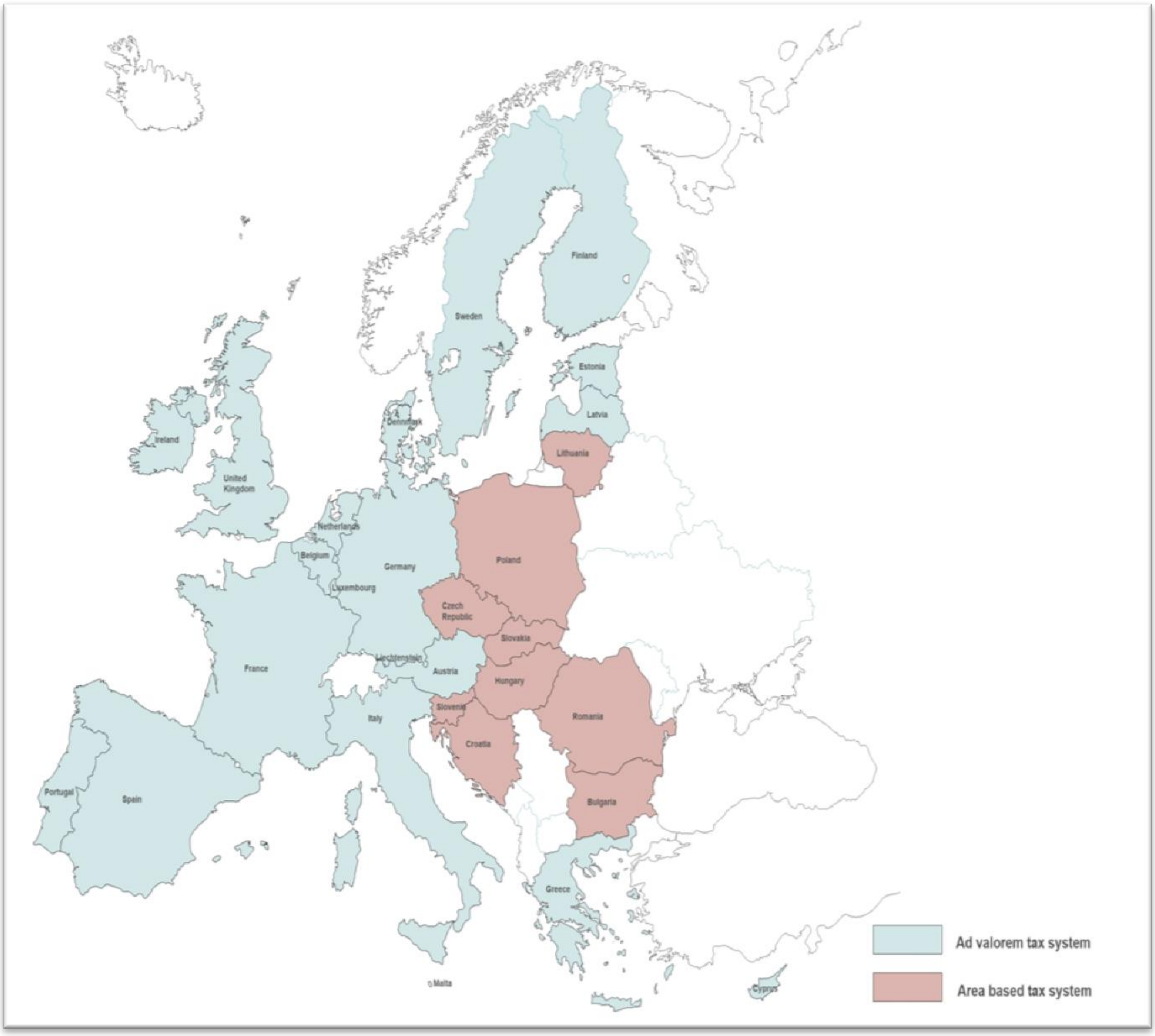

Table 6. EU countries map demonstrating the ad valorem and area based tax systems.

2.2.3. Frequency of reassessment

Any viable property tax administration must ensure that close to all land and improvements are included in the tax register with an efficient method in place to keep it up to date. A significant administrative problem particularly in developing and transition economies is the low coverage of parcels or properties in the tax register (Bahl, 2009). In Latvia, on the other hand, according to one measure, more than 98 percent of properties are included in the tax register although this measure could be somewhat distorted because of the privatization process. Apart from the obvious direct revenue consequences, a low coverage may have a significant indirect impact by adversely affecting the perception of fairness and thereby property tax compliance.

Valuation is a major administrative problem particularly, but not only, in many developing countries and transition economies. There are a number of reasons for this: a lack of educated valuators, a generally weak administration, and a “thin” or underdeveloped property tax market that generates insufficient transactions to provide a continuous flow of input to the valuation system (often combined with lack of reliable data on the sales values of properties that are exchanged) (Bahl, 2009).

A key issue in this regard is the relative merits of decentralized versus central valuation systems: While there appears to be broad consensus that the legal framework for property taxation should be uniform and centrally determined, there are arguments for and against making the actual valuation a central or local task (Bahl, 2009). Against this, a lack of qualified local assessors and the fact that local valuation officers are often subject to political pressures to delay or minimize updates would favor a centralized valuation system based on a critical mass of technical expertise (such as those applied for example, in Denmark, Lithuania and Latvia). In many countries there is a shared responsibility between local and central governments, and in others a payment system for valuation services across levels of government is considered. While there is no ‘correct’ way of organizing the valuation function it would seem that the case for local responsibility is the strongest where the property tax is an important local revenue source.

These valuation problems frequently lead to value assessments for tax purposes that are much lower than market values. Low assessment ratios (i.e., assessed tax base relative to actual market value) seem to be typical under any of the standard valuation methods (Bahl, 2009). Valuation problems are, not limited only to developing and transition countries, but pose significant challenges also in developed countries, such as for example, in the case of Germany. Once a valuation system is in place, it is essential to update on a regular basis and keep doing so: if valuation updates fall behind, it may be hard politically to “catch up” as demonstrated in the case of Germany (Norregaard, 2013).

2.2.4. Vertical & Horizontal Equity

Horizontal equity implies the same treatment to people in a same situation thus; individuals who have the same wealth should face the same tax rate. On the other hand, vertical equity implies that people with higher incomes should pay more tax (Stacy, G.S., 2008).. To make horizontal equity an operational idea, one must define the meaning of equals. The question that arises is whether the latter should be based on the ability to pay, the earning capacity or the pre-tax level of utility of the taxpayers. Vertical equity results in income redistribution. The desirability and the effects of redistribution have several times been debated from an ethical and economic point of view. When it is used the rationale, the objectives, the means used and the policy effectiveness should be analyzed (Cattoir, 2004).

According to Sirmans, Hatzlaff & Macpherson (2008), there are also two major type of property tax inequity, horizontal and vertical. Horizontal inequity occurs when similar properties with the same market values have different assessment ratios. It may occur from unequal knowledge of market participants, unequal negotiating skills of buyers and sellers and actions by officials to limit property tax increases.

Vertical inequity occurs when similar properties with different market values pay a different proportionate share of property taxes. It occurs when the assessment ratio (assessed value/market value) is not constant across price ranges of similar properties. Studies have shown that various properties and neighborhood characteristics may be related to horizontal inequity. Examples of horizontal inequity include old houses being underassessed in relation to newer houses, houses with view being overassessed and houses with large lots being underassessed.

Based on simulations with a CGE model tailored to more accurately represent the conditions in developing and transitional countries, Sennoga, Sjoquist, and Wallace (2008) find that the burden of property taxes imposed on capital and land is borne by the owners of capital and land and is not significantly influenced by the assumptions regarding the mobility of capital. Hence, the property tax is progressive with the burden borne predominantly by middle- and high-income earners. Since wealth and high-income individuals can be hard to tax in these countries, a property tax—appropriately administered—could offer the means of addressing vertical equity concerns in these countries.

2.2.5. Tax rate

There are different ways of structuring the tax rate (t). If capital value is the base, a flat or progressive rate is normally applied (although as noted above progressivity in some countries is secured through a basic property deduction). A flat rate is typically applied if the base is rental value, while under area-based taxes the norm is a specific flat rate with given amount per unit of area (square meter or ha, of either land and/or buildings, such as in Vietnam). Tax rate levels and structures (including for different types of properties) also vary substantially across countries (and within countries across jurisdictions). A simple, transparent, and hence fairly uniform rate structure has critical advantages. It minimizes complexity in administration and the risk of tax avoidance or evasion through misclassification of properties. It also minimizes the risk of misallocation of capital by taxing different types of capital at different tax rates. The use of reduced tax rates for residential properties may be politically convenient, but it provides an incentive that could lead to overinvestment in this type of property, and it may reduce the accountability of elected local officials. It obviously also will have a detrimental impact on the revenue yield. If the main reason for low rates is to protect the poor, a better solution would be to use a basic threshold for the taxation of residential property. In practice, many countries tend to tax business property at higher rates (sometimes at much higher rates) than residential and agricultural property (Norregaard, 2013).

2.2.6. The resulting tax revenue

Several policy aspects and administrative challenges explain the dismal revenue productivity of immovable property taxes in many countries. There are basically two policy variables and three administrative variables that determine the yield of any property tax as reflected in the basic revenue equation which also provides a good structure for the ensuing discussion:

$$R = B * t * C * V * E$$

The equation expresses collected revenue (R) as the product of the legally defined tax base at actual prices (B), the average tax rate (t), the ratio of properties actually covered in the tax roll relative to all properties as legally defined (C), the ratio of assessed to actual value of property in the roll (V), and the level of enforcement measured as actual collections as a share of liabilities or invoices (E)—with C, V, and E being ratios that in an ideal world (Norregaard, 2013).

Countries such as Poland and the United Kingdom levy property taxes mainly on immovable property, while Germany uses a variety of sources including inheritance and capital transfer taxes. So does Greece, but by tapping mainly transfers of property as a base (as do Italy, and the Netherlands). In contrast, Luxembourg is among the few remaining EU countries that continue to raise important revenue from the taxation of net wealth. All countries covered by the dataset raise revenue from immovable property on are current basis. The data also suggest that reliance on property taxation (similar to most other taxes) is strongly related to economic development, with the average revenue ratio to GDP in EU countries being triple that of developing countries. These data, however, cover total property tax revenue and thus not only taxes on immovable property—as noted the main focus here. Evidently, cross-country variation in immovable property tax collection increases sharply with income level. Among the high income countries, reliance on immovable property taxes vary from close to nil in Croatia, and Luxembourg, to heavy reliance (revenue more than two percent of GDP) on this source in France and the United Kingdom. In contrast, there are more middle income countries that rely only modestly on immovable property taxes, such as Bulgaria. Bulgaria stands out by relying to an important extent (close to above one percent of GDP) on immovable property taxes. The difference between high income and middle income countries with regard to the dispersion of yield-ratios is striking (Norregaard, 2013).

2.2.7. Tax reliefs

Whichever method is adopted to measure it, the property tax base is often porous, corroded by multiple exemptions and reliefs. The list of exemptions or special treatments is often long and frequently very costly in terms of revenue forgone. Typical exemptions include government property (including roads, railroads, and pipelines, and central government property in local jurisdictions) as well as merit uses such as schools and religious establishments. Many countries also use the property tax for purposes of broader social policies, and—in addition to the use of basic property tax thresholds to protect the poor— a particularly costly (and regressive) exemption in that regard is that provided for owner occupied housing in many countries. Property tax incentives for businesses have also escalated in some countries. Some countries provide special reliefs depending on family structure. Some countries provide tax preferences to pensioners (including tax deferrals as previously mentioned). Agriculture is another example of a segment that generally receives a very favorable property tax treatment, either by outright exemption or by special treatment leading to a negligible liability. And few countries, if any, undertake systematic tax expenditure budgeting pertaining to the property tax, to ascertain the true budgetary costs of the tax reliefs offered. The bottom line is that taxes frequently are paid on a base that bears little resemblance to the true level of property values, and yields could be substantially enhanced by scaling-back excessive exemptions and reliefs (Norregaard, 2013).

2.3. Greece property tax regime

2.3.1. Overview of property taxes

The information given below regarding the property tax system in Greece extracted from Deloitte International Tax Source (2015) will be separated into two categories. The first category will include the corporate taxation and the second one will include the personal taxation.

Concerning the corporate taxation, capital gains tax, real property tax, stamp duty and transfer tax will be analyzed. Capital gains derived by corporations are taxed as normal business income at the 26% corporate income rate. On the other hand, real property tax has applied since 1 January 2014 and is levied annually on properties located in Greece. The tax consists of two elements; the main tax and the additional tax. The main tax is calculated according to the size, location, zone price, surface, age, usage and other characteristics of the property. The additional tax is calculated at a rate of 0.5% on the total objective value of all of the company's properties (except for those occupied by the company itself). There is also an annual special tax of 15% of the tax value of property, subject to certain exemptions. The tax is not normally payable if the company identifies its shareholders up to the level of the individual or a qualifying investment firm/fund. A special real estate duty is payable to the municipal authorities at rates ranging from 0.025% to 0.035%.

Regarding the stamp duty percentages of 1.2%, 2.4% or 3.6% applies, depending on the transaction and the real estate transfer tax is imposed on the value of transferred property at a flat 3% rate. A municipality surcharge equivalent to 3% of the real estate transfer tax also applies. When VAT is due on the purchase of new buildings, the above taxes are not levied.

As referred above, the second category to be analyzed is the personal taxation and it will include capital gains tax, stamp duty, capital acquisitions tax, real property tax and inheritance/estate tax. Capital gains tax at 15% applies to gains arising from the sale of real estate, securities (listed and unlisted) and derivatives and stamp duty may be levied on certain transactions; the usual rate for individuals is 3.6%. With respect to capital acquisitions tax, except for transfer taxes (e.g. on real estate), acquisitions can result in income tax if they cannot be justified by the taxpayer's declared revenue (deemed income).

Regarding the real property tax the legislation is similar to the respective in corporate taxation, except from the fact that the additional tax is calculated on the total objective value of all the taxpayer's properties if their total value exceeds EUR 300,000. The additional tax rate ranges from 0.1% to 1% depending on the value of the properties.

About inheritance tax, for close relatives, at rates ranging from 1% to 10% it is levied on the "tax value" of real property after the deduction of a tax-free amount, which amount varies depending on the taxpayer's relationship with the deceased. For other heirs, the applicable rates range from 0% to 40% 9 (Deloitte International Tax Source, 2015).

2.3.2. Deeping in Real property tax

In Greece the property taxation concerns both the land and the buildings. Taxation of real estate is carried out with net cash targets and rarely as a way of land policy and it is also socially unjust in the distribution of tax burden (Zentelis, 2011). The main taxes on real estate are classified in capital taxes and income taxes. In some cases extraordinary levy are imposed to the value of real estate or on the annuity for cases of emergency. Nowadays, there are three annual taxes in Greece: the Single Property Tax (ENFIA – Greek abbreviation), the Annual Duty on Property (TAP – Greek abbreviation) and the Annual Tax on Properties owned by offshore-companies. Attention will be given mainly to ENFIA, as it generates the most revenue. Legal rights in rem (rights on properties) on all land and buildings are subject to ENFIA and Annual Tax on Properties owned by offshore-companies. In contrast, each physical unit (buildings and urban land) is subject to TAP (Karaganis, Charalambopoulos & Gatis, 2015).

