

Property tax system of the Netherlands

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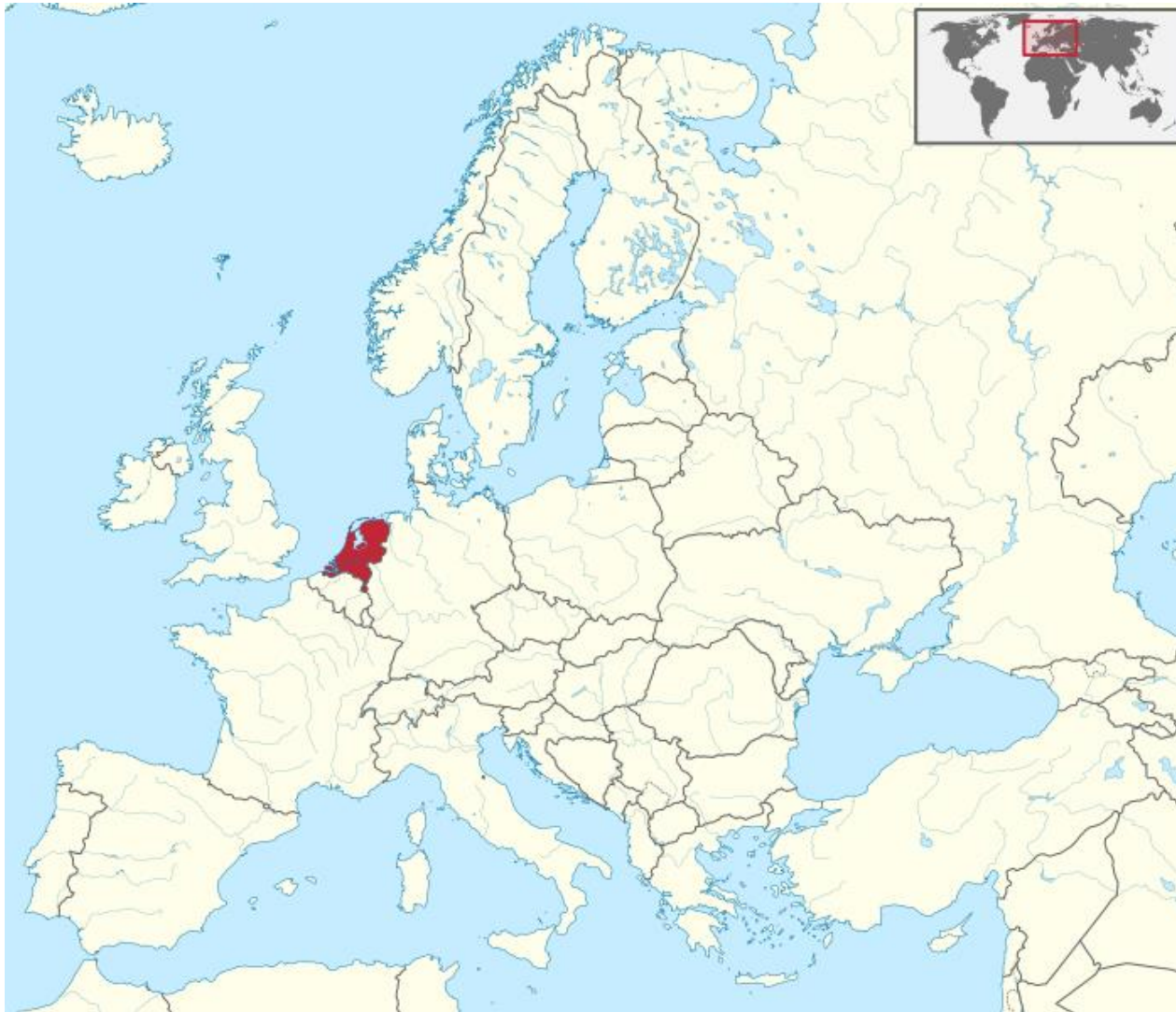


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Getting to know the Netherlands



