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By PwC Deutschland | 26 April 2012

All land valuations and land tax assessments to be provisional

The provincial finance ministries have issued a joint decree ordaining that all land valuations and assessment notices shall be provisional pending a Constitutional Court ruling.

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Land tax is levied by the local authority at local rates on land as valued under the Valuation Act. Theoretically, these taxable values should reflect the market; however they have been established individually only once, in 1931-34, and there is a strong body of opinion holding that subsequent adjustments and extrapolations have been based on macro statistics without taking account of value shifts between properties or types of property. Those of this view believe that the taxable values are now so far removed from reality as to constitute an infringement of the constitutional requirement for equal treatment in like circumstances. The Constitutional Court has confirmed this view in respect of net assets tax (since abolished) and inheritance (gift) tax (since reformed), but has not yet spoken in respect of the less frequent application to real estate transfer tax (the taxable value is only relevant if there is no specific consideration for the transfer) or of the much smaller land tax.

The provincial finance ministries have decided to stem the flood of appeals against land tax assessments with a joint decree calling on all tax offices to issue valuation and land tax assessment notices provisionally, subject to Constitutional Court clarification of the issue. Valuations and notices will be automatically confirmed, adjusted or withdrawn in the light of the ruling when it comes. The taxing authorities will then follow suit in amending their payment demands.

Keywords

Valuation Act, land tax, valuation