Karaganis, et al (2015) in their research about taxation of real property noticed that ENFIA tax is made up by two components: Basic Tax and Additional Tax. Tax levy is assessed for the Full Ownership and the remaining property rights are calculated as a percentage of it. Tax levy on the "right on surface" (building right) is equal to usufruct (tenancy right). It is crucial to be highlighted that the Basic Tax is imposed on every property right on its own, whereas the Additional Tax is imposed according to the total property rights of each taxpayer. The data used for the application of the algorithms are sourced by the taxpayers' declarations. It has to be underlined that not all of the coefficients used in ENFIA are identical with the ones used in APPA system.

ENFIA divides buildings into three main categories: residential, commercial and special buildings. The last category includes logistics buildings, hotels, conference halls, cinemas etc.; both a building permit as well as an operating license are needed, in order for a building to fall in this, lightly taxed, category. The turning point for property tax reform was definitely the outburst of the recent economic crisis: annual property taxation from 0.4% of GPD soared up to 2.1%. The majority of changes in the property tax regime in Greece has been implemented after 2008, in other words during the current economic crisis (Karaganis, et al, 2015).

2.3.3. Tax base

The tax base is determined according to a 1982 Law, named objective values. It had been calculated by an algorithm (different for each property type), which used a tax zone value and a bundle of coefficients, concerning the attributes of each property (plot ratio, floor, location, planning rules, type of construction etc.) (Karaganis, et al, 2015). Due to lack of data of real estate transactions and the fact that no mass estimates of values (using CAMA systems) are conducted, tax on real estate is mainly based until today on the Vt calculated in accordance with the system A.P.P.A, which does not allow proper identification of the value. It should also be noted that on real estate fiscal policy in Greece there are weaknesses and structural distortions given the non-completion of the National Land Registry and the inability to properly assess using the Vt. According to Gotsis (2014) Vt creates the social injustice because it is far from the real Market Value.

The Greek Ministry of Economy in 2010, legislated the creation of the Asset Registry (Περιουσιολόγιο) of Property from the year 2008. The Asset Registry (N.3842/10) is defined as the total real estate property of any natural or legal person on 1 January of each year, which results from computerized management of property declarations of years 2005-2008 and is informed about changes by submitting the aforementioned statements in accordance with the law 3427/2005. Currently, in addition to the Asset Registry, the National Land Registry is being prepared. Because of lack of coordination, the information of the Asset Registry is not compatible with non-geometric information of Land Registry and therefore they cannot be used by the second (Gotsis, 2014).

2.3.4. Property Valuation

The taxable property value is assessed by the computerized system of the General Secretariat of Information Systems (GSIS), Ministry of Finance. When a change on a taxpayer's properties takes place (e.g. sale), one has to supply GSIS, through the declaration of the E9 form, with the data asked (e.g. the area of a plot, but not the coordinates of its boundaries), concerning all the property owned. According to the Law, the Administration is the sole responsible for defining Tax Value Zones and every feature or coefficient, concerning the calculation of the taxable property value. Tax Value Zones have to be updated every three years. However, the last update has been implemented in 2007, one year before the outburst of the economic crisis. A relevant decision (10 October 2014) of the Greek High Court perceived the abovementioned delay of the Greek Administration (government) as illegal and the Greek government has to comply within six months (Gotsis, 2014).

2.3.5. Tax revenue received-Exceptions-Reliefs

Central government is the sole receiver of the whole tax revenue. At the end of each year, central government distributes the revenue from TAP to the local governments (municipalities). In 2014, the total revenue of TAP was almost 10 million euros and the total revenue of ENFIA (2 out of 6 installments are due in 2015) was almost 1.93 billion euros. There are 22 exception categories from ENFIA and the not collected correspondent revenue amounts to approximately 412 million euros. The major owners of legal rights on property, exempted from ENFIA are the Greek State, local governments (municipalities and prefectures), foreign states (e.g. embassies), charities, churches, monasteries of The Holy Mount Athos The following hardship relief measures are provided for by the ENFIA laws, having as a point of reference households and not each person individually. A 50% discount on the ENFIA tax levy on each household member is provided if all the following conditions apply: the total annual household income is less than 9.000€ (plus 1.000€ for each dependent family member), or the total property area owned (any property right) by the members of the household is less than 150m2, or the total property value, as calculated for the additional ENFIA tax, is less than 85.000€ (single person household), 150.000€ (family without children) or 200.000€ (family with children) (Gotsis, 2014).

A total relief by the ENFIA tax levy on each household member is provided if all the following conditions apply: when the total household income is less than 12.000€ (plus 1.000€ for each dependent family member), or if the total property area owned (any property right) by the members of the household is less than 150m2, or if there is no debt to State or Social Security Funds for any of the household members, or if there are three or more dependent children or one household member is handicapped (Karaganis, et al, 2015).

2.3.6. Problems about the property tax system in Greece

As mentioned above, the purpose of this research is to find the most suitable real property tax legislative system for Greece and Cyprus in the current years of financial crisis. The question that arises from this statement is what is wrong with these countries existing systems.

It is a widely held belief that the Greek state is very costly and the reason for its economic situation today is the high expenses. However, Greece’s public expenses (as a percentage of the GDP) do not exceed the Eurozone average. The real problem is that public expenses are managed quite inefficiently; they are poorly targeted and distributed in an unproductive way. Therefore, the fiscal problem lies in the revenues, which remained below the public expenses and the Eurozone average (Dafermos, Y., & Papatheodorou, Ch., 2010).

Additionally, because of the increased number of tax exemptions and the frequent tax amnesties, the principles of horizontal and vertical equity have been undermined (Bronchi, 2002). It is generally considered that real estate ownership in Greece is not as concentrated as in Western Europe, but the dispersion of real estate ownership is lower than it is believed to be. Data from the Ministry of Finance indicate that when it comes to privately owned urban land 34% of the owners own 74% of the total land value, while the richest 2% of the owners (property over €500.000) hold 20% of the total urban land value. The data reveal that the taxation of real estate, in general, was not functioning as a social policy but it was mainly favoring the wealthiest property owners (Ioannidis, Y., 2015).

In Greece tax evasion is a well-known and widespread story in the political, social and economic scene and it has a long history. When the country was under the rule of the Ottoman Empire, the failure to pay taxes was considered an act of courage and patriotism. But also since gaining independence, avoiding taxes has been the result of, on one hand, a complicated tax system, and on the other hand inefficient tax administration, lack of any penalties for evasion of taxes, corruption and a developed grey economy, supported by a large share of small and medium-sized enterprises and an economic structure conducive to tax fraud (Krajewska, A, 2014).

As Maria Petrakis (2015), reporter for Bloomberg News stated in Bloomberg "In Greece, Tax Evaders Are the Enemy". Tax evasion was estimated to cost the country €30 billion in annual revenue, according to a study conducted by the Federation of Greek Industries. Yet collection remains below the EU average. Tax evasion by wealthy Greeks is actually hobbling the country's recovery from the crisis. In 2006, a part of the large unrecorded economy that exists side-by-side with the official activity was added to official estimates, increasing official GDP by 9.6%. Tax evasion occurs in both direct and indirect taxation through several opaque mechanisms. The observed delays in collection can cause substantial fiscal losses even when appropriately discounted (Skouras, S., & Christodoulakis, N., 2014). A tax system cannot rely on taxpayers' sense of duty to remit what is owed. That is the reason why the taxes legal framework is important, as penalties should be attended by noncompliance (Slemrod, J., 2007).

In 2013 after numerous delays and social pressure the then Greek government (Nea Dimokratia with the support of PASOK and the Democratic Left party) finally introduced the new immovable property taxation Law 4223/2013 (ENFIA). Under the new law, the object of taxation was not the total personal property value but the individual building/plot. In this way, the large real estate owners have been considerably favored (as it is rare to own land valued at i.e. €1,000,000 which is also concentrated in one building/plot). As the following demonstrates, the government has chosen to enforce higher tax rates for lowest property values in order to ease the burden of the higher value property. What is striking is that an owner of a building of 1,000,000€ value will pay less tax under previous laws despite the fact that the total amount of tax collected has been raised from 400 million to 3000 (Ioannidis, Y., 2015).

According to Gotsis (2014) the current fiscal policy on real estate is inadequate, inefficient and incomplete, due to the lack of appropriate tools, as well as because of the failure to execute proper valuations of property values. Specifically, the main shortcomings are: the failure to complete the National Land Registry and the resulting parallel development of asset registry. Another problem is the lack of data for the MV of immovable property and the inability to make reliable estimates of Vt of immovable property, due the use of the system A.P.A.A. and not C. A.M. A. systems. The existence of a modern National Land Registry and the valuations based on C.A.M.A.

systems could provide conditions, both for the creation of a fair tax system for the buildings, which will bring social justice in the distribution of tax burdens, and for the development of the real estate market.

The A.P.P.A. system that is currently used for the determination of the Vt instead of the C.A.M.A system that should be used, presents structural weaknesses, for example: political costs through the Vt of real estate, weakness to approach the MV due different variations of Vt from MV, social injustice of tax burdens distribution. Except of the weaknesses of A.P.A.A. system about right valuations of Vt, at the same time, the system is used without taking into consideration any adjustments of pricing to current market data. This practice intended to increase tax revenue, but it had as a result the imposition of excessive and unfair taxes based on previous objective values, which are generally higher than the current MV (the last adjustment of the objective values was in 2007). However, in the past, the objective values were in general lower than MV, which would deprive the state of substantial tax revenue. The use of A.P.A.A. system also leads to incorrect application taxes (e.g. the use of the system for VAT) (Gotsis, 2014).

According to Ioannidis (2015) in Greece there are almost all the types of main taxes that exist in other European countries, but the method of application of taxes varies in relation to the other countries and often it is contrary to the European practice and the relevant EU directives. Hence, the problem is not the existing taxes, but the wrong method of application, where this exists. Additionally, due to the lack of tools of fiscal policy on real estate (because the National Land Registry is not integrated), the lack in infrastructure and mechanisms, and the fact C. A.M. A. systems are not used, it has been observed inapplicability in voted laws, which had been abolished, and then have been restored (e.g. F.A.I., F.M.A.P.). This has a negative effect on the property market.

Gotsis (2015) believes that the present period of economic recession and particularly from the year 2011 onwards, there is an abnormal increase in the tax burden of immovable property, which exacerbates the situation of the real estate market. In particular, the increase in the burden of real estate was made by imposing new temporary taxes (E.E.T.I.D.E., E.E.T.A., Special Solidarity Levy, etc.), some of which even had become permanent (e.g. E.E.T.A A through EN.F.I.A.), increasing the rates of existing taxes and because of the accumulation of tax debts, under the responsibility of the Government, which would normally have been paid in previous years (e.g., obligation for the year 2013, except of the F.A.P. for this year, and the F.A.P. for the years 2010, 2011 and 2012).

There are problems in the implementation of the following taxes: in V.A.T., because of the anti-European procedure of implementing, in capital gains tax (taxation of a part of already taxed value of property, because of the lack of adjustment on prices in transfer time) an in T.A.P., due to incorrect way of calculation of Vt (use of the same value per unit of area, both in the case of the building, as well as for the auxiliary spaces) in the municipal taxes. For the calculation of these taxes it is not always reliable the data used from various services (in some municipalities the data about the area of the real estate are extracted by the statement of the owners, while in other municipalities the same data are extracted from the E9) (Ioannidis, 2015).

The frequent changes in the tax legislation (changes in tax rates, introducing new taxes without implementing them, repeal of existing taxes or imposing new additional taxes) create instability in the property market and adversely affect the investments in real estate. In addition, the fiscal measures taken to stimulate the real estate market are ineffective, because they are within the framework of a comprehensive policy in this area and in fact any positive results are being "canceled" by the introduction of other taxes (e.g. the 1.1.2014 reduction of the F.M.A. from 10% to 3% will not have the desired results, because of the parallel imposition of the capital gains tax-15%- which will result in a passing on the additional tax burden of the transferor to the buyer) (Gotsis, 2014).

From all the above results, data and facts it is clear that property taxation legal framework in Greece is problematic and measures in order to solve all these problems should be taken. Greece, as an EU member, should have transparent policies and tax laws for fostering competition. The complexity of government regulations and procedures and their inconsistent implementation seems to be the greatest impediment for understandability towards Greek citizens and for foreign companies consider to investing in Greece. Foreign companies report they encounter cases where there are multiple laws governing the same issue, resulting in confusion over which law is applicable. The elimination of bureaucratic obstacles is urgent. In addition, bribery towards tax collectors is not an unusual phenomenon and the diligent implementation and enforcement of the law remains an issue (Greece Country Report, 2015).

2.4. Cyprus property tax regime

2.4.1. Overview of property taxes

The information given below regarding the property tax system in Cyprus is extracted from Deloitte International Tax Source (2015). In personal taxation, the same regime as described in corporate taxation is valid regarding capital gains tax, stamp duty, real estate tax and transfer fees. A notice should be made about personal taxation, that there is no inheritance/estate tax.

Concerning the corporate taxation capital gains tax at 20% is imposed on gains derived from the disposal of immovable property situated in Cyprus and on gains from the disposal of shares in an unlisted company that owns immovable property situated in Cyprus. Gains derived from the sale of shares are tax-exempt.

With respect to real property tax, it is imposed annually on the market value of immovable property on 1 January 1980, at rates ranging from 0.6% to 1.9%.

Regarding the stamp duty, it is payable on a document if it relates to property situated in Cyprus or to an act to be performed in Cyprus. Stamp duty on commercial contracts is charged at rates that vary according to the contract amount. A ceiling of EUR 20,000 per document applies. The transfer of immovable property is subject to a transfer fee ranging from 3% to 8%, calculated on the market value of the property as estimated by the land registry department (Deloitte International Tax Source, 2015).

2.4.2. Immovable Property Tax bands & Transfer fees

In Cyprus the Law about the Immovable Property Tax 24/1980, that was amended recently by the Law N177 (I)/2014) provides that the immovable property tax (IPT) is calculated on the Land Registry's assessment on the value of the property as at January 1 1980, as referred above. The law has been amended several times through years by the following laws: 25/1981, 10/1984, 239/1991, 120(I)/2002, 115(I)/2011, 33(I)/2013, 93(I)/2013, 114(I)/2013, 123(I)/2013, 108(I)/2014, 161(I)/2014.

The bands and rates for Immovable Property Tax for properties situated in Cyprus shown in the table below apply per owner, not per property. The new tax bands are as follows (Pricewaterhousecoopers, 2014):

Property value (as at 1/1/1980) €	**Rate ‰**	**Accumulated tax €**
First 40.000	6	240
From 40.0001-to 120.000	8	880
From 120.001-to 170.000	9	1.330
From 170.001-to 300.00	11	2.760
From 300.001-to 500.00	13	5.360
From 500.001-to 800.000	15	9.860
From 800.001-to 3.000.000	17	47.260
Over 3.000.000	19	

Table 7. The tax bands of Cyprus Immovable Property.

The graph below makes obvious that the Cypriot legislation supports vertical equity.