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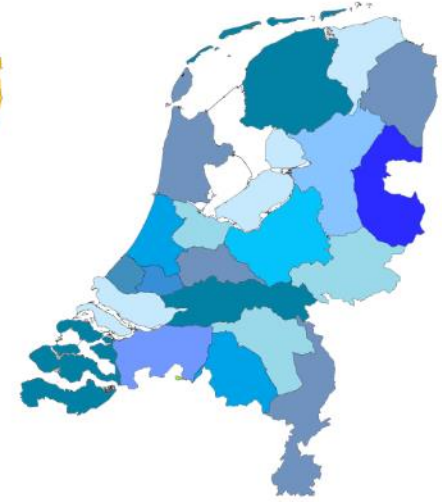
1 country



12 provinces



388 municipalities



21 waterboards



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Some figures...

- 17 million inhabitants
- Area: 41,526 km² (16,221 square miles)
- 9 million residential and non-residential properties

Property tax

- Municipal Ad valorem (based on market value) property tax
- Annual assessment
- Valuation executed by municipalities, or
- Cooperation bodies of municipalities
- Based on Act for Real Estate Assessment

(in Dutch: Wet waardering onroerende zaken)

<https://www.overheid.nl/english/dutch-government-websites/>

Act for Real Estate Assessment

Formal base for:

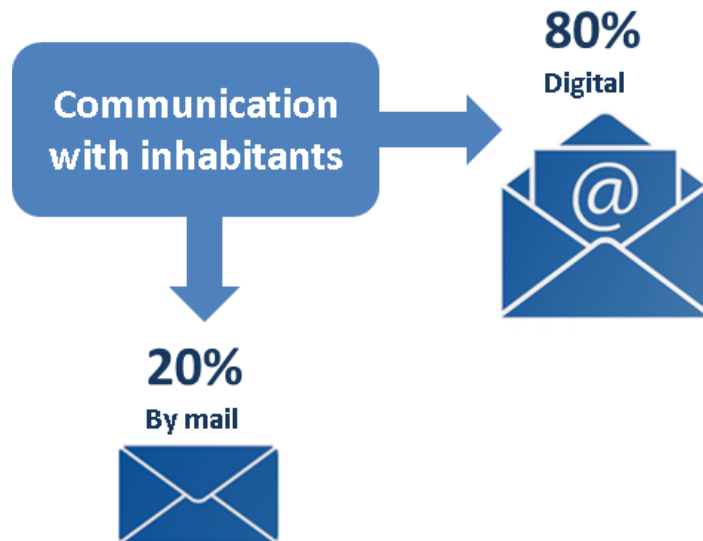
- The Assessment of real property
- The Netherlands Council for Real Assessment
(in Dutch: de Waarderingskamer) (quality control of valuation)
 - Set out guidelines
 - administration
 - valuation
 - quality control procedures
 - Perform audits at municipalities
 - Publish results

Value appraisal of properties in NL

- Total assessed value: € 2100 billion
- More than € 11 billion tax revenue levied a year with the assessed value (by multiple governments)
- Total costs for yearly (mass) appraisal and assessment: € 150 million a year
- Low percentage complaints and appeals (<1.5%)
- Annual costs of complete assessment system decreased from € 22 per object in 1997 down to € 16 in 2017 (total costs divided by total assessed valued properties)

Act for Real Estate Assessment (since 1995)

- The assessed value is not only tax base for municipal property tax, but also for tax of *water boards* and income tax and inheritance tax of *central government*
- Owners and users (tenants) are formally informed on the annual municipal tax assessment



<https://digid.nl/inloggen>

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Average tax bill over residential property in the Netherlands

| Value | Tax | Tax rate | Tax bill |
|---------------------------|--|-------------|-----------------------|
| € 250.000 (\$ 336.000) | Municipal property tax | 0,2% | € 500 (\$670) |
| | Real estate tax Water board | 0,05% | € 125 (\$ 170) |
| | Income tax (imputed income owner-occupied house) | 0,60%*0,42% | € 630 (\$ 770) |
| | TOTAL TAX BILL | | € 1.255 (\$ 1.610) |

Property tax and other municipal taxes (x € 1 bln.)

mld euro

8

6

4

2

0

2010

2011

2012

2013

2014

2015

2016

2017

2018

€ 4 bln.

