# PROPERTY TAX PRACTICES IN ADVANCED FOREIGN COUNTRIES IN THE CONTEXT OF TAX ADMINISTRATION

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**Abstract:** This article analyzes the experience of advanced foreign countries in implementing and administering property taxes as part of tax administration systems. Particular attention is paid to property valuation methods, tax rates, administrative mechanisms, and digitalization processes. The study also highlights the role of property tax in ensuring stable budget revenues, promoting equitable tax burden distribution, and reducing the shadow economy. Based on the findings, recommendations are developed for adapting best international practices to the national tax system.

**Keywords:** tax administration, property tax, foreign experience, cadastral valuation, tax policy, digitalization, budget revenues, tax equity

The property tax rate represents a potentially effective instrument for financing municipal governance in developing countries. As a source of revenue, it enables local authorities to utilize a broad and continuously expanding tax base.

In global taxation practice, property taxes are currently implemented in more than 130 countries worldwide; however, their share in total budget revenues varies significantly across countries. In most states, real estate tax accounts for approximately 1–3 percent of total budget revenues. For instance, it constitutes 2.17 percent in France, 1.85 percent in Denmark, 1.8 percent in the Netherlands and Italy, 1.06 percent in Germany, and 0.89 percent in Sweden. In contrast, in some countries, property tax holds a more substantial share in budget revenues, reaching 10 percent in the United Kingdom, 9 percent in the United States, and 8 percent in Canada. Notably, property taxes also form a significant portion of local budget revenues in these countries, accounting for approximately 40 percent in Canada, 30 percent in the United Kingdom, and 20 percent in France.

In a number of other countries, increasing attention is being paid to real estate taxation, accompanied by ongoing amendments to tax legislation. Importantly, while property taxes serve as the primary source of local budget revenues, different countries prioritize distinct aspects of taxation: in some (such as France, Sweden, and the United States), emphasis is placed on the taxation of real estate objects, whereas in others (including Germany, Canada, the Netherlands, and Denmark), greater priority is given to the efficient taxation of land.

Numerous scientific studies in international practice, aimed at improving the mechanisms for the assessment and collection of property and land taxes, emphasize the importance of unifying these taxes and introducing a consolidated real estate tax. Such an approach is considered a key factor in stabilizing local budget revenues while simultaneously simplifying tax assessment and collection procedures. However, some economic scholars argue that greater attention should be given to taxation based on the intended use of land plots.

According to global practice, one of the most important factors in implementing real estate taxation is the ability of local payments to improve living standards in a given area. Excessive tax burdens may encourage taxpayers to relocate, whereas well-balanced and beneficial tax payments can serve as an incentive to attract residents and stimulate investment inflows. In this regard, it is emphasized that, for taxation purposes, real estate should be differentiated—particularly by applying different tax rates to individuals and legal entities, as well as by taking into account the functional use of property objects (such as commercial, industrial, residential, and others).

In the United Kingdom and France, the rental value of property serves as the tax base, whereas in the Netherlands, Spain, Italy, and Russia, the cadastral value of land, buildings, and structures is used for taxation purposes. In Latin American countries, as well as in the United States and Canada, the market value of real estate constitutes the tax base, while in Japan, the assessed value of real estate is applied.

Furthermore, the frequency of property valuation plays a significant role in increasing the share of real estate tax revenues. For example, property is revalued every 10 years in the United Kingdom and Italy, every 8 years in Spain, every 4 years in the Netherlands, and every 3 years in Japan and Russia. In contrast, in countries such as France, Germany, the United States, and Canada, property is reassessed annually for taxation purposes.

Another important aspect of property taxation is the designation of valuation authorities. In all developed European countries, property valuation is carried out by state fiscal and municipal bodies. However, in Japan, the United States, and Canada, property valuation is conducted by authorized private appraisal organizations.

It should be noted that in international taxation practice, the taxation of agricultural land is often based on land rent, defined as the income derived from land use. Land rent serves as the fundamental basis for determining land value. The economic valuation of land is typically conducted from two perspectives:

first, as a means of production in general economic terms, and second, based on the efficiency of cultivating specific agricultural crops.

By the 1980s, Japan experienced a rapid increase in demand for land, driven primarily by economic development, business expansion, and growing interest from foreign investors. This led to a construction boom and a significant rise in land demand. Commercial banks began offering loans at very low interest rates for land acquisition, which contributed to the proliferation of land ownership. Consequently, tax evasion and the expansion of the shadow economy became more prevalent in land transactions, as, unlike other taxes, land transactions were not subject to taxation at that time.

In response, Japan introduced land tax into its tax system and has since continuously improved its administration. A key factor behind this policy is the country's limited land resources. As land prices increased significantly, challenges emerged in financing social infrastructure development. To address this issue, the Japanese government adopted a policy of capping land tax rates at no more than 10 percent of the most recent assessed value. This approach prevented excessive increases in land prices driven by high tax burdens. Revenues collected from land taxes have been directed toward improving land productivity and developing irrigation systems.

