Land and Property Valuation in ASEAN (P176933)

Land and Property Valuation in EAP

Approximate property values for recurrent **property taxes** and local **governance**.

Recurrent Taxes on Immovable Property as a Percentage of the Gross Domestic Product

Country	Value
Lao PDR	0.08
Thailand	0.25
Vietnam	0.34
Indonesia	0.42
Philippines	0.84
OECD Average	1.12
Japan	2.53
Korea	3.14

Source: IMF Revenue Statistics and OECD (2015)
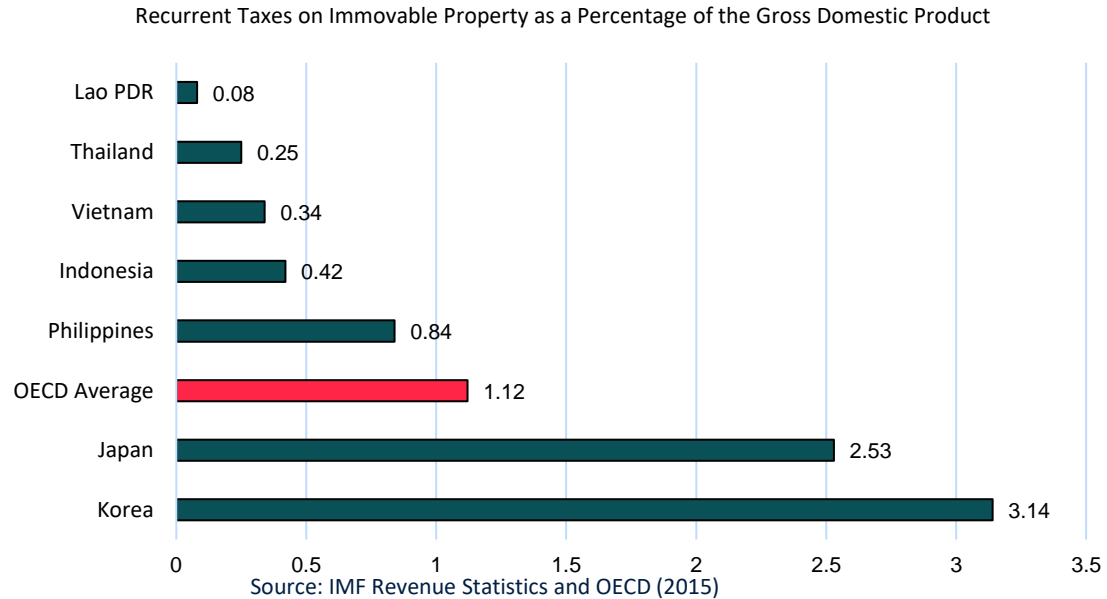
By 2050 urban population +33% and area +80%; wealth and digitalization; demand for **services**.

National valuation infrastructure:
- Valuation standards and methodologies
- Professional oversight, training and education
- Property market transparency
- Land and building records of rights, assets and asset values

Accurate property values for **real estate market**: Mortgage lending, land acquisition, infrastructure and investment financing, public land and building management, and monetization.

Fair property taxes, banking sector stability, public asset use for public interest, infrastructure financing and land value capture.

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# Enabling conditions for property valuation – taxation linkages

Challenges

Comprehensiveness of land and property records: **incomplete digitization** and **lack of building data information**; considerable investments to have all properties and **characteristics** registered

Availability of price data: **failure to register true prices** and under-declaration of prices (high registration fees, property transfer taxes, weak enforcement)

Valuation standards: **limited use** of internationally-recognized **valuation standards** by public sector

Institutions and political support: **lack of political willingness** to tax wealth and to stand up to losers of property taxes; reliance on inter-governmental fiscal transfers; lack of champions in government
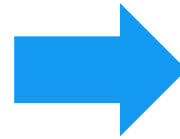
Opportunities

Comprehensiveness of land and property records: Several countries in region completing **systematic land registration**

Availability of price data: potential for the use of **multi-purpose land databases** and concurrent use of **proxies** (mortgage valuations, central bank data)

Valuation standards: some countries **advancing valuation practices** and dynamic private professional bodies, public sector picking the pace up

Institutions and political support: soaring need and **desire for own-source revenue mobilization**, **crises** create opportunity for reform

Cross-cutting: Overall quality of tax administration – reliable tax billing and collection systems, costs of tax collection, culture or tax payment, extension of tax exemptions

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Land and Property Valuation in ASEAN PASA

Objectives: (i) generate knowledge and build capacity on modalities and development impacts of property valuation and taxation in ASEAN countries; (ii) pilot scalable approaches for digital mass valuation for property taxation

