

Developing quality training approaches for effective property tax administration

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The Project: *Developing quality training approaches for effective property tax administration*

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Lead partner: Centrul Regional de Formare Continua Pentru Administratia Publica Locala of Bucharest (CRFB) - project manager Virgil Pamfil

Other partners: ANEVAR (Romania), the Technical University of Bucharest (Romania), CVT Georgiki Anaptixi (Greece), the University of West Hungary (Hungary), and Oxford Brookes University (UK)

The Project Countries

- Greece, Hungary, Romania, UK – all members of the EU, therefore:
 - Functioning market economies
 - Rule of law and security of property rights
 - Administrative infrastructure capable of supporting EU membership eg payment of agricultural support
- 2 from “old” EU (Greece, UK) and 2 New Member States (Hungary, Romania) – contrast between transitional and other economies
- Recent introduction of property tax changes in Greece, Hungary and Romania contrasts with established system in UK dating back to 1909 in modern form.

Project stages

- Research stage – research into real estate taxes and valuation standards and methods
- Implementation phase – preparation of the course

Research into the four countries:

Real estate tax systems

- Valuation standards used
- Codes of ethics for valuers
- Measurement standards for property
- Valuation methods used
- How valuers become qualified
- Education and training of valuers and preferences about education methods
- Best practice in training and education of valuers

Features of the course

- Targets those working in or responsible for real estate taxes and their assessment
- Assumes already have non-cognate higher education (or equivalent) and are going through a conversion process
- Flexible learning so it can be taken part-time whilst in employment
- e-learning base so can be delivered anywhere anytime to students who can set their own pace
- Equivalent to postgraduate certificate or adaptation test
- Moodle environment to take advantage of facilities this offers tutors and students

8 plus 1 Modules

- Definitions and types of real estate
- Valuation concepts and principles
- Influence of location on value
- Measurement of buildings and land
- Valuation methods
- Mass appraisal methods
- International practice in mass appraisal
- Comparative real estate taxes
- **PLUS** Training the Trainers

Types of real estate taxes

- Most countries have real estate taxes
- Popular means of raising revenue for local government

BUT different types of real estate taxes:

- **Specific taxes** - levied on the basis of a physical measure such as area or the presence of physical characteristics, such as facilities, construction methods, or architectural style.
- **Ad valorem taxes** – levied on basis of value of real estate. Can be annual or sporadic. Can be on annual value (rent) or capital value (sales price).

Definition of value

*The **estimated amount** for which a 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 compulsion (Standard 1 International Valuation Standards, 2005, 3.1)*

Exchange can be:

- By sale or permanent alienation of property = capital value or sales price
- Creation of a tenancy or temporary alienation of property = annual or rental value

Justification of ad valorem real estate taxes

- Reflects ability to pay by taxpayers – those taxed have income from rents and/or wealth – overcomes unreliability of declared income or profits
- Equitable between taxpayers as those with similar wealth or rental income pay similar proportions – horizontal equity as taxes equally those who are equal
- Buoyancy as revenues rise with rental and value growth

But is it worthwhile introducing ad valorem real estate taxes?

- In many countries real estate taxes play a relatively small role in raising tax revenue
- UK is an exception – 11% tax revenues raised from value of real estate = 4% GDP
- Ad valorem real estate taxes require unusual specialisms eg property valuation
- Do not fit very well into modern tax systems organised by function eg audit or type of taxpayer eg large companies

Attractions of real estate taxes

- Immobile nature of real estate makes taxes difficult to avoid
- More suitable tax base for local authorities than local income or sales taxes
- Difficulties from relying on company taxes and taxes on entrepreneurs because of tax competition between countries and highly mobile companies and entrepreneurs eg UK 2007 220 of the 700 largest businesses in Britain paid no corporation (profits) tax and 210 paid less than £10 million because of legitimate tax avoidance
- Problem of tax competition between countries
- Statements of taxable profits or income may not reflect true ability to pay because of legitimate tax planning

Preconditions for the development of market value real estate taxes

- The existence of an adequate quantity of qualified valuers
- The ability to create and maintain a fiscal cadastre.
- Valuation standards
- Data on market prices being available to those carrying out tax valuations.
- The absence of corruption and abuse of office amongst tax officers.

Supply of valuers

- **UK** – not a reserved occupational title but clients only employ members of the Royal Institution of Chartered Surveyors – well established system of university education followed by on-the-job training and Assessment of Professional Competence
- **Romania** - ANEVAR established 1992 - 6,800 members including 2,800 real estate valuers – accreditation of university courses and qualification of valuers through its examinations
- **Hungary** - Magyar Ingatlanszövetség (MAISZ) established 1991 - 550 members, including 110 individuals and 330 valuation companies
- UK 1 valuer to 2,000 persons – Romania 1:8,000 - Hungary 1:18,000
- UK 1,340 valuers work for HM Government's Valuation Office Agency

Maturity of valuation profession

- Mature profession – steady state equilibrium in which new entrants match those leaving – supply of new entrants adjusts to meet expansion or contraction of demand – new entrants recruited from school/university leavers
- New profession – constant growth – new entrants exceed those leaving – new entrants recruited from other professions after conversion courses

Pedagogic choices

- New profession – can assume students already have study and transferable skills from previous qualifications
- New profession – different students bring different discipline skills depending on previous qualifications
- e-learning can:
 - Allow flexibility so students can devote time to areas in which they have no previous knowledge and not waste time where they have expertise
 - Can choose own pace and direction of study – not everyone has to follow the same path
- But our market research showed strong preference for face-to-face tuition
- e-learning has high set up costs compared with conventional teaching

Using blended learning to overcome preference for face-to-face tuition

- Interactive links between students and tutors and between students through the internet.
- Real time responses to computer-marked assignments.
- Genuine multi-media course material and not just text, as these can sit on same platform rather than requiring humans linking together different technologies.
- The use of chat rooms, discussion boards, and social networks, like Facebook, to support virtual study groups.
- The retention of records to create an audit trail, for example, of what material a student has accessed and when and retention of work submitted for assessment purposes.
- Access by tutors to material created by others.
- Access by students to electronic libraries.

Using blended learning to overcome pedagogic problems

- e-learning best suited for programme learning approach
- Positivist model of a teacher transmitting knowledge to passive student recipients
- But how can one develop qualities like discernment or skills like the exercise of judgement – the problem with the comparable method of valuations?
- Need for learning through experience, doing and discovery
- Ernest Boyer and the false dichotomy between research and teaching in universities.
- Different forms of research: discovery (research); integration that explores disciplinary connections; application and engagements with the wider community; and the evaluation of teaching
- Undergraduate reinvention centres and the creation of social learning space for project work and teamwork

Varieties of e-learning

- Not just about programme learning though this has a place
- Creation of social learning spaces
 - Flexible space eg mobile screens, nomad workstations
 - Equipped with multi-media facilities
 - Student learning space rather than teaching space
- Need to build in discovery by students as well as being taught
- Need for open-ended assessments as well as testing through multiple choice

Did we succeed?

- Partly – did produce valuable text based material with some multimedia support
- But style of much of course is positivist with students a passive recipients of knowledge
- Style of assessment tends towards multiple choice rather than open-ended discovery
- Given the problems of having to produce material in 5 languages and different backgrounds of participants, this is not surprising