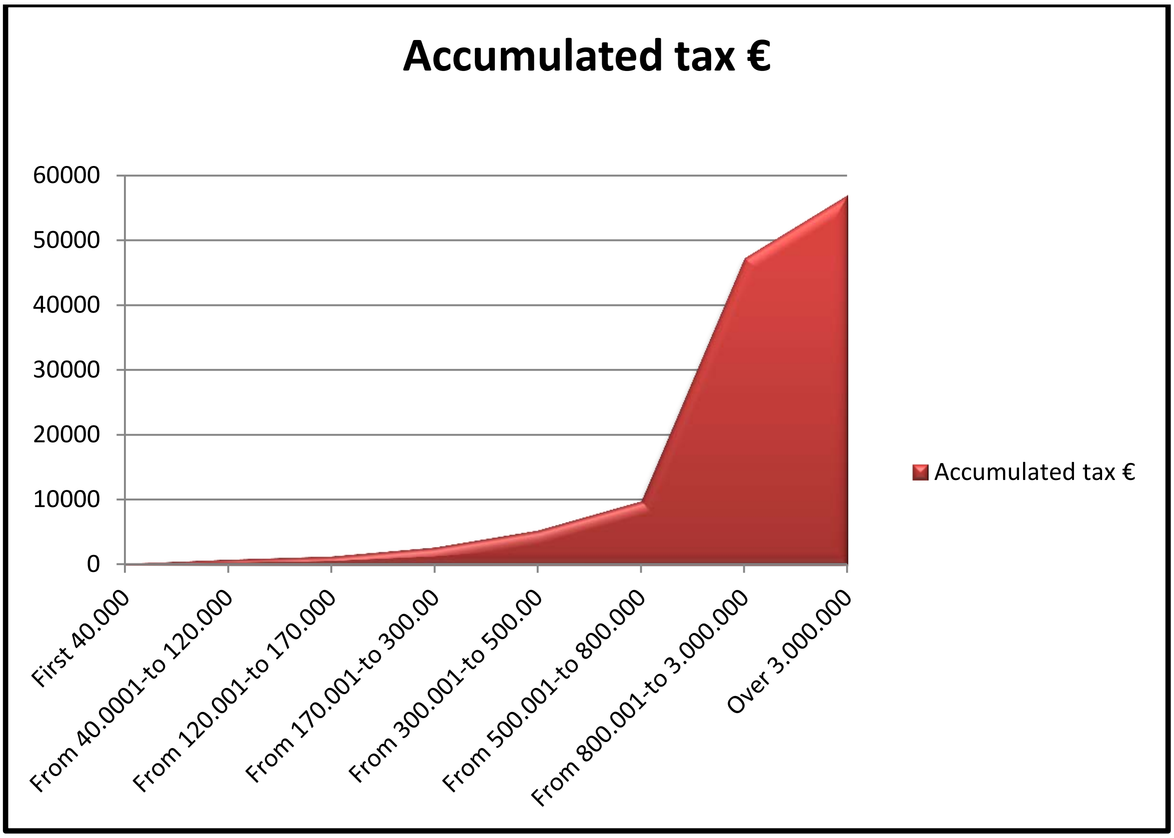

Table 8. Graphically demonstrated the tax bands of Cyprus Immovable Property.

When an immovable property is transferred the following fees/ taxes are paid: transfer fees and income tax or capital gains tax. Transfer fees as provided by Lands and Surveys (Fees and Charges) Law, Cap. 219 are paid by the transferee to the Department of Lands and Surveys. The fee is based on the purchase price or, under certain circumstances, on the current market value. The first €85,000 is charged at 3%, the next €85,000 is charged at 5%, and any excess above €170,000 is charged at 8%. The transfer fee is payable at the time the transfer is effected.

Income tax is paid in the case of actualization of gains by legal or natural entities who are considered to be developers/ property dealers and capital gains tax is paid by the transferor in the case of gains by other persons, according to the Capital Gains Tax Law 52/1980. In addition a certificate of payment of all taxes related to the property must be produced (immovable property tax, municipal tax, sewage tax etc.).

The transfer tax graph supports the results made from the previous graph about the vertical equity.

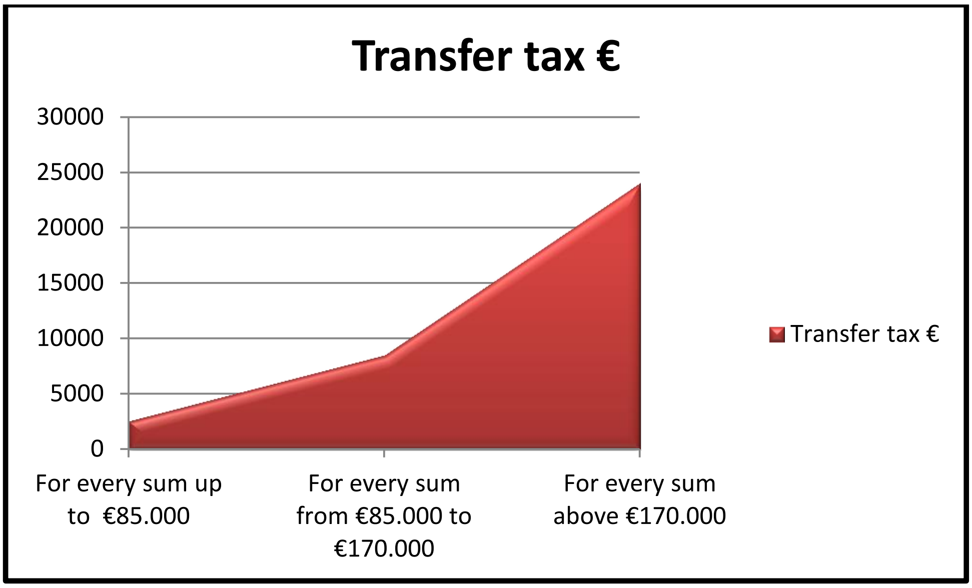

Table 9. Graphically demonstrated the transfer tax bands of Cyprus Immovable Property.

According to Vezouvios & Tsikkinis (2015) the government has announced temporary waivers and reductions of transfer fees in order to stimulate the market for new properties. The transfer fee on a sale of property on which VAT is payable will be waived provided that the sale agreement is deposited with the Department of Lands and Surveys by 31 December 2016. For a first-time sale of a new property which is not subject to VAT (which is the case if the building permit was obtained prior to 1 May 2004) the transfer fee is halved.

2.4.3. Property valuation

What the Council of Ministers believes is that, for the purposes of ensuring modern and uniform appraisal of real property in any town, village or parish, mass appraisal is necessary in relation to the whole of that property or any specific part of the property, the Council of Ministers may appraisal of this property.

Any real property assessed at any time, either before or after this Law was in force may be reassessed at any time which is not less than five years from the date of the last assessment either on the initiative of the Director or with the application of the registered owner. However, any immovable property may be reassessed in not more than five years since the last assessment in three cases. The first case is if the latest assessment of any real property has been substantially rebuilt or if on any land any buildings have been erected or any trees or vines have been planted in order to substantially increase the value of the property or land. The second case is if the latest assessment of any real property is damaged or ruined to such an extent that significantly affects its value. The last case is if a mass appraisal has been ordered according to this Article Law, Cap. 224, The Immovable Property (Tenure, Registration and Valuation).

2.4.4. Exemptions-Reliefs

Property owners whose property has a total value of €12.500 or less (using values of 1.1.1980) are exempt from Immovable Property Tax. A penalty of 10% is applicable on the tax due to late payment. If the tax is paid 30 or more days before the deadline, a discount of 10% of the tax owed is provided (Pricewaterhousecoopers, 2014).

When the sale is conducted by parents to children or it is a gift to a person beyond the third degree of kindred or between non relatives there is exception of transfer fees. Law Cap. 219 Transfer fees (Cyprus).

The following categories of disposals are exempt from CGT: transfers by reason of death, gifts between relatives up to the third degree of kindred, gifts to family companies (limited companies whose only shareholders at the time of the gift and for the entire period of five years thereafter are members of the family of the donor); gifts by family companies to their shareholders, but only in cases where the property given was originally acquired by the company as a gift, gifts to charitable institutions or to the Republic of Cyprus, exchanges of immovable properties and compulsory acquisitions.

In assessing the gain the following will be deducted from the proceeds received the market value of the property at 1 January 1980, or, if it was acquired after that date, the price paid or the consideration given for the acquisition of the property, the cost of any major improvements, the subsequent increase in the value of the property due to inflation, calculated by reference to the Retail Price Index issued every month by the Department of Statistics and the expenses related to the acquisition and disposal of the property such as transfer fees and legal costs.

Individuals may deduct from the resultant gain the following lifetime exemptions in three cases. The first case is about the sales of agricultural land by farmers. The first €25,629 of the sale price is exempted, provided that the farmer was residing in the same area at the time of the sale. The second case of exemption concerns sales of property used as a residence by the vendor. The first €85,430 of the sale price is exempted, provided that the property has been used as the vendor’s residence for at least 5 years prior to the sale. The last case is about any other disposal. In this case, the first €17,086 of the sale price is exempted.

These deductions are granted once only, unless they have not been exhausted by the first sale, in which case any balance is carried forward. An individual claiming a combination of exemptions is allowed only a maximum exemption of €85,430 (Vezouvios & Tsikkinis, 2015).

2.4.5. Problems about the property tax system in Cyprus

Howarth, N. (2014) supports in Cyprus Property News that the recently amended Law, Immovable Property Tax, will require the hiring of additional staff to deal with the many disputes, delays, complaints that are bound to arise leading to increased costs of collecting the tax. Howarth also believes that this bureaucratic nightmare and the additional cost could be easily avoided if the Land Registry were to have the Title Deeds to a property available for transfer on the delivery of a property to its purchaser. But their capacity to do this so far is a triumph of ambition over ability. The Cyprus government originally proposed that IPT would be based on updated property values, rather than 1980 values. However, Parliament rejected the proposal as it shifted the burden of taxation onto the owners of medium value properties to the benefit of large owners such as property developers, who would pay less. Fifty three of the fifty four members of Parliament voted that property tax would continue to be based on a property's 1980 value.

In a letter to the House Finance Committee and political parties, Theodoros Aristodemou, CEO of Aristo Developers claimed that the way the legislation was implemented "created serious distortions among taxpayers". Property developers have requested a change to property tax legislation voted by the House last year to avoid the injustices that occurred (Howarth, N., 2014).

According to the Audit Office of Cyprus, while all the immovable property is subject to a tax, the fact that there is multiple charging and many collecting bodies create confusion and often great inconvenience and loss of time for citizens, both in payment of taxes and in providing all the necessary certificates for property transfer. Apart from that, it seems that the economic costs of enforcement and collection, for some taxes, are disproportionate to the amounts collected.

The real property taxation system involves much hassle and costs for citizens, as for any transfer of immovable property regardless of whether the owner is liable to tax or not, is forced to follow the entire process established to ensure the necessary certificates required by the Land Registry to accept the declaration of transfer. To a large extent this process is necessary to ensure that the government has the necessary revenues, and it is a logical consequence of negligence or unwillingness of citizens to comply in time with the Laws (Audit Office of Cyprus, 1996).

The conclusion extracted from all the above facts, is that the current property tax legislation regime in Cyprus is not satisfactory and there is space for improvements and suggestions.

3. Methodology

In accomplishment of completion of this master thesis, a search of the appropriate and most relevant with the topic literature has been conducted. Following, the recording and analysis of the results from the literature search had been conducted. The review sources were peer reviewed journals within fields relevant to the topic, summaries of research articles, books and e-books. In addition statistical data were used based on IMF and EUROSTAT data bases. The data collected were about property taxes, recurrent property taxes and GDP from 1998 to 2012 for all EU countries. These data are considered as appropriate for this research, because results regarding the tendency of property taxes in correlation with GDP can be found.

The next step of the dissertation was writing it in a structured, coherent, consistent way and placing the findings of the research and findings of previous relevant studies in the context of the theoretical framework of the dissertation.

This research was conducted using qualitative methodology in combination with quantitative. Generally, qualitative method is presumed to be closer to the social sciences and quantitative in finance and economic sciences. The issue of property taxation is a multidimensional objective, with many aspects and a global analysis of the subject requires the use of the combination of these methods. This justifies the choice of this type of methodology.

Data collection in the qualitative approach follows a combination of direct observations and document analysis. In this thesis, the information collected, were analyzed and evaluated. In qualitative research, data is not analyzed with statistical techniques. Well-compiled qualitative research enhances comprehensibility of the phenomenon analyzed. The technique used in the selection of data collection depends on the research question, leading to the research strategy that best fits the research objective, availability/access to particular data sources, and available resources. The techniques used are the following: narratology, storytelling and ethnography.

In this research, storytelling was used, when the different legal systems were presented. Ethnography was also used, as the legal systems of different countries were analyzed, in combination with narratology, as the researcher’s opinion was expressed in terms of legislative proposals. Qualitative research method is appropriate for legal analysis. However, in this case, it was combined with quantitative method, as statistical data were collected and analyzed. The combination of these two methods was necessary, in order to find the elements that shape a successful model of legislation.

4. Analysis of information collected and examined

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.

Analyzing the data and the information provided, there are several findings are springing out. In this point it should be highlighted that the study of property taxation in European Union offers special challenges because each country has a different definition of land and property, and a different approach to local property taxation.

One of the primary findings is that real property tax is a suitable revenue source for local economy as it provides predictable and durable revenues and it fosters decentralization and local autonomy. Another significant primary result is the significance of the tax system applied in a country has a serious impact on cross-country competitiveness. Especially in this period of financial crisis governments should search for the appropriate fiscal tools in order to avoid the depth of the crisis. Understandability, organization, effectiveness and integration play a significant role when legislating, but implementation and application of the law are also crucial factors.

The tax system in the most of the EU countries is the ad valorem system. For any recurrent ad valorem tax, assessment problems are raised. These problems can be solved only with the appropriate and adequate legal framework for each country regarding mass appraisals. This kind of tax brings into focus political and legal issues concerning functional elements of the law. One significant administrative problem particularly in developing and transition economies is the low coverage of parcels or properties in the tax register. It is remarkable that in Latvia more than 98 percent of properties are included in the tax register.

Another significant result extracted from the map with the countries with area based system is that they all are geographically in the same area (Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, Poland, Romania, Slovakia, and Slovenia). The rest EU countries use the ad valorem system. It should be noticed that none of these countries present high GDP.

While analyzing the data from the graphs created by EUROSTAT evidence, it was found that the share of the immovable property tax in total local taxes differs significantly across countries. In high income countries, it is certainly higher than middle income countries. These results foster the opinion expressed above regarding the significance of the real property tax. Malta and Croatia are the only EU countries that do not have any recurrent tax on real property.

The highest by far GDP per capita is in Luxemburg. Ireland, Austria, Denmark, Germany, Netherlands and Sweden follow with high GDP. On the other hand, the lowest GDP appears in Bulgaria. Romania and Croatia follow with low GDP, as well. Greece and Cyprus have both a below average GDP.

The United Kingdom seems to have by far the highest property taxes as percentage of total taxation and GDP with its peak in 2008, the same year that the most of the rest countries seem to have a decline. Probably this decline occurred because in 2008 the economic crisis begun and the prices in real estate dropped. Spain, Belgium, Denmark and France have also relatively high rates, while Latvia, Croatia, Bulgaria and Estonia have the lowest rates. Greece in red color is fluctuating over time and in 2010 a big drop appears, while in 2011 and 2012 it increases rapidly. Cyprus in bright yellow color appears many and significant fluctuations over years with a peak in 2005 and 2007.