Component 1 ● **Case Studies and Analytics**

Component 2 ● **Property Valuation and Property Taxation Piloting**
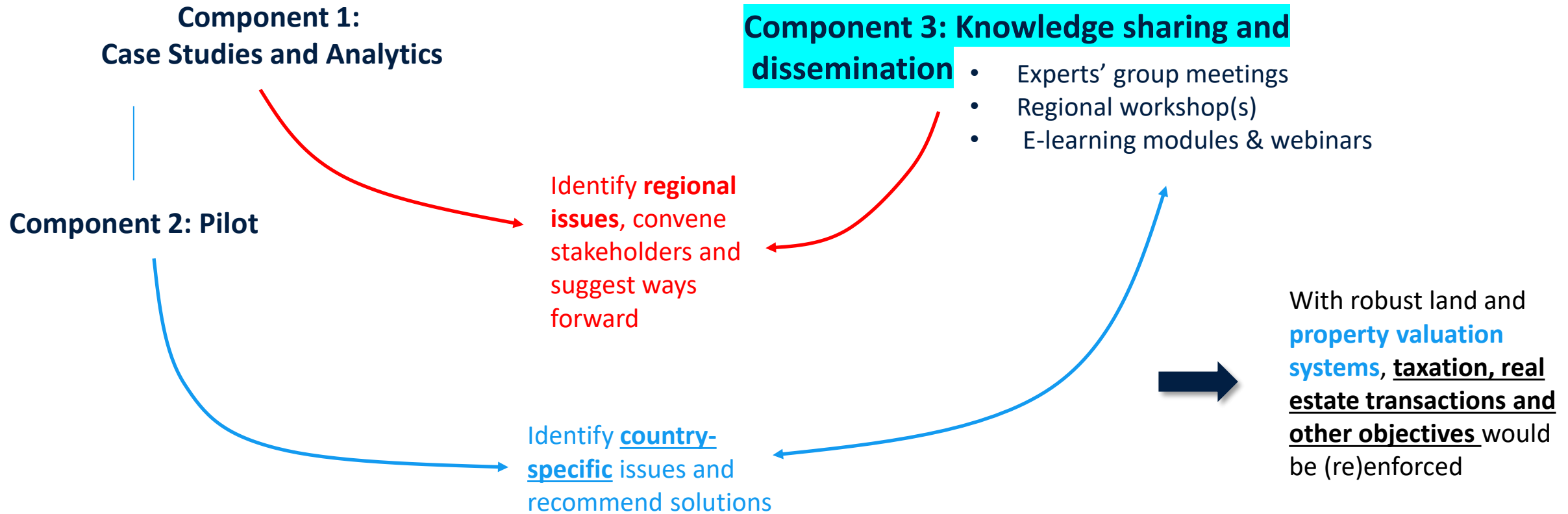
Component 3 ● **Knowledge and Dissemination**

1. **Increased knowledge** on property valuation infrastructure and its multiple uses in ASEAN Countries

2. **Modernized property** valuation and taxation in pilot city

3. **Increased Capacity** and knowledge sharing among experts

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Land and Property Valuation in ASEAN PASA

Linking the Dots

Component 1:
Case Studies and Analytics

Component 2: Pilot

Component 3: Knowledge sharing and dissemination
- Experts' group meetings
- Regional workshop(s)
- E-learning modules & webinars

Identify **regional issues**, convene stakeholders and suggest ways forward

Identify **country-specific** issues and recommend solutions

With robust land and **property valuation systems**, **taxation, real estate transactions and other objectives** would be (re)enforced

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Land and Property Valuation in ASEAN PASA

Component 1: Scope and Timelines

Scope:
- **Increase from five to eight case studies** (Cambodia, Indonesia, Lao PDR, Malaysia, Philippines, Thailand, Vietnam; and Korea)
- **Detailed analysis and reports:** national property valuation infrastructure and practice, property value-based taxes (on basis of specific templates to ensure compatible outcomes)
- **Detailed implementation analytic for selected city** (Questionnaire to sample municipalities assessing progress and cut off points for application of key methodologies)

Country case study research reports:
- Deadline for completion (October 2022)

Regional synthesis and learning report:
- Deadline for submission and completion (December 2022)

Component 1: Expected outcomes

Overall : build ASEAN countries' capacities for the development of land and property valuation infrastructure for multiple uses, with a particular emphasis on property taxation at the sub-national level.

Case studies – process and end:
- Diagnostic situational analysis about the state of property valuation systems to identify major institutional, technological and human capacity constraints for the emergence of good practices on par with international standards.
- Increase knowledge and expertise in property valuation systems that, in turn, inform targeted investments in property valuation infrastructure.

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Land and Property Valuation in ASEAN PASA

Component 2: Mass Valuation Pilot

Spotlight: *Central Jakarta and Cirebon (West Java)*

Property Valuation *(main client: ATR/BPN)*
- Support ATR/BPN in integrating land and building information into a single or linked system
- Demonstrate a semi-automatic land records-based mass valuation system capable of self-updating and maintaining
  (Delayed, expected completion December 2023)

Taxation *(main client: Sub-national Government, MOHA)*
- Viable transition strategy for the use of new valuations for tax assessments

Component 3: Knowledge and Dissemination

Overall objective: Create a community of practice of property valuation and taxation experts and practitioners benefiting from increased connectivity with peers and with cutting edge expertise from Korea and others.

