



# FIG Working Week 2012

Rome, Italy 6–10 May

Knowing to:

Manage the territory  
Protect the environment  
Evaluate the cultural heritage



## THE FISCAL REFORM OF LAND TAX IN GERMANY

**Maximilian KARL, Germany**

TS TS05G – Taxation –paper no 5766

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## 1. THE HISTORY OF LAND TAX

- Land taxation in many past societies in different forms
- modern German land tax was introduced in 1861 in the territory of the Prussian state
- Friedrich Gustav Gauß coordinated the implementation of a cadastre of tax which implied the area and ownership of the land
- since 1891 the actual land tax was assigned to the municipalities

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## 2. TAX REVENUE IN DIFFERENT COUNTRIES OF THE EU

Country	Revenues (in Billion Euro)	per capita
Germany	10,9*	133
Great Britain	49,7*	986
Denmark	2,6**	472
Belgium	4,0**	384
France	23,6*	367
Sweden	2,5**	277
Spain	7,5**	185
Italy	9,9**	170

\* 2009, \*\* 2008

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## 3. CURRENT SITUATION IN GERMANY

- land tax accounts for 20% - 30% of the municipal tax revenue
- census of the land tax is based on the value of the real estate on basis of assessment of the taxable values of 1964 (or 1935)  
→ these values have been unchanged since!
- the German federal constitutional court considers the "principle of equity" as violated in the current code of practice

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## 4. THE LAND TAX REFORM IN GERMANY: AIMS, CRITICS, CLAIMS

- revenue neutrality - dt. Städtetag/ association of city/municipalities  
→ constant tax revenue
- limitation of urban sprawl - federal ministry for environment  
→ revitalize/mobilize urban waste
- operating expenses - Mieterbund / association of tenants

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## 5. PROCEDURAL MODELS

January 2010, proposal by the Conference of the German secretaries of finance

- a) Land tax, based on market value
- b) Land tax, based on the principle of equivalence, simplified, independent of value (WUM)
- c) Land tax, based on a combined model which is independent of a building's value (KOM)

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## a) model of marked value

scale: market value of the land

model: undeveloped land: land area [m<sup>2</sup>] x standard land value [€/m<sup>2</sup>]

housing: usable area [m<sup>2</sup>] x comparable factor for buildings + land value [€]

condition: Inclusion of the cadastre-administration + boards of expert valuers, available data, trained staff

valuation: Consistent with the constitution, laborious, lacking transparency (statistical models), insufficient situation of data, positive synergetic effects with other proceedings of taxation, periodical revaluation with high cost

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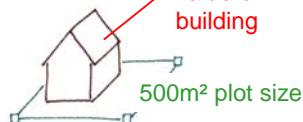
## a) model of marked value

**undeveloped**



10000m<sup>2</sup>  
x 2€/m<sup>2</sup>

**developed**



200000€  
value of  
building

(500m<sup>2</sup>  
x 200€/m<sup>2</sup>  
+ 200000 €) x taxrate

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## b) value-independent model

scale: floor space of the land and buildings

model: floor space (land) x equivalence scale ("Äquivalenzzahl")

+ buildings x equivalence scale (usage-dependent)

condition: - floor spaces taken from ALKIS (official data pool)  
- municipal rate law at the communities

valuation: constitutionally not yet examined, simple, no controversies, unfairness concerning the illustration of equivalence scales (e.g. age of buildings, differences in locations are not to be respected), transparent, because value-independent, potential of revaluation = minimal, automatable

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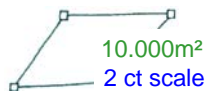
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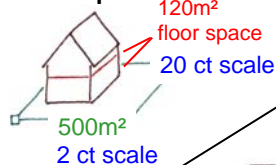
## b) value-independent model

**Undeveloped (agricultural)**

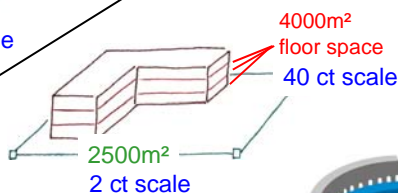


$$(10000\text{m}^2 \times 0.02) \times 0,3$$

**Developed**



$$(500\text{m}^2 \times 2 \text{ ct} + 120\text{m}^2 \times 20 \text{ ct}) \times \text{taxrate}$$



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## c) combined model

scale: element of land with value / element of building not value dependent

- model:
- undeveloped lands: floor space [m<sup>2</sup>] x standard land value [€/m<sup>2</sup>] x 0.005
  - developed lands: property space [m<sup>2</sup>] x standard land value [€/m<sup>2</sup>] x 0.05
- plus
- residential buildings = gross floor space x 20 ct/m<sup>2</sup>
  - non residential buildings = gross floor space x 40 ct/m<sup>2</sup>

condition: see a) and b)

valuation: constitutionally not verified and arguable, barely controversies  
requires intensive communication with the citizens

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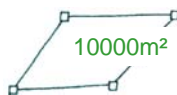
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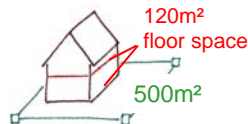
## c) combined model

### undeveloped



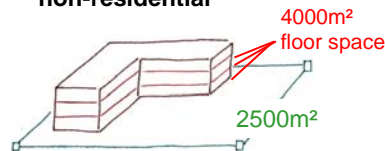
$$10000\text{m}^2 \times 2\text{€/m}^2 \times 0.005$$

### residential



$$(500\text{m}^2 \times 200\text{€/m}^2 \times 0.05) + 120\text{m}^2 \times 0.20\text{€/m}^2 \times \text{taxrate}$$

### non-residential



$$(2500\text{m}^2 \times 500\text{€/m}^2 \times 0.05) + 4000\text{m}^2 \times 0.40\text{€/m}^2 \times \text{taxrate}$$

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## 6. VALIDATION

- evaluation of 10.000 cases by the financial authorities of the federal states since March 2012
- collaboration with the
  - federal office for statistics and data handling (“destatis”)
  - the taxation authority together with the municipalities, the administration of measurement and the boards of expert valuers
- first results in the middle of 2012

→ decision for one model by end of 2012 by the federal government (?)

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