

DEVELOPMENT OF THE DANISH VALUATION SYSTEM

Anders Muller (M.Econ.)

Principal Administrator

Ministry of Taxation, Denmark

Property Valuation in Copenhagen

DENMARK

- 5 million inhabitants
- 43.000 square kilometre
- High taxes (50% of GDP)
- Strong local government
(50% of total government expenses)
- 2.2 million properties

RECURRENT PROPERTY TAXES

→ Three property tax

Land tax

Property value tax

Service tax

→ Combined property tax revenue - 2006

3.9% of all taxes (8.9% in UK)

All to local government

11% of local taxes (100% in UK)

LAND TAX

- Base: Market value of the land
- All types of land (usual exemptions)
- Rate: 1.6 - 3.4 % - decided by local gov.
- Deferred payment if owner-occupied dwellings where owner is 65 years or more
- Reduced rate for agriculture, forestry and government

PROPERTY VALUE TAX

→ Base: Market value of property
(land and buildings)

→ Only owner-occupied dwellings and
summerhouses

→ Rate: 1.0%

0.6% if 67 years or more

3.0% for value above 0.4 mil. EUR

SERVICE TAX

- Base: "Building value"
- Only commerce, administration and industry
- Rate: Up to 1 % decided by local gov.

VALUATION RESULTS

- Land value
- Property value
- Property use code
- Distribution of value if use is both business/agriculture and owner-occupied dwelling

VALUATION CIRCLE

- 1903-80 Every 4 years
- 1981-97 Every 4 years
indexation in other years
- 1998-2002 Every year
- 2003- : Every 2 years
dwellings one year
business and agric. next year

VALUATION AUTHORITY

→ Tax administration - not land adm.

1903-1969: Central gov.

1970-2002: Central and local gov.

2002- : Central gov.

VALUATION STAFF

→ Numbers (full-time):

Central office		16
8 regional offices	150	
7 regional appeal boards (77)	20	
7 appeal secretariats	<u>25</u>	
	210	

→ Educational background:

University (law, economics)	20%
Trained within the service	80%
Support staff	0%

COMPUTERISED REGISTERS

- 1960: Land register
Valuation results
Collection of property tax
- 1967: Sales register
- 1980: Building register
- 1991: Planning register
- 1996: Geographical coordinates

COMPUTERISED VALUATION 1

→ LAND VALUE SYSTEM

All properties

Introduced 1981, reform 1992

→ Based on:

Land value areas

4 principles

One "price" per land value area

COMPUTERISED VALUATION 2

→PROPERTY VALUE SYSTEM - CAMA

1, 2, 3 family houses

Freehold flats (condominiums)

Summer houses

Introduced 1981

→Based on:

Declared sales prices

Multiple regression analysis

Iterative use of land value system

DEVELOPMENT OF COMPUTERISED VALUATION

- Structure of models for CAMA unchanged since 1981
- 1996: Details of value calculation on valuation notices
- 2002: Political decision to disregard some factors (#baths, patio, thatched roof)
- 2005: First use of GIS

APPEALS

- Deadline: 3 months after notification
- Levels of appeals
 - 7 Regional appeal boards
 - National Tax Appeal Board
 - Court system - only legal questions
- Valuation authority makes informal processing of appeals (85% resolved)
- Refundable fee 100 EUR for appeals to National Tax Appeal Board
- Costs of advisor refunded if appeal is successful

NUMBER OF APPEALS

→ Dwellings (owner-occupied)

→ 2005 0.6% of properties

→ 2007 2.6% of properties

→ Business and agriculture

→ 2006 1.7% of properties

→ 2008 2,3% of properties

INFORMATION TO TAXPAYERS

→ Valuation notice by post

1996-: must include details about
calculation of values

(The Ombudsman)

→ 1999-: All valuation results on internet

SALES REGISTER

- Sales form is filled out by buyer
- Reported sales prices on deeds and forms are correct
- Sales register used for CAMA and individual valuations
- Digital Ownership Register in 2009

COORDINATED REGISTERS

- Land register – Cadastre
- Building register (municipal)
- Sales register
- Valuation register
- (Ownership Register in 2009)

TAX FREEZE 2002

- Income tax and VAT: No higher rates
- Excise duties: No higher rates or no higher amounts if tax expressed in DKK
- Property taxes: No higher amounts

FREEZE OF PROPERTY VALUE TAX

**→The base for calculation of the tax is
one of three:**

- property value 2001 + 5%**
- property value 2002**
- property value 2003 or later**

**→Building changes and land changes results
in higher taxes**

CEILING FOR LAND TAX

→ Max increase in amount: 7%

→ Max 2004-2005: 6.1%

→ Higher increases if municipality decides higher land tax rate

LOCAL GOVERNMENT REFORM 2007

→ No more counties

→ Minimum size of municipalities:
20,000 inhabitants

→ Municipal tax administration (income tax)
became part of the tax administration of
central governm.

LITTERATURE

→Anders Muller

“Property Taxes and Valuation in Denmark”

OECD seminar Sept. 2000

“Economic Crisis and Real estate”

IRRV/IPTI seminar June 2009