- Identification of key opportunities at regional level (eg ASEAN Valuers' Conference) and global level (ongoing)
- **ASEAN Roadshow on Property Valuation** (end 2022)
- **Global launch of regional report** (World Bank Land and Poverty Conference, March 2023)
- **ASEAN Regional Study Visit to Korea** (early 2023)
- Ad-hoc/demand-driven webinars (ongoing) and structured e-learning (to be designed)

K-partner: Korea Real Estate Board (REB)
Memorandum of Understanding with REB / Case study of Korean mass-appraisal practices / Sharing of operational and technical experience related to mass valuation implementation and links to property taxation systems / Participation in expert group meetings

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Overview of ongoing Land and Property Valuation activities

Introducing other Land and Property Valuation-related TAs

World Bank PASA and TA	KWPF Regional PASA for Land and Property Valuation	PPIAF Technical Assistance to Support Land and Property Valuation System in Indonesia	WB Technical Assistance to Improve Property Valuation Systems in Thailand
Activity Objectives / Concept	[1] Generate knowledge and build capacity on modalities and development impacts of property valuation and property taxation in ASEAN countries [2] Pilot scalable approaches for digital mass valuation for property taxation in Indonesia	Support Indonesia's National Land Agency to Improve Land and Property Valuation Systems for Domestic Resource Mobilization for Infrastructure Investment	Support the Treasury Department (Property Valuation Standards Division) to identify a scalable approach for developing a mass land and property valuation system in Thailand

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Land and Property Valuation in ASEAN PASA: Component 1 Preliminary Outcomes

Country reports progess

Country reports:

- Cambodia
- Indonesia
- Korea*
- Lao PDR
- Malaysia
- Philippines
- Thailand
- Vietnam

All country reports contracted* or completed and in process of finalization.

Country reports template

Template:

- Background
- Real estate markets
- Land tenure and title registration
- Property valuation infrastructure (institutions and governance; people and skills)
- Education and training
- Standards and methodologies
- Property taxation (transaction-based taxes; annual recurrent property taxes)
- Property valuation practice and administration
- The future and lessons learned
- Appendix: Case Study

Land and Property Valuation in ASEAN PASA: Component 1 Preliminary Outcomes

Country report verification process

Submission and review:
The submitted country expert reports are the subject of editorial and content review by the international co-authors/Task Team and the in-country World Bank team.

Final draft for country agency review:
The PASA arrangement is in close collaboration with the relevant in-country government agency(s) responsible and they will be encouraged to review the final draft for verification of details, providing suggestions for amendments or adjustments as appropriate.

Regional report

Focus:
Global innovations in modern valuation, its regulation, standards and applications, contribute to core infrastructural needs of market economies;
ASEAN member countries have benefited from these innovations, but to very varying degrees, including, in particular, in relation to annual property taxation at the sub-national level.

Application:
Demonstrating case-by-case how ASEAN members have moved forward in the adoption and application of modern valuation and annual property taxation innovations.

Land and Property Valuation in ASEAN PASA: Component 1 Preliminary Outcomes

Preliminary outcomes

Outcomes

- Wide-ranging importance of modern valuation to economy and society

- Implementing change can be staged and sequential, reflecting needs and viability

- Property taxation should be periodically reviewed to allow for updates

- Linked IT infrastructure, including recording tenure rights, values, taxation, etc, is critical

- Appropriate standards (financial, valuation and measurement) are essential

- Trend towards capital improved value as basis for annual property tax

Lessons learned

Lessons

- Effective capital/property gains tax forces declaration of actual prices

- Market indices promote market transparency

- Property should not be transactable unless all taxes are paid: linked IT data systems

- Regulated valuation and related professions are core infrastructure

- Well-functioning, vibrant professional associations are key to improving standards of practice

- Enforced professional codes of conduct and ethics, including CPD, are essential

- University level education is critical to establishing professional valuation capacity

Land and Property Valuation in ASEAN PASA: Component 1 The Way Forward

Ways forward?

- Using remote sensing for change of use, new building, renovations, or demolition
- Using GIS in property taxation administration
- Encouraging easy annual property tax payment online
- Identifying thresholds for CAMA and outsourcing to the private sector
- Outsourcing property tax collection may be a possibility
- Government valuation offices can be at least partially cost recovering

Practical outcomes

Knowledge gaps=Knowledge providers:
ASEAN member countries cover the whole range of experience in valuation and property taxation, presenting unprecedented opportunities for match-making knowledge gaps with knowledge providers for best practice, within region, solutions

Helping countries identify options for the future:
Working closely with countries using the outcomes of the PASA to identify options and ways forward, building on the experience of peers and sharing successful experiences

Community of practice:
Providing and enhancing problem-solving networking and learning opportunities between all ASEAN member country professionals and administrators in the field