Countries such as Poland and the United Kingdom levy property taxes mainly on immovable property, while Germany uses a variety of sources including inheritance and capital transfer taxes. So does Greece, but by tapping mainly transfers of property as a base (as do Italy, and the Netherlands). In contrast, Luxembourg is among the few remaining EU countries that continue to raise important revenue from the taxation of net wealth.

Regarding recurrent taxes on immovable property United Kingdom again appears by far the highest rates, but the peak this time is in 2009. France and Denmark have also high rates. It is remarkable that Malta and Croatia do not have recurrent taxes and Luxemburg has very low rates. Greece had below average rates until 2010, but in 2011 a big increase occurred. Cyprus had also below rates until 2005, but then and until 2009 a big increase occurred, with the peak in 2007.

In relation with the real GDP growth (annual rate) it seems that all countries have similar fluctuations. The biggest decrease for almost all countries is in 2009, with Latvia, Lithuania and Estonia (Balti countries) decreasing more than the rest countries. It is remarkable that after 2010 while all countries started increasing rapidly except from Greece, which kept decreasing. This happened because the crisis in Greece is going deeper and it seems that the raise of property taxes is not helpful. Examining the results from the data analysis, it seems that countries with high GDP have higher property taxes and higher recurrent property taxes than the other countries. Luxemburg is the exception. However, Luxemburg balances the lack of property taxes with high taxes on net wealth.

Concerning the property tax regime in Greece the findings were significant. It is widely believed that Greece's public expenses exceed the Eurozone average, and this is one of the reasons that led the country in the current economic situation. However, this is not a fact. The real problem is that public expenses are managed quite inefficiently; they are poorly targeted and distributed in an unproductive way. In addition, in Greece there are almost all the types of main taxes that exist in other European countries, but the method of application of taxes varies in relation to the other countries and often it is contrary to the European practice and the relevant EU directives. Another "myth" about Greece is that real estate ownership is not as concentrated as in Western Europe. However, the dispersion of real estate ownership is much lower than it is believed to be. What is not a myth is the tax evasion. It is a well-known and widespread story in the political, social and economic scene in the country and it has a long history. Furthermore, due to the increased number of tax exemptions and the frequent tax amnesties, the principles of horizontal and vertical equity have been undermined.

Another important problem Greece is facing is the frequent changes in the tax legislation, which create instability in the property market and adversely affect the investments in real estate. Under ENFIA, the new property tax law, the large real estate owners have been considerably favored. The tax burden of immovable property exacerbates the situation of the real estate market and social injustice is created. Additional problems are the failure to complete the National Land Registry, the lack of data for the MV of immovable property and the inability to make reliable estimates of Vt of immovable property, due the use of the system A.P.A.A. and not C. A.M. A. systems.

In Cyprus, there are also problems regarding the property tax law. The recently amended Law, Immovable Property Tax, will require the hiring of additional staff to deal with the many disputes, delays, complaints that are bound to arise leading to increased costs of collecting the tax. This bureaucratic nightmare and the additional cost could be easily avoided if the Land Registry were to have the Title Deeds to a property available for transfer on the delivery of a property to its purchaser. Until today IPT is not based on updated property values, but on 1980 values.

The fact that there is multiple charging and many collecting bodies create confusion and often great inconvenience and loss of time for citizens, both in payment of taxes and in providing all the necessary certificates for property transfer. Apart from that, it seems that the economic costs of enforcement and collection, for some taxes, are disproportionate to the amounts collected.

5. Limitations

The change in property taxation is constant; consequently some data may be out of date. In addition, users should be aware of the limitations of this research. Information in English on property tax systems is better for some countries than others. It is not always possible to determine how current the information is: a publication date is not always a reliable indicator. A description based on the law may not reflect reality. There can be contradictions among sources. Situations can change. Moreover, some terms can have multiple means, which can result in misunderstandings and ambiguities. Chief among these are “property tax,” “land,” and “real property” or “real estate.” This is the so-called Characterization Problem in the Conflict of Laws, which means that each word may have different meaning in various jurisdictions. Some sources speak generally of “property taxes.” Particularly when considering published statistics on property tax revenues, it can be important to distinguish among the various kinds of taxes on property. Local taxes can be ignored. Differences among subnational areas can be ignored as well.

6. Conclusions and recommendations

In summary, the results from this research are that real property tax local is appropriate for local governance. From the overview of EU property tax systems it is concluded that the tax system in the most of the EU countries is the ad valorem system. The countries with area based tax system are low income countries.

The United Kingdom seems to have by far the highest reliance on property taxes as percentage of total taxation and GDP. In 2008 the most of the countries seem to have a decline. Probably this decline occurred because in 2008 the economic crisis begun and the prices in real estate dropped. High income countries appear relatively high reliance in property taxes, while low income countries (Baltic countries and Bulgaria) have the lowest reliance. Greece’s reliance in 2011 and 2012 it increases rapidly. This is the result of the new tax law ENFIA, while Cyprus appears many and significant fluctuations over years. Generally, it appears that, as countries develop and grow richer, property tax-to-GDP ratios tend to increase.

It is remarkable that after 2010 while all countries started increasing rapidly in economy (measuring GDP), Greece kept decreasing. This happened due to the bad economic situation in the country and it seems that ENFIA did not bring the expecting results, as the transactions were decreased. The extreme and fast increase of property taxes had resulted in the freezing of the market.

In Greece the main problem is not writing the laws, but implementing them. Another crucial problem is the inefficient management of the revenues. Tax evasion, the increased number of tax exemptions and amnesties, social injustice, failure to complete the National Land Registry, the use of the system A.P.A.A., the frequent changes in the tax legislation, which adversely affect the investments in real estate are some additional problems in Greek property tax legislation.

In Cyprus, there are also problems. Some of them are the disputes, the delays, the increased costs of collecting the tax, the fact that IPT is not based on updated property values, but on 1980 values and the multiple charging and many collecting bodies.

Reforms require strong political will to introduce, enforce, and maintain a property tax—political will that must address the variety of policy and administrative challenges and often in the face of strong popular opposition. These challenges cannot be resolved overnight but must be addressed through a medium-and long term reform strategy which has to be carefully calibrated to fit the particular circumstances of individual countries. In particular, reform approaches cannot simply be copied from successful developed countries. It is also important to realize that successful reform in this area, with promising revenue potential, requires an up-front investment in training and creation (or upgrading) of the necessary administrative infrastructure, first of all in the form of a comprehensive and accurate cadaster or register for tax purposes.

Common elements of a reform strategy would ideally involve the identification of policy weaknesses, combined with policy decisions on the future role of property taxes, targeting in a decentralization strategy. A key objective should be simplicity and not frequently reform of legislation for ease of administration and maximum fairness.

The legislation planning should be carefully adjusted to individual country circumstances, involving better valuation, including procedures for regular updating, improved record keeping based on close coordination between agencies involved, improved collection rates though strong enforcement and low compliance costs; and clear decisions on the allocation of responsibilities between the central and local governments with regard to how these core administrative tasks are carried out. Property transfer taxes should be also reduced.

Finally, to prevent property tax systems from falling back into disrepair, development of a monitoring device based on quantitative performance indicators is essential. These would ideally include regular assessments of coverage of the tax register, valuation performance, and collection efficiency.

7. References

Almy, R. (2013). *A Global Compendium and Meta-Analysis of Property Tax Systems.* Lincoln Institute Of Land Policy.

Almy, R., Munene, J., & Ogana, A. (2013). *Property tax regimes in Europe.* UNHABITAT.

Audit Office of the Republic, (1996). Nicosia.

Bahl, R. (2009). Property Tax Reform in Developing and Transition Countries. *United States Agency.*

Barkham, R. (2013). Real Estate and the Great Financial Crisis. *World Economics*, 14(3), 5-26.

Bronchi, C. 2002. *Options for reforming the tax system in Greece.* Working Papers No.193/2002, OECD Publishing, http://dx.doi.org/10.1787/668734032323

Cattoir, P. (2004). *Tax-based EU own resources: An assessment.* Taxation Papers-European Commission.

Dafermos, Y., & Papatheodorou, Ch. 2010. *Macroeconomic environment and poverty [in Greek].* Athens: INE-GSEE.

Deloitte International Tax Source, (2013). *Tax guides and highlights.* Dits.deloitte.com, from https://dits.deloitte.com/#TaxGuides

Deloitte International Tax Source, (2015). *Tax guides and highlights.* Dits.deloitte.com, from https://dits.deloitte.com/#TaxGuides

Dillinger, W. (1992). *Urban property tax reform.* Washington, D.C.: World Bank.

Eurostat Statistical Books. (2014). *Taxation trends in the European Union.*

Felis, P. (2014), Theoretical concepts of property tax, an essential source of local government revenue in Europe. *Management Theory & Studies For Rural Business & Infrastructure Development*, 36 (4), 802-809.

Gallemore, J., Maydew, E. L., & Thornock, J. R. (2014). *The Reputational Costs of Tax Avoidance. Contemporary Accounting Research, 31*(4), 1103-1133. doi:10.1111/1911-3846.12055

Gotsis, G. (2014*). Property taxation in Greece and the European area-Current trends* (Postgraduate). Metsovio Polytechnic University.

Greece. (2015). Political Risk Yearbook: *Greece Country Report*, U-1-12.

Hayashi, A. T. (2014). Property taxes and their limits: evidence from New York city. *Stanford Law & Policy Review, 25*(1), 33-52.

Howarth, N. (2014). Cyprus Immovable Property Tax 2014. *Cyprus Property News*, http://www.news.cyprus-property-buyers.com/2014/07/26/cyprus-immovable-property-tax-2014/id=0018004.

Imf.org, (2015). *Report for Selected Countries and Subjects.* Retrieved from http://www.imf.org/external/pubs/ft/weo/2015/01/weodata/weorept.aspx?

Ioannidis, Y., (2015). The political economy of the distributional character of the Greek taxation system, *Southeast European and Black Sea Studies*, 15:1, 77-96.

Karaganis, A., Charalambopoulos, P., & Gatis, K. (2015). *Market Value-Based Taxation of Real Property: Lessons from International Experience*. Ljubljana: Lincoln Institute of Land Policy.

Keller, Sara & Schanz, Deborah (2013). Measuring tax attractiveness across countries, *Arqus-Diskussionsbeiträge zur quantitativen Steuerlehre*, No. 143

Krajewska, A. (2014). Fiscal Policy in the EU Countries Most Affected by the Crisis: Greece, Ireland, Portugal, and Spain. *Comparative Economic Research*, 17(3), 5-27. doi: 10.2478/cer-2014-0020

Liapis, K. J., Galanos, C. L., Politis, E. D., & Kantianis, D. D. (2014). A Quantitative Approach to Measure Tax Competitiveness Between EU Countries. *International Journal Of Economic Sciences & Applied Research*, 7(3), 7-23.

Law, Cap. 219, Transfer fees (Cyprus).

Law Cap. 224, The Immovable Property (Tenure, Registration and Valuation) (Cyprus).

Lutz, B., Molloy, R., & Shan, H. (2011). The housing crisis and state and local government tax revenue: Five channels. *Regional Science And Urban Economics*, 41(4), 306-319.

Mccluskey, W. J., & Plimmer, F. (2011). The creation of fiscal space for the property tax: the case of Central and Eastern Europe. *International Journal Of Strategic Property Management*, 15(2), 123.

Melnik, S., & Cenedella, D. (2009). Real property taxation and assessment processes: a case for a better model. *NYU Journal of Legislation And Public Policy*, 259-320.

Norregaard, J. (2013). Taxing Immovable Property Revenue Potential and Implementation Challenges. *IMF Working Papers,* 13(129), 1.

Perić, R., & Kordić, L. (2014). The role of taxation during the financial crisis 2008-2013: selected issues. *Pravni Vjesnik*, (1), 115.

Petrakis, M. (2015). In Greece, Tax Evaders Are the Enemy. *Bloomberg Businessweek*, (4415), 17.

Pricewaterhousecoopers, (2014). *Tax Facts & Figures 2014 - Cyprus: The tax system in Cyprus*.

Sennoga, E., Sjoquist, D., & Wallace, S. (2007). *Incidence and Economic Impacts of Property Taxes in Developing and Transitional Countries*. Andrew Young School of Policy Studies Research Paper Series.

Sirmans, G. S., Gatzlaff, D. H., & Macpherson, D. A. (2008). Horizontal and Vertical Inequity in Real Property Taxation. *Journal Of Real Estate Literature*, 16(2), 167-180.

Skouras, S., & Christodoulakis, N. (2014). Electoral misgovernance cycles: evidence from wildfires and tax evasion in Greece. *Public Choice*, 159(3/4), 533-559. doi: 10.1007/s11127-013-0071-0

Slemrod, J., Cheating Ourselves: The Economics of Tax Evasion, *Journal of Economic Perspectives* Vol. 21, No. 1 (Winter, 2007), pp. 25-48 Published by: American Economic Association

Thuronyi, V. (2015). *Drafting Tax Legislation. IMF Publications*. Retrieved from http://www.imf.org/external/pubs/nft/1998/tlaw/eng/ch3.pdf

Vasiliauskaite, A., & Stankevicius, E. (2013). European property taxation: new sources of revenue, cases of the EU countries. *Economics & Management,* 18(3), 428-435. doi:10.5755/j01.em.18.3.4187

Vezouvios, C., & Tsikkinis, L. (2015). *The international comparative legal guide to: Real Estate 2015 (Cyprus)*. Global Legal Group.

Yuan, B., Connolly, K., & Bell, M. (2015). *A Compendium of Countries with an Area-Based Property Tax* (1st ed., pp. 1-2). Lincoln: Lincoln Institute of Land Policy.

Zentelis, P., (2011), *About land and land registry,* Papasoteriou, Athens.

8. Appendix

8.1. Austria

8.1.1. Corporate taxation

Capital gains - Capital gains generally are taxed at the same rate as ordinary income. Under the international participation exemption, gains from the sale of a participation in a nonresident company are exempt unless the resident company has exercised an option to have capital gains treated as taxable income.

Real property tax – Municipalities impose an annual real estate tax of up to 2% on up to 5 times the assessed value of property.

Stamp duty – Stamp duty is levied at a rate ranging from 0.8% to 2% on various transactions (e.g. assignment of receivables, rent and lease contracts) if the transaction is evidenced in a stamp duty relevant deed in Austria. Loan/credit contracts signed after 31 December 2010 are not subject to stamp duty.

Transfer tax – Transfers of real estate are subject to an acquisition tax of 3.5% of the consideration (plus a 1.1% registration fee with the land register). If there is no consideration, the real estate transfer tax is usually based on three times the assessed value of the property, whereas the 1.1% registration fee is based on the fair market value of the real estate. For certain privileged transactions (e.g. reorganizations), the registration fee is based on three times the assessed value).

8.1.2. Personal taxation

Capital gains – As from 1 April 2012, capital gains relating to investments and real estate are subject to a 25% capital gains tax. The alienation of participations of less than 1% in a corporation or participations in an investment fund acquired before 1 January 2011, bonds or derivations acquired before 1 April 2012 and real estate acquired before 1 April 2002 usually is subject to more favorable grandfathering rules.

Stamp duty – Stamp duty is levied at a rate ranging from 0.8% to 2% on various transactions (e.g. assignment of receivables, rent and lease contracts) if the transactions are evidenced in a stamp duty relevant deed in Austria. Loan/credit contracts signed after 31 December 2010 are not subject to stamp duty (nor are securities for such loans).