Residential : € 2,1 bln.

Non-res.: € 1,9 bln.



Rioolheffing

Sewerage tax



Afvalstoffenheffing

Waste charges

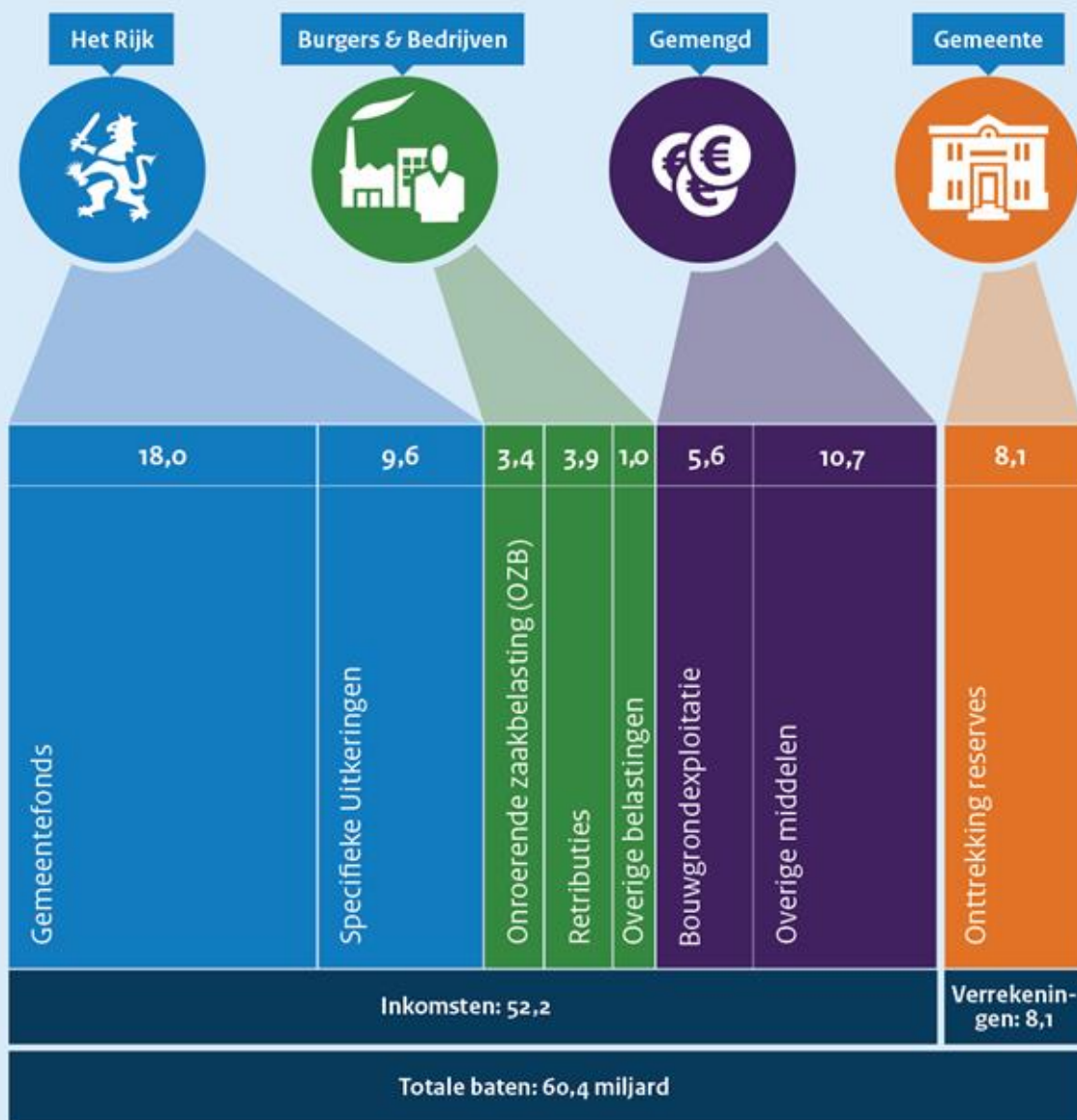


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Property tax

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Total 'income' of Dutch Municipalities (2013)