According to the tax legislation of the Russian Federation, cadastral valuation is applied as the tax base for certain categories of real estate. These include:

1. Administrative and business centers, as well as shopping centers (complexes) and the premises within them;
2. Non-residential buildings designated or registered for office use, commercial activities, public catering, and бытовые (household/service) services, including those actually used for such purposes;
3. Real estate owned by foreign companies and organizations operating without a permanent establishment in the Russian Federation, as well as property not related to the activities of organizations with a permanent establishment in Russia;
4. Unfinished construction objects, residential structures, garages, parking facilities, country houses, auxiliary buildings for personal subsidiary farming, gardening, or individual housing construction.

The transition to using cadastral value as the tax base for these properties is implemented in accordance with decisions adopted by the relevant субъект (regional authority) of the Federation. The cadastral valuation becomes legally effective upon official approval of the corresponding assessment decision.

Under the Tax Code of the Russian Federation, property tax liabilities and advance payments for buildings taxed based on cadastral value are calculated as follows:

advance payments are determined at the end of each reporting period by applying the tax rate to one-fourth of the cadastral value of the property;

if a property is identified during the reporting period but has not yet been entered into the Unified State Register of Real Estate, its cadastral value is calculated from the date of assessment and becomes subject to taxation from the date of registration.

In addition, land tax in Russia is also levied based on the cadastral value of land plots. The tax base is determined for each land plot registered in the Unified State Register of Real Estate as of January 1 of the reporting year.

For land plots formed during the tax period, the tax base is calculated from the date of registration in the Unified State Register, based on the cadastral value determined from registry data.

If the cadastral value of a land plot changes during the tax period, such changes are not taken into account within the current tax period; instead, they are applied starting from the subsequent tax period.

Legal entities are entitled to determine the land tax base for their respective land plots based on data from the Unified State Register of Real Estate and calculate the tax accordingly.

For individuals, the land tax base is determined by territorial tax authorities in accordance with data provided by state cadastral registration and accounting bodies.

In Turkey, the taxation of real estate is implemented in accordance with the territorial classification of the republic, where regions are divided into categories. In major and high-value cities of Turkey, the higher value of real estate results in a correspondingly higher tax base.

In this country, the ownership or acquisition of real estate serves as an indicator of an individual's socio-economic status, reflecting wealth or relative poverty. Accordingly, the tax burden is structured in proportion to this status.

During the process of buying and selling property, both the seller and the buyer are required to pay an equal amount of tax. Under Turkish legislation, this tax rate is set at 4 percent of the declared value of the property, and both parties are obligated to fulfill this payment.

In resort areas of Turkey, real estate valuation is determined not strictly by market prices but largely based on cadastral values. These values are formed on the basis of data provided by cadastral authorities.

Property owners are subject to annual taxation based on the type of real estate they own, with rates ranging from 0.2 percent to 0.6 percent of the property value. Specifically:

- Residential buildings – 0.1% (0.001);
- Buildings located in central areas – 0.2% (0.002);
- Commercial-use buildings – 0.2% (0.002);
- Land plots permitted for construction – 0.3% (0.003), and up to 0.6% (0.006) in central areas.

If a building does not have an officially registered technical passport, its tax base is calculated as that of an unfinished construction object, which is subject to higher coefficients.

Taxpayers are allowed to pay property taxes in two installments per year. In cases of non-compliance or tax evasion, penalties ranging from 6 to 8 percent are imposed.

In addition, Turkish tax legislation effectively applies taxation on income derived from renting out real estate. Rental income is taxed under a progressive scale, with rates ranging from 15 percent to 40 percent. The highest rate applies when annual rental income exceeds USD 100,000. This progressive rate structure is applied when the property is rented out by individuals. In contrast, income derived from rental property owned by legal entities is taxed at a fixed rate not exceeding 20 percent.

Scholars such as Auriol and Warlters argue that governments in developing countries should reduce barriers to entry into the formal sector and ease regulatory constraints in order to strengthen tax administration and maximize tax revenues.

The analysis of the tax systems in the aforementioned countries demonstrates that local taxes occupy a significant place in state budgets. It also shows that local authorities can independently strengthen their financial capacity in forming local budgets, provided that their activities remain within the framework of national legislation.

Furthermore, the role of indirect taxes in European countries is higher compared to that in the United States and Japan. In Europe, the share of indirect taxes in total tax revenues exceeds 40 percent and, in some countries, reaches up to 50 percent.

The analysis of property tax practices in advanced foreign countries demonstrates that property taxation remains one of the most stable and reliable sources of public revenue, particularly for local governments. The effectiveness of this tax largely depends on the accuracy of valuation methods, the transparency of tax administration, and the institutional capacity of fiscal authorities.

International experience shows that different countries apply diverse approaches to determining the tax base, including market value, cadastral value, and rental value, depending on administrative capabilities and economic conditions. Countries with well-developed tax systems tend to rely on regularly updated and market-oriented valuation mechanisms, which enhance fairness and efficiency in taxation.

Moreover, the frequency of property revaluation, the involvement of professional appraisal institutions, and the digitalization of cadastral systems play a critical role in improving tax compliance and minimizing tax evasion. In many developed economies, property taxes constitute a significant share of local budget revenues, thereby strengthening fiscal decentralization and increasing the financial independence of local authorities.

At the same time, the analysis indicates that excessive tax burdens or poorly designed tax policies may discourage investment and lead to informal economic activities. Therefore, balancing fiscal objectives with social equity remains a key challenge in property tax administration.

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