Real property tax – Municipalities impose an annual real estate tax of up to 2% on up to five times the assessed value of property.

Inheritance/estate tax – No, but there is a statutory notification requirement for gifts.

Transfers of real estate are subject to an acquisition tax of 3.5% of the consideration (plus a 1.1% registration fee with the land register). If there is no consideration, the real estate transfer tax is based on three times the assessed value of the property; the 1.1% registration fee is based on the fair market value of the real estate. For certain privileged transactions (e.g. between close relatives), the registration fee is based on three times the assessed value).

8.2. Belgium

8.2.1. Corporate taxation

Capital gains – Capital gains derived by a corporation on the disposal of tangible and intangible assets are regarded as business income and subject to tax at the ordinary corporate tax rate. Tax deferral is possible subject to certain conditions. Gains derived from shareholdings in other companies are exempt if (1) the shares meet the subject-to- tax requirement for application of the dividends received deduction; and (2) have been held for an uninterrupted period of at least one year. No participation requirement applies. Shares sold within the one-year period are taxed at a rate of 25.75% (including the surtax). The net amount of fully exempt capital gains derived from shareholdings in other companies is subject to a 0.412% separate tax (including the surtax).

Real property tax – A tax is levied on income from immovable property located in Belgium and is computed as a percentage of the notional annual rental value of the property. The rate varies depending on the region in which the property is located: the rate is 2.5% of the cadastral income for the Flemish region and 1.25% for the Walloon and Brussels regions. Local surcharges. apply, depending on the municipality where the property is located.

Stamp duty – No, subject to certain exceptions, such as the stock exchange tax on transactions in public securities and other financial instruments, and a 2% tax on the conversion of bearer securities in 2013.

Transfer tax – Transfer taxes apply to the transfer and leasing of real estate located in Belgium, at rates ranging from 0.2% to 12.5% (depending on the region in which the property is located).

8.2.2. Personal taxation

Capital gains – Capital gains on assets derived by individuals engaged in business activities generally are taxed in a similar manner to gains derived by corporations. Capital gains on shares qualifying as professional income normally are taxed at the ordinary individual income tax rate. Capital gains derived from fixed tangible assets that have been used for business activities for more than five years are taxed at a 16.5% rate (increased by the communal surcharge). Capital gains derived by individuals not engaged in business activities.

Stamp duty – No the presumed annual rental income of owned land, buildings and industrial equipment. The rate varies depending on the region in which the property is located: the rate is 2.5% of the cadastral income for the Flemish region and 1.25% for the Walloon and the Brussels regions. This tax is not deductible from the personal income tax.

Real property tax – An annual tax applies to the presumed annual rental income of owned land, buildings and industrial equipment. The rate varies depending on the region in which the property is located: the rate is 2.5% of the cadastral income for the Flemish region and 1.25% for the Walloon and the Brussels regions. This tax is not deductible from the personal income tax.

Inheritance/estate tax – For spouses, legal cohabitants and descendants, the inheritance tax ranges from 3%-30% in the Walloon and Brussels regions and 3%-27% in the Flemish region. Lower rates apply in some cases.

Higher inheritance tax rates (up to 80% in Wallonia and Brussels and 65% in Flanders) apply to more distant relations and unrelated beneficiaries. For gift taxes, similar rates apply for gifts relating to immovable property, whereas low gift tax rates (between 3% and 7%) apply for movable property.

8.3. Bulgaria

8.3.1. Corporate taxation

Capital gains – Capital gains are included in taxable income and taxed at the normal corporate income tax rate. Gains and losses on the disposal of shares listed on the Bulgarian and EU official stock exchanges are exempt.

Real property tax – The owner of real property is subject to a real property tax between 0.01% and 0.45% of the higher of the gross book value and the tax value of nonresidential property and 0.01%-0.45% of the tax value of residential property. The precise rate is determined annually by the municipality.

Stamp duty – No

Transfer tax – Transfer tax is imposed on the sale or exchange of immovable property and motor vehicles, at rates ranging from 0.1% to 3%, determined by the municipality.

8.3.2. Personal taxation

Capital gains – Capital gains arising from the sale of real property generally are taxable (but certain exemptions may apply).

Stamp duty – No

Real property tax – An annual real estate tax is levied on the owner of immovable property at a rate between 0.01% and 0.45% of the tax value of the property.

Inheritance/estate tax – Inheritance tax is levied at a rate of 0.4%-6.6% depending on the relationship of the beneficiary. The rate is determined by each municipality. A gift tax is levied at a rate ranging from 0.4% to 6.6% of the value of donated property, depending on the relationship between the donor and the donee. The rate is determined by each municipality.

8.4. Croatia

8.4.1. Corporate taxation

Capital gains – Capital gains are taxable income and are taxed at the standard rate of 20%.

Real property tax – If real property is not subject to VAT (i.e. buildings completed before VAT was introduced on 1 January 1998), the acquisition of a building is subject to a 5% real estate sales tax. The tax base is the purchase value of the building. A subsequent transfer of a building that exited the VAT system is subject to the real estate transfer tax rather than VAT.

Stamp duty – No

Transfer tax – See under "Real property tax."

8.4.2. Personal taxation

Capital gains – Capital gains are subject to tax at rates ranging from 25%-40%, depending on the nature of the transaction. Income from the sale of property (tangible/intangible) is taxable (at 25%) if property is alienated within three years of procurement. Income is the difference between the receipts determined at market value of the real estate or property right alienated, and the procurement value increased by a rise in producer prices of industrial products. The alienation costs may be deducted as expenses. Income derived from the sale of shares is not taxable.

Stamp duty – No

Real property tax – If real property is not subject to VAT (i.e. buildings completed before VAT was introduced on 1 January 1998), the acquisition of a building is subject to a real estate sales tax at a rate of 5%. The tax base is the purchase value of the building. Any subsequent transfer of a building that exited the VAT system is subject to the real estate transfer tax rather than VAT. Land is always subject to the real estate transfer tax.

Inheritance/estate tax – Inherited or donated property is taxed at a rate of 5%. However, inherited or donated immovable property is governed by the Real Estate Sales Tax Act.

8.5. Czech Republic

8.5.1. Corporate taxation

Capital gains – Income from the sale of assets generally is included with other taxable income and taxed at the regular corporate income tax rate. See also under "Participation exemption."

Real property tax – A real estate tax is levied on the occupation of real property or plots of land. The rate depends mainly on the size of the land (including paved surfaces as a special type of land).

Stamp duty – No

Transfer tax – The only transfer tax is the real estate transfer tax at a rate of 4%.

8.5.2. Personal taxation

Capital gains – Capital gains generally are taxed at 15%, but may be exempt if certain conditions are satisfied.

Stamp duty – No

Real property tax – A real estate tax is levied on the occupation of real property or plots of land. The rate depends primarily on the size of the land (including paved surfaces as a special type of land). A real estate transfer tax also applies at a rate of 4%.

Inheritance/estate tax – Progressive rates ranging from 7% to 40% apply. Certain persons (generally relatives) are exempt from the tax.

8.6. Denmark

8.6.1. Corporate taxation

Capital gains – Capital gains are normally included in taxable income and are subject to the corporate tax rate of 25%. However, gains derived from subsidiary shares, group shares or unlisted portfolio shares generally are exempt (and losses are nondeductible).

Real property tax – A property value tax is levied on real estate. The basis is 1% of the value up to DKK 3,040,000, and 3% of the value exceeding that amount.

Stamp duty – Registration of the transfer of certain assets is subject to stamp duty of 0.6%-1.5%, plus DKK 1,400.

Transfer tax – No

8.6.2. Personal taxation

Capital gains – Capital gains on shares and dividends are taxed progressively as share income at 27% for income up to DKK 48,300, and 42% thereafter.

Stamp duty – Stamp duty is levied at rates of 0.6% -1.5%, plus a fee of DKK 1,400.

Real property tax – A property value tax is levied on real estate. The basis is 1% of the value up to DKK 3,040,000, and 3% of the value exceeding that amount.

Inheritance/estate tax – Inheritance received by a spouse is not taxed. A 15% tax is imposed on inheritance by the closest family members (children, children in law, grandchildren and parents). Inheritance by others is subject to a 36.25%

8.7. Estonia

8.7.1. Corporate taxation

Capital gains – Capital gains are treated as ordinary income of Estonian resident

Real property tax – An annual land tax is imposed on the assessed value of land and is paid by the owner or the user of land at rates ranging from 0.1%-2.5%.

Stamp duty – Stamp duty in insignificant amounts may apply.

Transfer tax – No

8.7.2. Personal taxation

Capital gains – Capital gains are treated as ordinary income. An annual land tax is imposed on the assessed value of land and is paid by the owner or the user of land at rates ranging from 0.1%-2.5%.

Real property tax – An annual land tax is imposed on the assessed value of land and is paid by the owner or the user of land at rates ranging from 0.1%-2.5%. Local municipalities may grant certain exemptions to individuals. In addition, individuals are exempt from the land tax on residential land subject to limits and conditions.

Inheritance/estate tax – No.

8.8. Finland

8.8.1. Corporate taxation

Capital gains – Capital gains generally are treated as ordinary income and taxed at the standard corporate rate of 24.5%. However, gains on qualifying holdings are exempt if certain conditions are satisfied (see under "Participation exemption").

Real Estate tax-The municipal authorities levy tax between 0.6% and 3% on real property. The tax is deductible for corporate income tax purposes

Stamp duty – No

Transfer tax – A 1.6% tax is levied on transfers of Finnish securities and a 4% tax is levied on transfers of Finnish real estate and certain leasing rights in Finnish real estate. Some exemptions are available.

8.8.2. Personal taxation

Capital gains – Capital gains are taxed as income from capital at a flat rate of 30%, applicable to income up to EUR 50,000 and 32% for income exceeding this amount.

Stamp duty – No

Real property tax – A general rate ranging from 0.12% to 1.35% is levied on the taxable value of real property. Rates vary by municipality and special rates apply (e.g. for second homes). In addition, a 4% transfer tax (subject to exemptions) is levied on transfers of Finnish real estate and certain leasing rights in Finnish real estate.

Inheritance/estate tax – Inheritance tax is levied at progressive rates up to 35%, depending on the family connection between the deceased and the inheritor.

Transfer tax –a 4% tax is levied on transfers of Finnish real estate and certain leasing rights in Finnish real estate. Some exemptions are available.

8.9. France

8.9.1. Corporate taxation

Capital gains – Capital gains generally are subject to corporate tax at the standard rate. Capital gains derived from the sale of qualifying shareholdings can benefit from the participation exemption (see below).

Real property tax – Several real property taxes apply in France, including the “CET” (see “Other” below), the “taxe fonciere” and the “3% tax.” (See also under “Transfer tax,” below.)

Stamp duty – Stamp duties apply, but they are nominal.

Transfer tax – The sale of real property is subject to a transfer tax at a maximum rate of 5.08%. The sale of shares of an SARL or SNC is subject to a transfer tax equal to 3% of the sales price minus a sum equal to the number of units sold x EUR 23,000 / total number of the company units. For shares of an SA, SAS or SCA, a flat rate of 0.1% applies. The rate is increased to 5% if the company whose shares are transferred is a real estate company, i.e. more than 50% of the fair market value of the company’s assets correspond to French real property or real property rights. The sale of a French going concern, a French customer list or leasehold rights is subject to a transfer tax at a rate of 5%. The same tax applies to the sale of IP rights (other than patents) when exploited in France.

8.9.2. Personal taxation

Capital gains – As from 2013, capital gains from the disposal of movable assets (e.g. securities, bonds) will be taxed as ordinary income (see below) at progressive rates ranging from 0% to 45% (plus special social security surcharges for French residents, amounting to approximately 15.5%). Capital gains from the disposal of immovable property continue to be taxed at the special flat rate of 19% (plus special social security surcharges).

Stamp duty – Stamp duties apply, but they are nominal.

Real property tax – Owners are liable for a tax based on the "rental value" of the property assessed by the tax authorities. Occupants are liable for a dwelling tax based on the rental value of the property assessed by the tax authorities.

Inheritance/estate tax – Transfers between close relatives are subject to tax from 5% to 40%, after a rebate (e.g. up to EUR 100,000 per child).

8.10. Germany

8.10.1. Corporate taxation

Capital gains – Capital gains derived from the sale of a domestic or foreign corporate subsidiary are effectively 95% tax-exempt.

Real property tax – Tax is levied by the municipality in which real estate is located. The rate is 0.35% of the tax value of the property, multiplied by a municipal coefficient.

Stamp duty – No

Transfer tax – A real estate transfer tax of 3.5% to 5% of the sales price/value of transferred real estate is levied. The rate depends on the federal state where the real estate is located.

8.10.2. Personal taxation

Capital gains – Sales of real estate and rights to private property (not business property) are subject to tax if the taxpayer owned the property for less than 10 years. The sale of other assets is taxable if the taxpayer held the assets for less than one year. Normal tax rates apply.

Stamp duty – No

Real property tax – Tax is levied by the municipality in which real estate is located. The rate is 0.35% of the tax value of the property, multiplied by a municipal coefficient.

Inheritance/estate tax – Inheritance and gift tax rates range from 7% to 50%, with various exemptions available. Business property/assets are valued at fair market value. Under certain conditions, the inheritance of business property can be 85% or 100% tax free.

8.11. Hungary

8.11.1. Corporate taxation

Capital gains – Capital gains are taxed as part of the accounting profit at 10%/19%. However, no tax is due if the participation exemption applies. Capital gains realized by a shareholder resident in a nontreaty country on the sale of its shares in a Hungarian real estate company are taxable at a rate of 19%.

Real property tax – Building tax/plot tax are imposed at the discretion of the municipalities.

Stamp duty – No

Transfer tax – The transfer of real estate or shares in companies holding Hungarian real estate is subject to transfer tax payable by the purchaser at a rate of 4% of the value of the property up to HUF 1 billion, and 2% on the part of the value exceeding HUF 1 billion, with the total tax liability capped at HUF 200 million per property.

8.11.2. Personal taxation

Capital gains – Capital gains generally are taxed at 16%.

Stamp duty – Various stamp duties apply in administrative and court procedures.

Real property tax – Building tax/plot tax are imposed at the discretion of the municipalities.

Inheritance/estate tax – The general rate of the inheritance duty is 18%, but the inheritance is fully exempt in the case of close relatives and the surviving spouse. The rate for residential real estate property purchases is 9%.

8.12. Ireland

8.12.1. Corporate taxation

Capital gains – Capital gains are taxed at 33% and 40%. Gains on the sale of substantial shareholdings in companies resident in EU member states or a tax treaty country are exempt if certain conditions are satisfied.

Real property tax – The municipal authorities levy “rates” on the occupation of commercial real property (which are deductible in calculating corporation tax liability). Residential real estate is subject to an annual tax as from 1 July 2013 at 0.18% on values up to EUR 1 million and at 0.25% on values over EUR 1 million. Only 50% of this tax is payable in 2013.

Stamp duty – Rates of 1%-2% are levied on the transfer of property. The top rate of stamp duty for nonresidential property is 2%.

Transfer tax – No

8.12.2. Personal taxation

Capital gains – Capital gains tax of 30% is charged on gains derived from the disposal of assets. Stamp duty – Rates of 1%-2% are levied on the transfer of property. The top rate of stamp duty for nonresidential property is 2%.