Own taxes: 13,7%
Property tax: 5,6%

Grants from central government: 45,7 %

Tax/appraisal exemptions

- The following (parts of) properties are not being assessed (and therefor not taxed):
 - Farmland
 - National parks (areas where buildings are not permitted)
 - Public roads and railroads
 - Churches and other religious buildings
 - Water defensive structures (such as dikes)
 - Water purification buildings

Value assessment by municipalities: tax base

- Residential property
 - value based on comparable sales (market value)
- Non-residential property:
 - highest of:
 - ❖ market value (mostly based on rent prices)
 - ❖ reproduction costs

Value assessment by municipalities

- Market Value:

The estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without being under compulsion.

- Valuation assumptions

The value is determined in accordance with the value which would be allocated to the property if the full and unencumbered ownership thereof can be transferred and the acquirer is able to make full and immediate use of the property in the condition in which it was acquired

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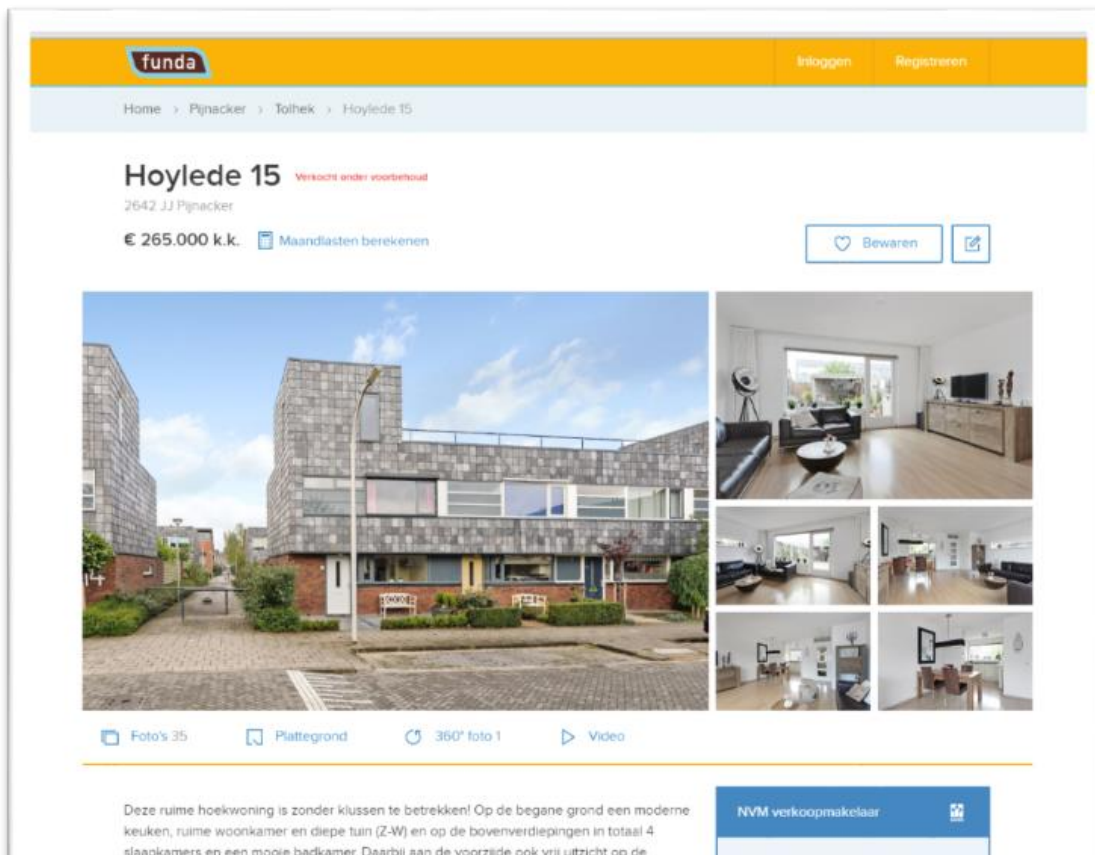
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Valuation process