Real property tax – The municipal authorities levy a real estate tax, known as "rates," on the occupation of commercial real property. As from 1 July 2013, residential real estate is subject to an annual tax at 0.18% on values up to EUR 1 million and at 0.25% on values over EUR 1 million. Only 50% of this tax is payable in 2013.

Inheritance/estate tax – See "Capital acquisitions tax."

8.13. Italy

8.13.1. Corporate taxation

Capital gains – Capital gains generally are treated as ordinary income and taxed at the 27.5% corporate income tax rate. Capital gains derived from the sale of participations, however, are 95% exempt from taxation if the following requirements are met: (1) the participation has been held continuously at least at least for a period that may range between 12 and 13 months; (2) the participation is classified as a financial fixed asset in the first financial statement closed after the participation was acquired; (3) the company in which the participation is held is not resident in a country on the black list of tax havens annexed to Italy's CFC legislation; and (4) the company in which the participation is held carries out a business activity (this requirement will not be met if assets are represented primarily by real property not used in the business activity). The last two conditions must have been satisfied continuously over the last three years (or less if the company's life is shorter).

Real property tax – The municipal authorities levy tax on the possession of immovable property at various rates, depending on the municipality.

Stamp duty – Stamp duty is levied on legal and banking transactions, at varying rates.

Transfer tax – The transfer of real property situated in Italy is subject to transfer tax (registration, mortgage and cadastral tax) and/or VAT, with the rate depending on the property transferred, the status of the transferor and other factors.

8.13.2. Personal taxation

Capital gains – Interest, nonqualified dividends and capital gains are subject to a flat tax rate equal to 20% (e.g. an investment of no more than 25% in an unlisted company). Qualified dividends and capital gains are subject to the ordinary tax rate on 49.72% of their amount.

Stamp duty – Stamp duty is levied on legal and banking transactions at varying rates.

Real property tax – Property owners, whether or not resident, are liable for property tax on buildings and lands owned for their own use or as investments (IMU). The basic tax rate is 0.76% of the taxable value of the property, but the competent municipality can provide for an increase or reduction up/down of 0.3% to the basic tax rate. Property tax on principal residences may benefit of a lower rate of 0.4%.

Inheritance/gift tax – The taxable amount generally is represented by the value of the assets and rights inherited. Rates are 4%, 6% or 8% based on the proximity of the deceased and the beneficiaries, and exemptions up to EUR 1 million may apply on bequests to close relatives.

8.14. Latvia

8.14.1. Corporate taxation

Capital gains – Capital gains on the sale of property are calculated as the difference between the net tax value of property and the sales price. Such gains are subject to tax at a standard corporate rate of 15%. Capital gains from the alienation of shares are exempt from tax (see under “Holding company regime” below)

Real property tax – The local authorities levy a real estate property tax in an amount equal to 1.5% of the cadastral value of land and buildings. A 3% tax is levied on agricultural land not in use.

Stamp duty – Stamp duty is levied on the registration of real property by a legal entity. The rate is 2% of the higher of the sales price or the cadastral value, capped at LVL 30,000. Different rules apply for reorganizations and contributions in kind.

Transfer tax – No

8.14.2. Personal taxation

Capital gains – Gains on the sale of an individual’s capital assets (real estate, shares, etc.) are subject to a 15% tax. Gains on the sale of a private residence may be exempt. A 2% tax must be withheld by a Latvian legal entity from the sales price of real property and shares of a real estate company if the seller is a nonresident individual.

Stamp duty – A stamp duty of 2% is levied on the higher of the sales price or cadastral value when real property is registered in the land register, but capped at LVL 30,000.

Stamp duty also is levied on the registration of a mortgage.

Real property tax – The local authorities levy a real estate property tax equal to 1.5% of the cadastral value of land and buildings. The rate on residential property not used for commercial purposes ranges from 0.2% to 0.6%. A 3% tax is levied on unused agricultural land.

Inheritance/estate tax – No

8.15. Lithuania

8.15.1. Corporate taxation

Capital gains – Capital gains of resident and nonresident companies are taxed as general taxable income at a rate of 15%. An exemption may apply to capital gains derived by a Lithuanian resident holding company or PE of a foreign company on the disposition of shares in a company (that is subject to corporate income tax) located in Lithuania, another EU/EEA member state or a country that has concluded a tax treaty with Lithuania. To qualify for the exemption, the Lithuanian company or PE must hold more than 25% of the voting rights for an uninterrupted period of at least two years. The exemption applies in the case of reorganization if a company or PE has held more than 25% of the voting rights for an uninterrupted period of at least three years

Real property taxation- Real property on corporations (with exceptions) owned by a legal person, used by that legal person under an installment sale or lease contract or financial lease providing for the transfer of ownership, or owned by an individual and transferred to a legal person for an indefinite period or a period exceeding one month, is subject to real property tax. Depending on the municipality, the rate varies from 0.3% to 3% of the value of the property. The type of property will determine the applicable valuation method and thus the taxable amount.

Stamp duty – No, although a notary fee may apply to certain transactions.

Transfer tax – No

8.15.2. Personal taxation

Capital gains – Individuals are taxed at a rate of 15% on gains from the disposal of property, including shares. Gains from the disposal of shares that have been held continuously for at least 366 days are exempt, subject to certain requirements (including that the seller’s participation, during the previous three years, does not exceed 10% of the share capital). Capital gains from the sale of immovable property acquired before 1 January 2011 and located in the EEA are exempt if the property is owned for at least three years before the sale (except immovable property used for individual activities). Capital gains from the sale of immovable property acquired after 31 December 2010 and located in the EEA, or the sale of immovable property acquired before 1 January 2011 and used for individual activities are exempt if the property is owned for at least five years before the sale. Gains derived from the sale of a residence are not taxable if the individual lived in the premises for at least two years, or if less than two years, when the income from the sale is used within one year to purchase another residence where domicile will be declared.

Stamp duty – There is no stamp duty, but a notary fee may apply to certain transactions.

Transfer tax – No.

Stamp duty – There is no stamp duty, but a notary fee may apply to certain transactions.

Real property tax – Individuals who own real property in Lithuania are required to pay real property tax at a rate of 1% where the total value of the property exceeds LTL 1 million. Rates between 0.3% and 3% apply to buildings intended for specific purposes (administration, accommodation, trading, services provision, catering, transportation, manufacturing, industrial, warehousing, medical services, sports). The tax rate is set by the municipality where the property is located.

Inheritance/estate tax – The inheritance tax rate is 5% of inheritable assets valued at LTL 500,000 or less and 10% on inheritable assets valued at more than LTL 500,000. However, the taxable base is only 70% of the inherited assets. The taxable value not exceeding LTL 10,000 is exempt. Exemptions also apply to assets inherited by family members.

8.16. Luxembourg

8.16.1. Corporate taxation

Capital gains – Capital gains generally are included in taxable income and taxed at the standard corporate tax rate. However, capital gains derived from the sale of shares may be exempt from corporate income tax in certain cases.

Real property tax – Municipalities in Luxembourg impose a land tax of 0.7%-1% on the unitary value of real property, including industrial plants. This is multiplied by coefficients fixed by each municipality and varying by the type of real property.

Stamp duty – Stamp duty is levied at various rates on the registration of notary deeds, bailiff deeds and certain acts of the judiciary.

Transfer tax – The transfer tax mainly concerns the transfer of immovable property. The basic rate is 6%, plus a 1% transcription tax. For real estate located in the municipality of Luxembourg, an additional charge amounting to 50% of the transfer tax is imposed. Exemptions are available.

8.16.2. Personal taxation

Capital gains – Short-term capital gains are taxed as current income (progressive rates up to 40%); long-term gains receive more favorable treatment, including an exemption of EUR 50,000 for gains realized in an 11-year period and taxation of the remaining long-term gains at 50% of the taxpayer's global rate. Gains derived by an individual from real estate are long term if the property was held for more than two years. Gains on an individual's private residence normally are exempt. Gains derived by an individual on shares are long term if the shares are held for more than six months and only taxable if the shareholding exceeds 10%. Gains on other movable assets are exempt if the assets are held for more than six months.

Stamp duty – Stamp duty usually is levied on the registration of notary deeds, bailiff deeds and certain acts of the judiciary.

Real property tax – Municipalities in Luxembourg impose a land tax of 0.7% to 1% on the unitary value of real property, including industrial plants. This is multiplied by coefficients fixed by each municipality and varies according to the type of real estate.

Inheritance/estate tax – To the extent the deceased was resident in Luxembourg at the time of his/her death, inheritance tax is levied in Luxembourg. The tax base is the market value of the entire net estate inheritance at the time of death. The rates range from 0% to 48%, depending on the proximity of the relationship and the amount of the assets bequeathed to each beneficiary. Exemptions are applicable in certain cases.

8.17. Malta

8.17.1. Corporate taxation

Capital gains – Gains on the transfer of capital assets are aggregated with a company's other income and the total income and capital gains is charged to income tax. Capital assets are defined as (i) immovable property; (ii) securities, business, goodwill, business permits, copyrights, patents, trademarks and trade names; (iii) beneficial interests in trusts that hold property referred to in (i) or (ii); and (iv) an interest in a partnership. However, where a company transfers immovable property situated in Malta after 22 November 2005, tax is payable at a flat rate of 12% on the higher of the market value or the consideration received for the transfer, less brokerage fees. A participation exemption may apply in respect of gains derived from the disposal of a participating holding (see “Participation exemption”).

Nonresident companies are not subject to tax on gains or profits realized on a disposal of units in a CIS, units relating to long-term insurance policies, interest in a partnership and shares or securities in a company, unless the partnership’s or company’s assets consist wholly or principally of immovable property situated in Malta.

Real property tax – There is no real property tax, but tax is generally due on gains derived from the transfer of immovable property (see “Capital gains”).

Stamp duty – Stamp duty generally is levied on documents evidencing transfers of immovable property at a rate of 5% of the higher of the consideration and the real value; and upon a transfer of marketable securities and/or an interest in a partnership at a rate of 2% of the higher of the consideration and the real value, although a 5% rate applies to transfers of marketable securities in a company and/or an interest in a partnership where 75% or more of the company's and/or the partnership’s assets consist of immovable property. An exemption from duty may apply. Stamp duty also is levied on certain specified documents when no transfer of property takes place, such as policies of insurance.

Transfer tax – No

8.17.2. Personal taxation

Capital gains – Gains on the transfer of capital assets are aggregated with a person's other income and the total of income and capital gains is charged to income tax. Capital assets are defined as (i) immovable property; (ii) securities, business, goodwill, business permits, copyrights, patents, trademarks and trade names; (iii) beneficial interests in trusts that hold property referred to in (i) or (ii); or (iv) interest in a partnership. However, when a person transfers immovable property situated in Malta after 22 November 2005, tax is payable at the flat rate of 12% on the higher of the market value or the consideration received for the transfer less any brokerage fees; 7% on the consideration received, less any brokerage fees, if the property was inherited before 25 November 1992; or 12% on the gain, less any brokerage fees and the cost of acquisition, if the property was inherited after 24 November 1992 and before 25 November 2003 or acquired by the transferor by title of donation more than five years before the date of transfer. Nonresidents are not subject to tax on gains or profits realized on a disposal of units in a CIS, units relating to long-term insurance policies, interest in a partnership and shares or securities in a company, unless the partnership's or company's assets consist wholly or principally of immovable property situated in Malta.

Stamp duty – Stamp duty generally is levied on documents evidencing transfers of immovable property at a rate of 5% of the higher of the consideration and the real value (with reduced rates applicable to dwelling houses and transfers causa mortis), and upon a transfer of marketable securities and/or an interest in a partnership at a rate of 2% of the higher of the consideration and the real value, although a 5% rate applies to transfers of marketable securities in a company and/or an interest in a partnership where 75% or more of the company's or the partnership's assets consists of immovable property. An exemption from duty may apply. Stamp duty also is levied on certain specified documents when no transfer of property takes place, such as policies of insurance.

Real property tax – There is no real property tax, but tax generally is due on any gain on the transfer of immovable property (see "Capital gains").

Inheritance/estate tax – No, but see "Stamp duty."

8.18. Netherlands

8.18.1. Corporate taxation

Capital gains – Capital gains derived from the sale of participation are exempt if the participation exemption applies (see under "Participation exemption"). Other capital gains are taxed at the normal corporate rate. Gains arising on a (de-)merger may be exempt if certain requirements are met.

Real property tax – Municipalities impose an annual tax at varying rates on owners of real property. Real estate tax is deductible for corporate income tax purposes.

Stamp duty – No

Transfer tax – A 6% real estate transfer tax is payable on the acquisition of real property in the Netherlands or certain related rights. A reduced rate of 2% applies to the transfer of a residence.

8.18.2. Personal taxation

Capital gains – Capital gains are, in principle, taxed at progressive rates in Box 1. If the gains are related to a substantial interest, a flat rate of 25% applies in Box 2. If the gain relates to an investment, the gains are not taxed as such in Box 3. There is no capital gains tax on gains from the sale of a dwelling.

Real property tax – Municipalities impose tax at varying rates on owners of real property in their municipality on an annual basis. Real property tax is not deductible for individual income tax purposes.

Inheritance/estate tax – Inheritance tax is due on inheritances received from Dutch residents. Dutch nationals who emigrate from the Netherlands are still considered residents during a 10-year period. Rates vary between 10% and 40%.

8.19. Poland

8.19.1. Corporate taxation

Capital gains – Capital gains are taxed as ordinary income at the standard

Real property tax - Tax generally is levied on the owner of real estate (land, buildings and construction) at rates imposed by the local authorities.

Stamp duty – Stamp duty is levied, for example, when filing a power of attorney and when the (central or local) authorities are requested to perform activities such as issuing certificates, grant permission, etc. The applicable rates or fixed amounts are set forth in the stamp duty law.

Transfer tax – Tax is imposed at a rate of 1%-2% on certain types of transactions (e.g. sales, exchanges of rights, loans) that corporation tax rate of 19%.generally are not covered by VAT. As a rule, transactions exempt from VAT are exempt from transfer tax (except for real estate and shares).

8.19.2. Personal taxation

Capital gains – Capital gains derived from the sale of real estate within five years of its purchase are subject to a 19% tax (subject to certain exemptions). Gains derived from the sale of shares also are subject to the 19% rate.

Stamp duty – Stamp duty is levied, for example, when filing a power of attorney and when the (central or local) authorities are requested to perform activities such as issuing certificates, grant permission, etc. The applicable rates or fixed amounts are set forth in the stamp duty law.

Real property tax – Tax generally is levied on the owner of real estate (land, buildings and construction) at rates imposed by the local authorities.

Inheritance/estate tax – Inheritance and gift taxes range from 3% to 20%, subject to certain allowances and exemptions.

8.20. Portugal

8.20.1. Corporate taxation

Capital gains – Realized capital gains are included in taxable profits for corporate tax purposes. The acquisition cost of capital assets disposed of after a minimum ownership period of two years may be adjusted for inflation, using official indices.

Fifty percent of gains derived from the disposal of tangible fixed assets and financial assets held for at least one year may be excluded from taxation if the total disposal proceeds are reinvested within a prescribed period. This regime also applies to gains on the disposal of shares representing at least 10% of the investee company's capital if the acquisition and disposal did not involve related parties or residents of listed tax havens. Capital gains on the disposal of shares by an SGPS generally are exempt provided the shares have been held for at least one year (the period is extended to three years in certain situations).