- **Seven** important aspects:
 1. Decentralized valuation process
 2. Centralized quality control
 3. Annual valuation of market value
 4. Mass appraisal systems
 5. Uniform working procedures
 6. Uniform quality standards
 7. Uniform valuation report

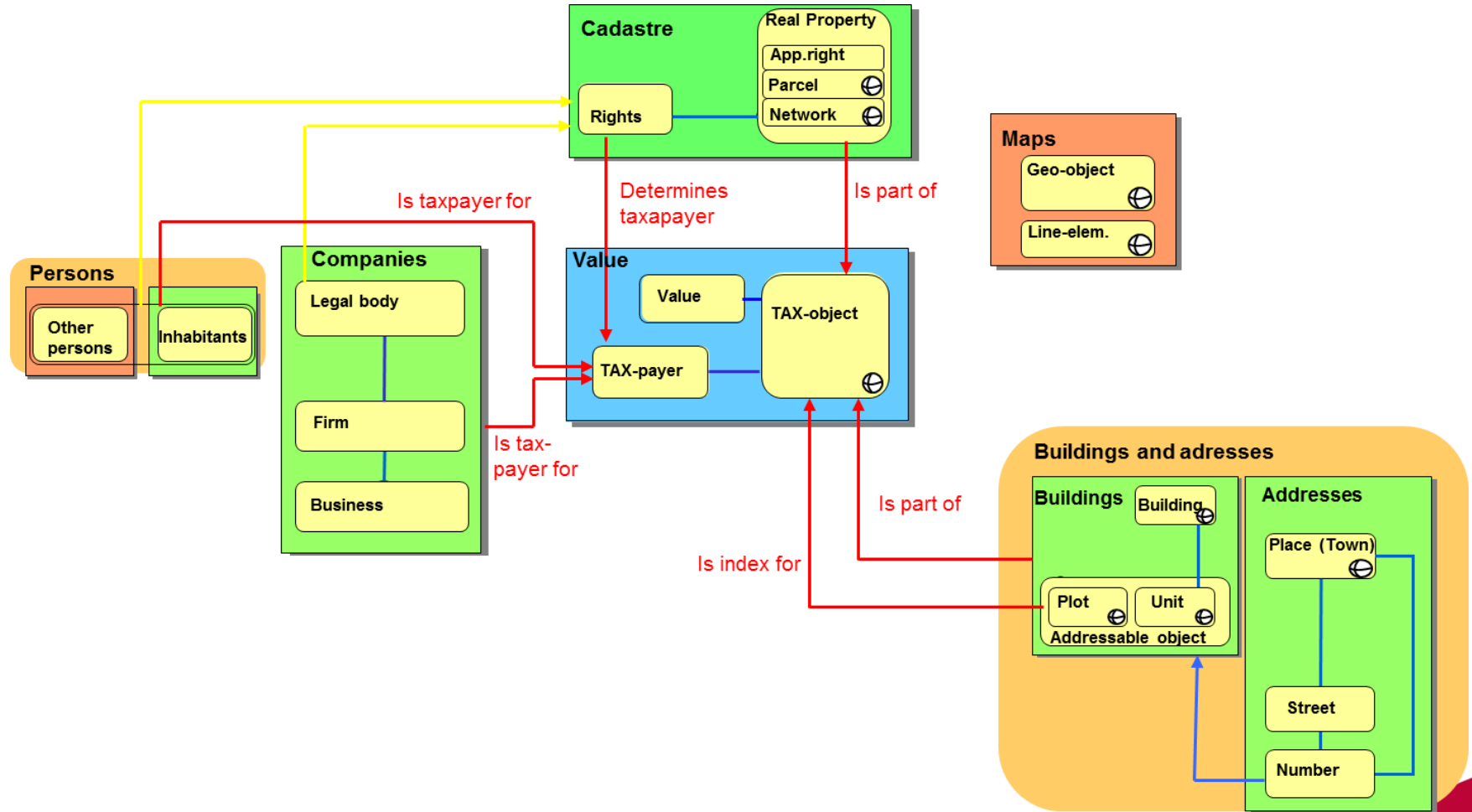
Data used in (mass) valuation process

1. Information derived from the **system of Register Databases**
2. Information derived from **real estate ads**
3. **Specific information** collected by **municipalities**
4. **Specific information** derived from interaction with **taxpayers**



Ezra

Sharing data between governments: Register Databases for governmental use



Registration Databases used for mass valuation

- Cadastral registration
- Registration of buildings
- Registration of addresses
- Registration of inhabitants
- Registration of non-inhabitants (foreigners)
- Registration of companies
- Large scale base maps
- Value of real estate

Benefits of Register Databases

With a system of base registers the government:

- can offer rapid and good services
- will not be misled
- will experience improved confidence of citizens
- will operate very cost efficiently

Not all data are available from Databases and Market analyses (from real estate ads)

- Primary characteristics
 - Building year ☒ ☐
 - Size ☒ ☐
 - Location ☒ ☐
 - Annexes and property features ☒ ☐
- Secondary characteristics
 - Quality ☐
 - Maintenance ☐

Specific information needed



- Size: 120 m²
- Year of construction: 1850
- Size parcel: 600 m²



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Annexes and property features




Specific information

Collection of this information can be done through:

- Fieldwork
 - Efficient for location features
 - Not for measurements
- interaction (online) questionnaires
- (automated) desk research
 - aerial photo's, streetview, photo from ads, etc.
- From information provided by taxpayers (voluntary, in form of complaints or appeals)
- See this illustrative video from a cooperation of municipalities, called 'Drechtsteden'
 - ❖ <https://youtu.be/NSyb4rLmELY>

Assessed value and appeal