Real property tax - A real property tax is levied annually by the municipalities and is payable by the registered owner on 31 December. The rates range from 0.3% to 0.8% (7.5% if the owner of the real property is located in a listed low-tax jurisdiction) of the taxable value of the property and the tax is deductible for corporate tax purposes.

Stamp duty – Subject to exemptions, stamp duty is levied on various types of agreements, deeds and documents, as well as certain transactions not subject to VAT, such as the acquisition of real estate, leases and subleases, financial transactions, insurance premiums and certain bets. As from 1 January 2012, property that has been valued for tax purposes at over EUR 1 million is subject to stamp duty at a 1% rate if used for residential purposes, or at a rate of 7.5%, if owned by entities resident in a tax haven.

Transfer tax – Real estate transfer tax is levied by municipalities at a maximum rate of 6% on the transfer of residential property, 5% on the transfer of rural property, 6.5% for transfers of urban property and 10% if the purchaser is located in a listed low-tax jurisdiction.

8.20.2. Personal taxation

Capital gains – Capital gains on the sale of an individual’s main residence are exempt if the proceeds are used to purchase another permanent residence in Portugal, or in another EU/EEA member state, provided that, in the latter case, arrangements are in place for an exchange of information in tax matters. Only 50% of gains from the disposal of immovable property are subject to tax at progressive rates as income. Capital gains on shares are subject to tax at a 28% rate (a 50% exemption applies to capital gains on the disposal of participations in unlisted small and micro companies).

Stamp duty – See above under “Stamp duty.”

Real property tax – A municipal tax is levied on property sales and transfers and the municipal authorities levy an annual real estate tax. As from 1 January 2012, real property used as a residence and that has been valued over EUR 1 million is subject to 1% tax.

Inheritance/estate tax – For gifts and inheritances, stamp duty is imposed at a 10% rate (unless the heir is the spouse, a descendant or an ascending relative, in which case, an exemption applies).

8.21. Romania

8.21.1. Corporate taxation

Capital gains – Gains on the sale of shares and real property are included in overall profits and taxed at the general corporate rate of 16%.

Real property tax – Local taxes on buildings and land apply. For buildings owned by a company, the building tax rate is set by the local council and varies between 0.25% and 1.5% of the entry value of the building as adjusted by the value of reconstruction, modernization, modifications, etc. Owners of land are subject to land tax established at a fixed amount per square meter, depending on the locality where the land is located and the area and/or category of use, in accordance with the classification made by the local council. Companies are not subject to land tax on land where buildings are sited.

Stamp duty – No

Transfer tax – No

8.21.2. Personal taxation

Capital gains – Capital gains generally are taxed at a rate of 16%. Income from the sale of real property is taxed at a rate between 1% and 3%.

Real property tax is levied as a fixed fee (established by location and other factors) per square meter of land and building

Stamp duty – No.

Inheritance/estate tax – No, but notary fees may apply

8.22. Slovakia

8.22.1. Corporate taxation

Capital gains – Capital gains are taxed at a rate of 23%. In some cases, capital losses are nondeductible. Stamp duty – Fees are imposed, but are usually insignificant.

Transfer tax – No

The municipal authorities levy rates on the ownership/occupation of real property. Rates are deductible in calculating the corporate income tax liability.

8.22.2. Personal taxation

Capital gains – Capital gains are considered taxable income taxed at general progressive rates (19% and 25%).Stamp duty – Fees are levied on the transfer of real estate, but are insignificant. Real property tax – Tax is levied by the municipal authorities on the ownership and occupation of real property.

Inheritance/estate tax – No

8.23. Slovenia

8.23.1. Corporate taxation

Capital gains – Capital gains are treated as ordinary income, although gains arising from a transaction subject to the EU merger directive are exempt. An exemption of 50% of gains derived from the sale of shares is available if, inter alia, the shares represent a participation of at least 8% and the shareholding has been held for more than six months and at least one person is employed on a full-time basis during this period. Fifty percent of a capital loss is not recognized (unless the loss arises from a venture capital investment).

Stamp duty – No

Transfer tax – A special sales tax is levied on motor vehicles (various rates), the transfer of real estate if not subject to VAT (2%) and insurance services (6.5%).

There is no direct tax on real property. However, transfer tax applies on the sale of real property if not subject to VAT

Capital gains – Capital gains are subject to a base rate of 25%, which is reduced by 10 percentage points after first five years and then by five percentage points for each subsequent five years the capital (real estate, securities, etc.) is held, making the gain exempt once the asset is held for more than 20 years. Capital gains arising from derivatives are taxed at a 40% rate if disposed of during the first year of ownership; the rate decreases for longer periods of ownership.

8.23.2. Personal taxation

Stamp duty – No

Real property tax – There is no direct tax on real property, but a 2% transfer tax applies if the transaction is not subject to VAT.

Inheritance/estate tax – Inheritance and gift tax applies to the transfer of property and is levied progressively, depending on the value of the property and the recipient's relationship with the deceased/donor.

8.24. Spain

8.24.1. Corporate taxation

Capital gains – Capital gains are treated as ordinary business income taxable at 30%.

Real property tax – Landowners must pay tax to the local authorities, with a temporary surcharge of up to 10% also applying in 2012 and 2013. Nonresidents pay a special 3% tax, except where the nonresident is resident in a country with which Spain has a tax treaty that includes an exchange of information clause.

Stamp duty – Stamp duty is levied at 0.5% (increased to 1% in most regions) of the value of the subject of notarized documents registered in a public register. This tax rate may be increased to 1.5% or 2% – depending on the autonomous region – when real estate is acquired in a VAT able transaction as a consequence of the waiver of the applicable exemption.

Transfer tax – Companies pay a 7% transfer tax (or higher depending on the region) on acquisitions from individuals (non- entrepreneurs) and on Spanish real estate, including any indirect acquisitions.

8.24.2. Personal taxation

Capital gains – For 2012 and 2013, a progressive rate from 21% to 27% applies (increased from a flat 19% on the first EUR 6,000 and 21% on income exceeding that amount).

Stamp duty – Stamp duty is applicable at 0.5% (increased to 1% in most regions).

Real property tax – The municipal authorities levy a real estate tax, with a temporary surcharge of up to 10% also applying in 2012 and 2013.

Inheritance/estate tax – Inheritance and gift taxes are imposed on all Spanish resident heirs, beneficiaries and recipients. Rates range up to 34%.

8.25. Sweden

8.25.1. Corporate taxation

Capital gains – Capital gains derived from the sale of shares in a resident company are normally tax-exempt provided the shareholding is business-related (see under “Participation exemption”). Shares in EU resident companies (including shares held as inventory) also are considered business related if the holding represents at least 10% of the capital. Taxable capital gains are regarded as other business income and taxed at a rate of 22%.

Real property tax – Annual real property tax is levied at rates ranging between 0.2% and 2.8% on the tax assessed value (as determined by the tax authorities) on all types of real estate (however, see below). The tax is deductible in computing the corporate tax liability. A real property fee (instead of property tax) must be paid to the municipality on dwellings and duplex dwellings. The annual fee for dwellings is the lower of SEK 7,075 or 0.75% of the property’s assessed value. For duplex dwellings, the fee is the lower of SEK 1415 or 0.4% of the real property’s assessed value.

Stamp duty – Stamp duty is levied on the transfer of real estate and on mortgage loans. The standard rate for real estate is 4.25% if the transferee is a legal entity. For mortgage loans, the rate is between 0.4% and 2%.

Transfer tax – No, although some transfers are subject to stamp duty.

8.25.2. Personal taxation

Capital gains – Capital gains are taxed at a flat rate of 30% (although the effective tax rate can be lower in certain situations).

Stamp duty – Stamp duty is levied on the transfer of real estate and is payable by the purchaser. The standard rate is 1.5% of the market/transfer value of the property if the purchaser is an individual. Stamp duty of 2% is levied on the value of a real estate mortgage.

Real property tax – Individuals are liable for a municipal fee at a maximum of SEK 7,075 on real property owned in Sweden.

Inheritance/estate tax – No

8.26. United Kingdom

8.26.1. Corporate taxation

Capital gains – Capital gains form part of a company's taxable profits. Gains (or losses) on the disposal of substantial shareholdings in both UK and foreign companies can be exempt. The main conditions broadly require the selling company to have continuously owned at least 10% of the shares of the company being sold for at least 12 of the 24 months before disposal and the selling company/company being sold must be trading or members of a trading group (without, to a substantial extent, any nontrading activities) for at least 12 months before disposal (in some cases this may have to be 24 months) and immediately after the disposal. Where an election has been made to exclude the profits of PEs (see “Basis” above), the exclusion also may apply to gains and losses of certain capital assets of the PE unless the company is a close company. A non-UK resident company is not subject to tax on its capital gains unless the asset is held through a UK PE. There are proposals to introduce a capital gains tax charge from April 2013 for non-UK resident companies and certain other vehicles disposing of UK residential property valued at more than GBP 2 million.

Real property tax – The national nondomestic rate is payable by occupiers of business premises. Local authorities collect the tax by charging a uniform business rate, which is deductible in computing income subject to corporation tax.

Stamp duty – A 0.5% rate applies on the transfer of UK shares. Stamp Duty Land Tax (SDLT) is charged on transfers of UK real property. For residential property, the rates are between 0% and 7%, depending on the value of the property. The rates for nonresidential property are 0% to 4%. From 21 March 2012, a 15% rate applies to purchases of residential property valued at more than GBP 2 million by companies and certain other vehicles. In certain cases, transfers within a tax group may be free from stamp duty/SDLT.

Transfer tax – See "Stamp duty” above.

8.26.2. Personal taxation

Capital gains – Individuals who are domiciled and either resident or ordinarily resident in the UK are subject to capital gains tax on all chargeable assets, regardless of where they are situated. Similar to the rules for overseas income, an individual who is not domiciled may make a claim for the remittance basis of taxation to apply to any capital gains on non-UK assets (see “Taxable income”, above). An annual exemption is available to reduce capital gains (GBP 10,600 for 2012/13 and GBP 10,900 for 2013/14), except in tax years where a claim for the remittance basis is made. Where individuals who leave the UK to become nonresident realize gains in a tax year after their departure, such gains are not chargeable to UK capital gains tax, unless they are absent from the UK for less than five tax years and they acquired the asset before they left.

Stamp duty – The charge is imposed at 0.5% on the transfer of UK shares. Stamp Duty Land Tax is charged on transfers of UK real property (residential and non-residential) – see “Stamp Duty” above.

Real property tax – Council tax applies to the occupation of domestic property.

Inheritance/estate tax – Inheritance tax is charged on property passing on death, certain gifts made within seven years of death and some lifetime transfers (e.g. to a discretionary trust). Where due, inheritance tax is payable on assets in excess of GBP 325,000 (2012/13 and 2013/14) at a rate of 40% (20% for certain lifetime transfers). Transfers between spouses, in lifetime or upon death, generally are exempt from inheritance tax unless only the donor spouse has a UK domicile. For non-domiciled individuals, only UK property is subject to inheritance tax, although long-term residence can result in deemed UK domicile (for inheritance tax purposes only) once they have been UK-resident in 17 out of the last 20 tax years.

8.27. Property tax graphs

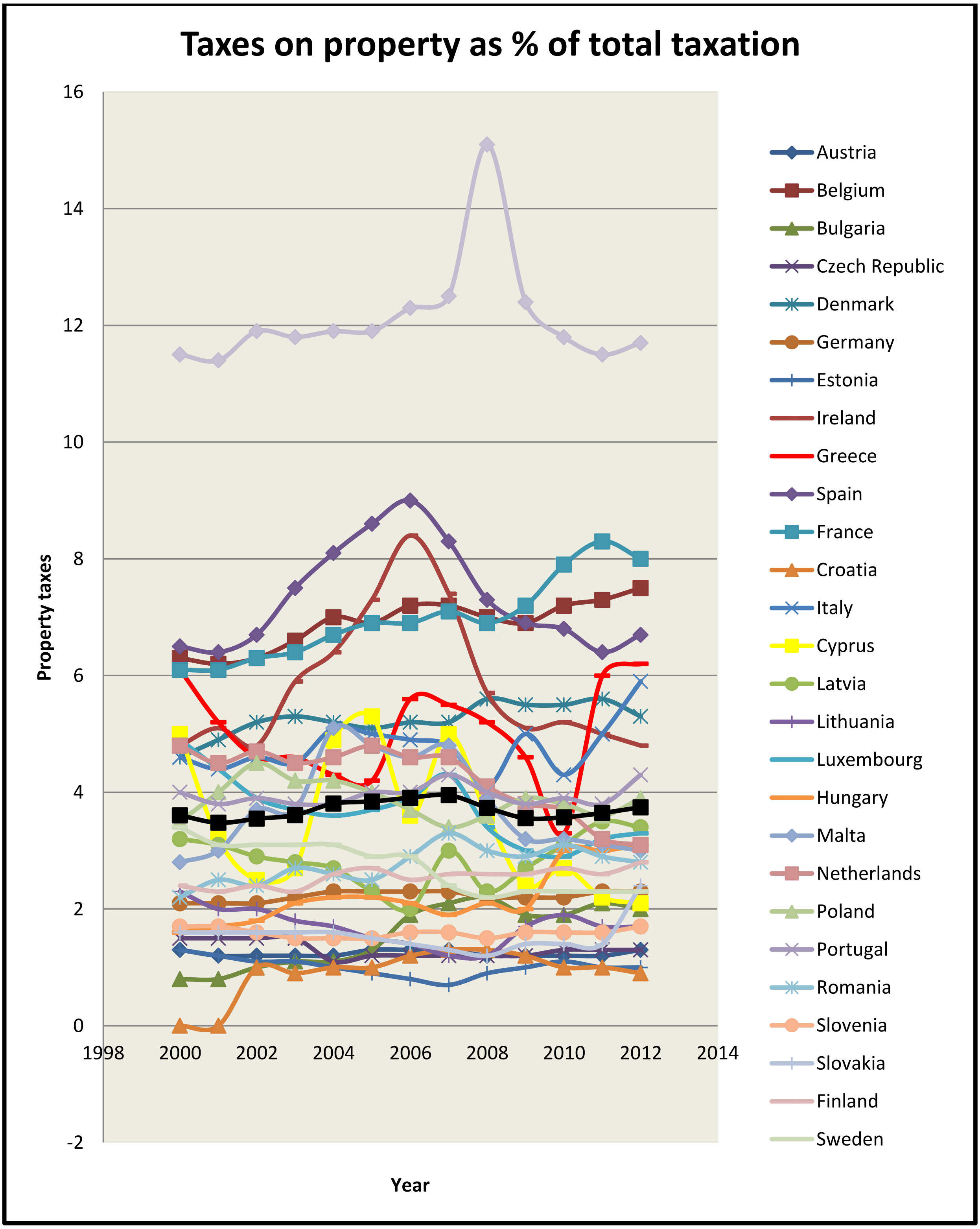

Table 10. Taxes on property as percentage of total taxation.

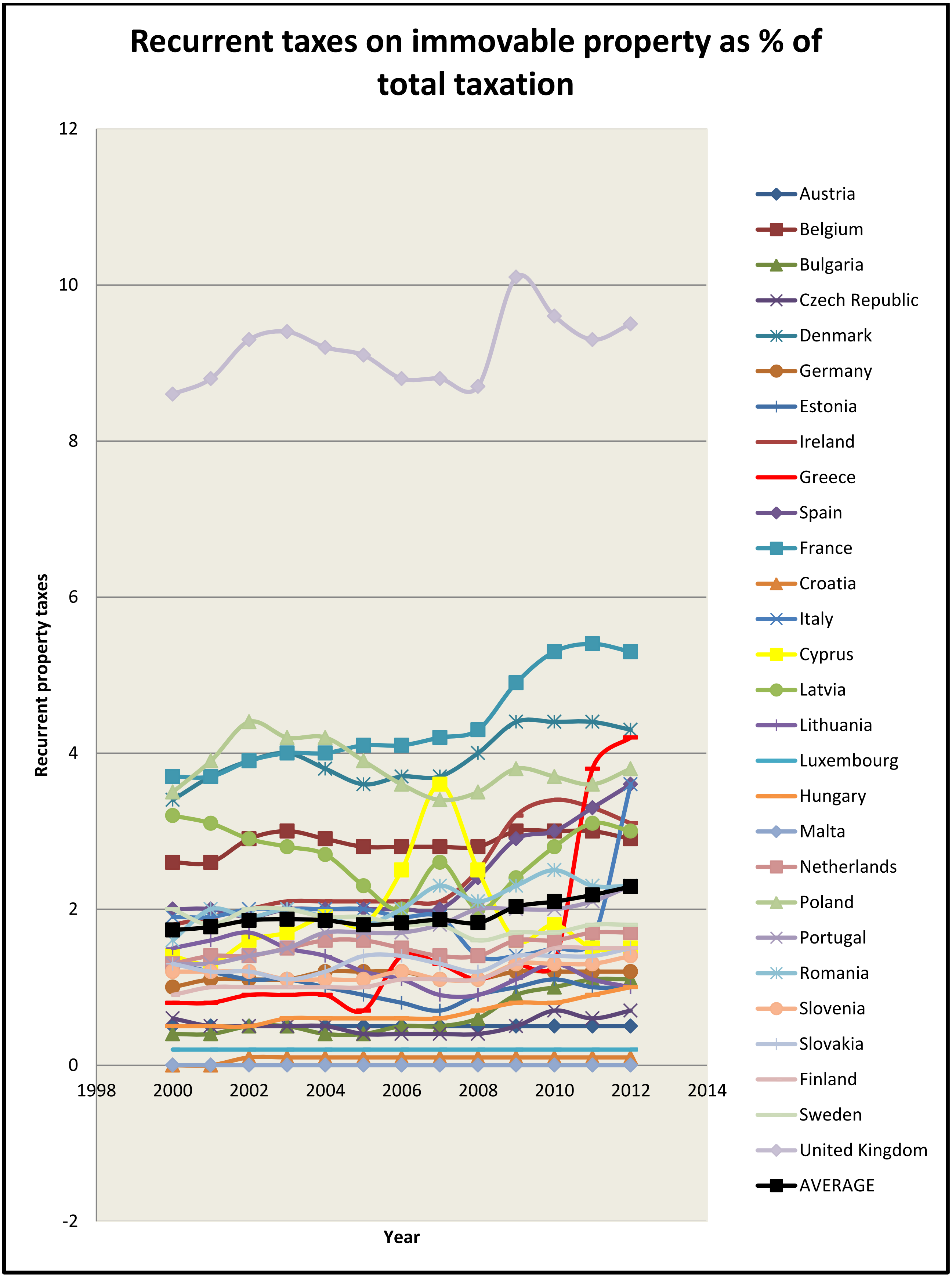

Table 11. Recurrent property taxes as percentage of total taxation.

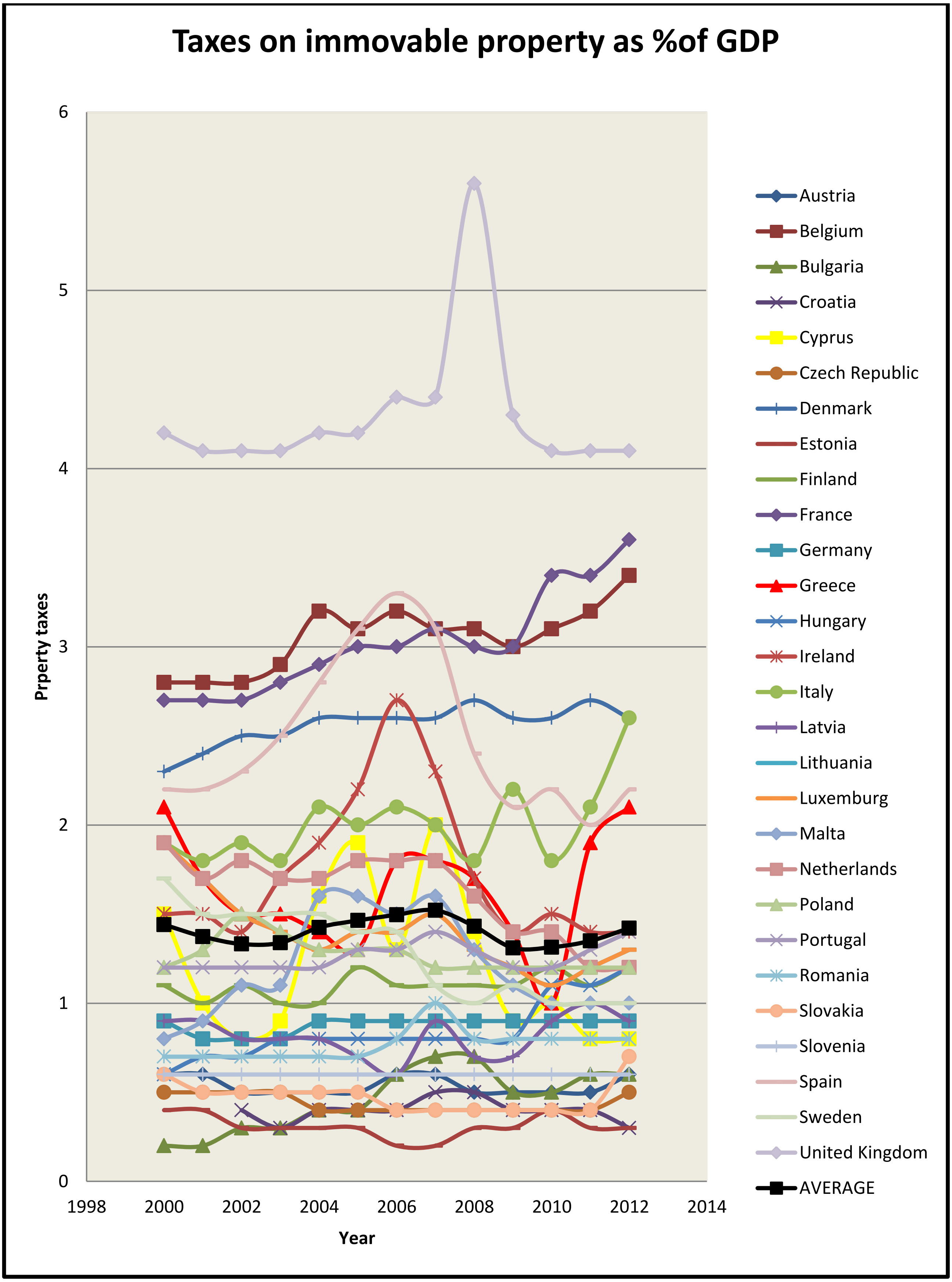

Table 12. Taxes on immovable property as percentage of GDP.

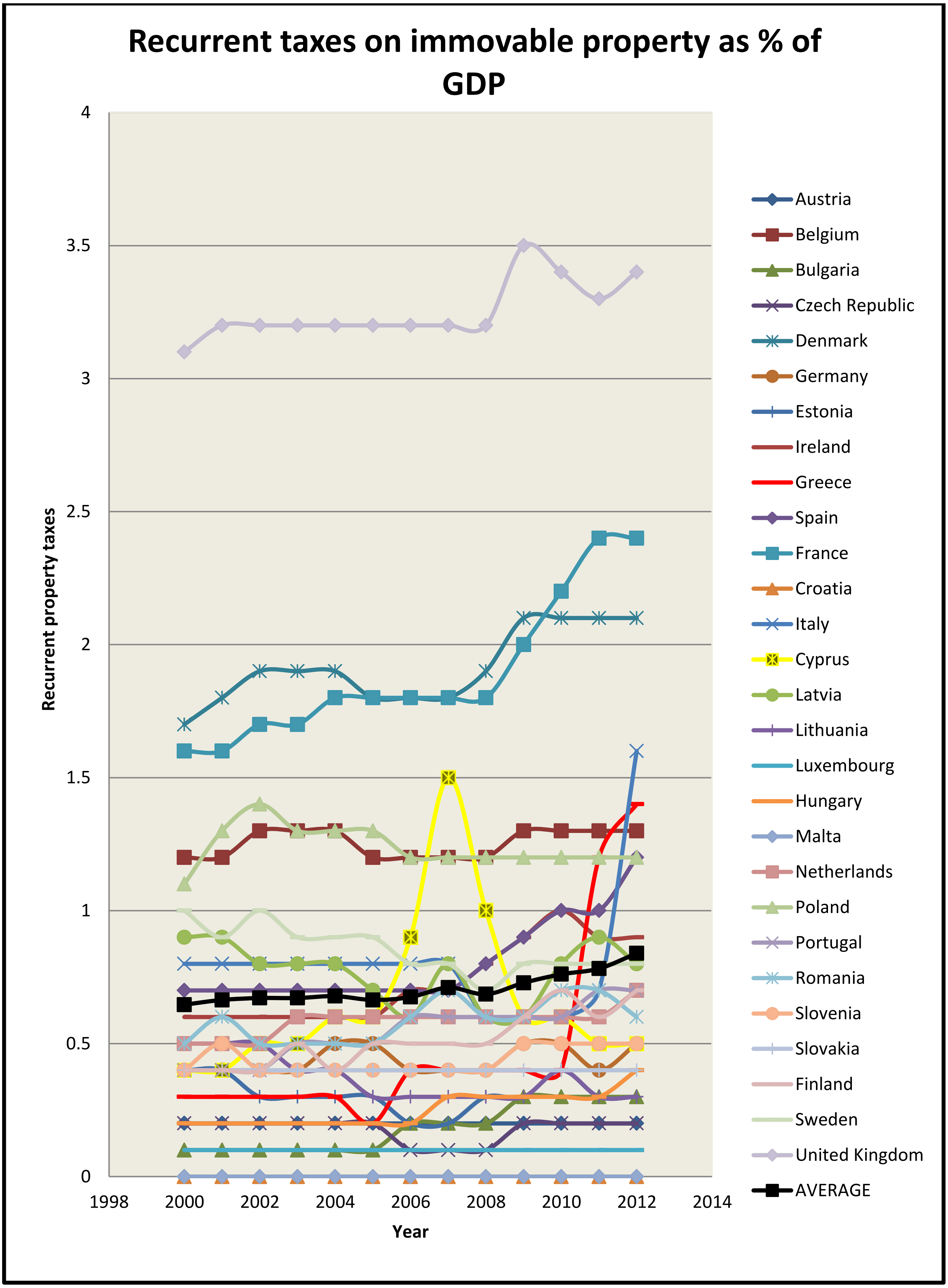

Table 13. Recurrent property taxes as percentage of GDP.

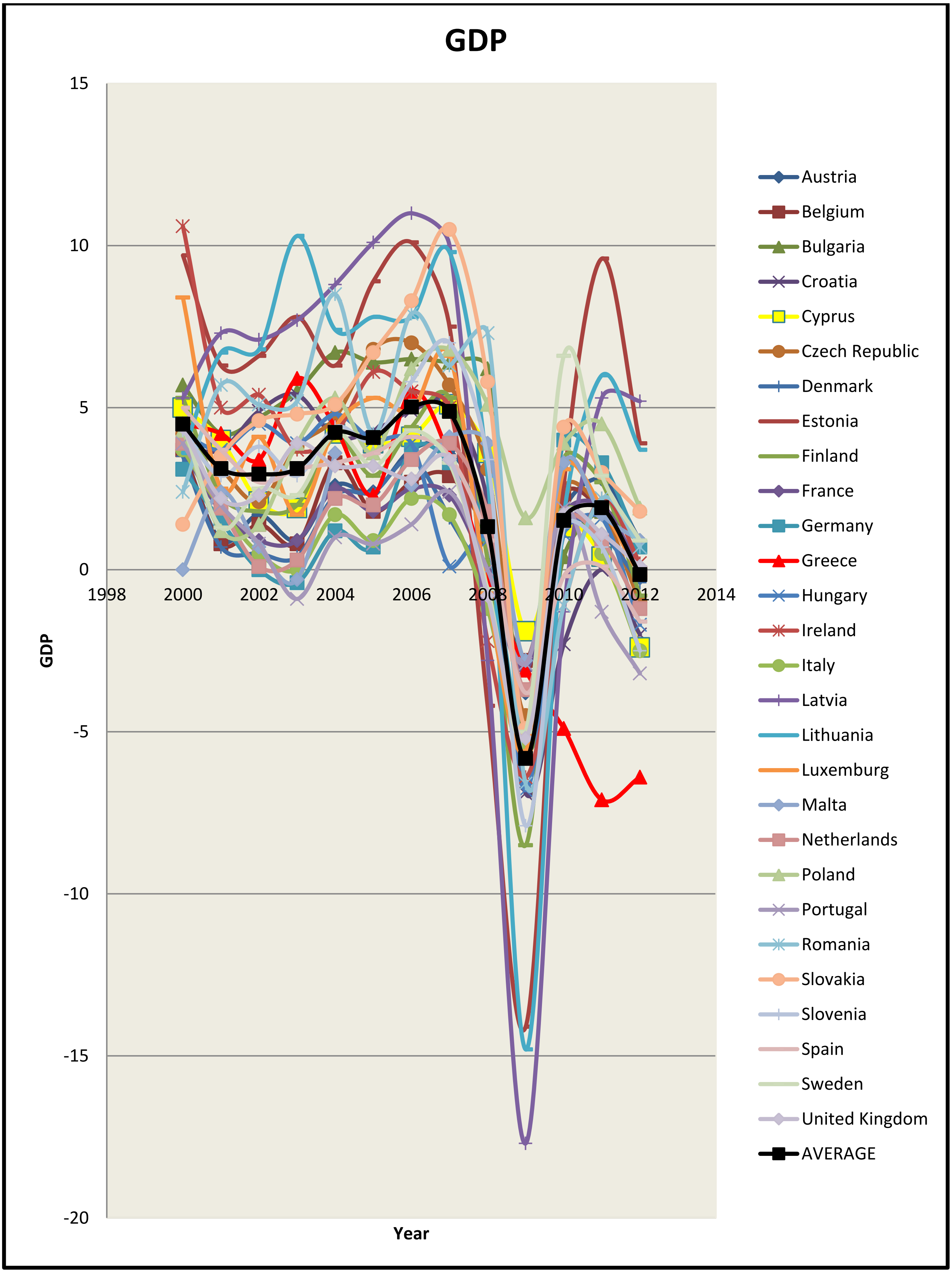

Table 14. Real GDP growth (annual rate).