- System of legal protection: opposition procedure at municipality, appeal proceedings at the District Court, legal recourse (second appeal) at Appeal Court and cassation at the Supreme Court
- Municipality has to prove the correctness of the appraised value;
- Procedures are the same for every tax (national or local)

| | | |
|--|-------------------------|------------------------------|
|  Gemeente Delft | Valuation report | |
| Property location | | |
| Street: | | |
| Number: | | |
| Residence: | | |
| Cadastral information | | |
| Municipality: | Parcel number: | Size: |
| | | |
| | | |
| Object characteristics | | |
| Type: | | |
| Building year: | | |
| Size: | | |
| Market data | | |
| The appraised property is sold: | | |
| Selling date: | Selling price: | Special circumstances: |
| Other relevant market data: | | |
| Street: | Street: | Street: |
| Number: | Number: | Number: |
| Residence: | Residence: | Residence: |
| Type: | Type: | Type: |
| Building year: | Building year: | Building year: |
| Selling date: | Selling date: | Selling date: |
| Selling price: | Selling price: | Selling price: |
| Assessed value: | Assessed value: | Assessed value: |
| Assessed value: € | | |

Non residential properties without market

- Valuation based on reproduction costs
- Example: Soccer Stadium or train station



Corrected reproduction cost method

- **Costs of reproduction**

- *Actual costs of rebuilding the same object, using the latest techniques and building materials*

- **Corrections**

- *Technical depreciation from construction year until date of valuation*

- *Lifespan of components of building*

- *Residual value*

- *Functional depreciation on date of valuation*

- *Economical need for building*

- *Constructional aging*

- *Efficiency*

- *Excessive costs*

- **Valuation of the land value**

- *Traced from market data*

Future?

- More use of information of home owners (prevention of appeals)
- Further improvement of mass appraisal
- Improvement of transparency:
 - <https://www.wozwaardeloket.nl/>
 - Further use of data:
<https://maps.amsterdam.nl/woningwaarde/>
- Sustainability: connect tariffs of property tax to energy label of properties?





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