

RENTAL VALUE TAX (RVT)

TRAINING ACTIVITIES REGARDING
RVT TECHNICAL BACKGROUND PAPER
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- **Taxes and fees transferred to the districts**
(RVT, Pub.Ent.Tax, Business Lic.Fee, Sale of Domestic Liquor Fee, Use of Pub.M.Fee, Funeral Fee, Sunday Act. Fee, Use of P.roads Fee, Liquor House and Places of P.Ent. Fee)
- **Transitional Period** (Proceeds and administration of taxes and fees transferred)

LOCAL GOVERNMENT REVENUES

- Fees for services provided
- Taxes for functions not directly related to the consumers
- Grants and sharing national revenues

MAIN ARGUMENTS FOR THE REAL PROPERTY TAX

- Tax a real source of wealth (equity)
- Capture part of the capitalized value of the “pure economic rent” of land
- Land is visible and immovable
- Taxing real property by to its site value produce no welfare loss
- Tax induce the owner to improve productivity of the land

REAL PROPERTY TAX

- **Natural financial resource of local governments**

WAYS TO TAX REAL PROPERTY

- Direct
- Indirect



DIRECT TAXATION OF THE REAL PROPERTY

- On the value or annual income of each property (real tax)
- On the annual value of all the properties of each owner (personal tax)

INDIRECT TAXATION OF THE REAL PROPERTY

- Through the income tax
- Through the Net Wealth Tax

MAIN PROBLEMS OF PROPERTY TAXATION

- Taxable Base
- Taxable Value

TAXABLE BASE OF THE PROPERTY TAX

- Only the land (unimproved land)
- The land and improvements

STRONG CASE FOR ONLY TAX THE LAND

- Ability to tax away a portion of the accrued increment in land values
- Facilitate administration
- It is difficult to value improvements

STRONG CASE FOR TAX LAND AND IMPROVEMENTS

- Contemplate the right value of the property
- Allow a major collection with low rates

TAXABLE VALUE OF THE PROPERTY TAX

- Real or presumptive value of the property
- Real or presumptive value of the income of the property (rental value)

VALUE OR RENTAL VALUE OF THE PROPERTY

- **Need of a National Cadastre**
- **Self assessment**

RENTAL VALUE OF THE PROPERTY

- Requires a active leasing market
- Formal leasing contracts and official registration
- Use of “comparative method”

PROPERTY TAXATION IN THE COUNTRIES

- As a general rule, latin-american countries and USA tax the value of land and improvements
- Caribbean countries in general have followed the UK and France pattern, and tax the rental value (Jamaica tax the unimproved value)

CURRENT STRUCTURE OF THE RVT LAW

- Taxpayers
- Taxable Base
- Exemptions
- Taxable Value
- Administration
- Procedure rules (appeals, St.of Limit.)
- Violations and penalties

DEFICIENCIES OF THE CURRENT SURINAME RVT LAW

- **Low revenue**
- **Rental Value is higher than 1% of the value of the property**
- **Owner occupied deduction does not have substantive justification**
- **Agricultural land is out of the tax**
- **Inflation affect value of the property**
- **Lack of tax administration's faculties**

MAIN ASPECTS OF THE PROPERTY TAX ADMINISTRATION

- Identification of properties (Cadastre, other)
- Identification of owner (tenants)
- Valuation of the property/rent
- Assessment (determination of the tax due)
- Billing
- Payment. Statute of Limitations
- Enforced collection, violations, penalties
- Taxpayer claims and appeals

RVT ADMINISTRATION

**Weakness in taxpayer registration,
valuation, assessment and collection
capabilities and low voluntary
compliance**

CONVENIENCE TO MAINTAIN THE RVT

- The tax is applied on the real or presumptive rent and work as an incentive in order the owner improve the productivity of the property
- The people is accustomed to the tax applied on the rental value

RECOMMENDED CHANGES TO THE CURRENT RVT LAW

- Taxable value must include land and improvement
- Explore inclusión of the agricultural land with express exemptions
- To increase the 1%
- Mechanism for indexation of the value
- Eliminate the owner occupied deduction
- Adjustment of value for new constructions
- Districts can change rates under conditions

RECOMMENDED CHANGES TO RVT ADMINISTRATION

- **Transitional stage. Full RVT administration by OTA**
- **Once the districts be certified. Valuation of properties under OTA. Remaining administration activities under districts.**

OTHER LAW PROVISIONS

- **Regarding faculties and obligations of the taxpayers and tax administration**
- **Provisions included in the new RVT law OR in the legal and operational framework law**
- **Repeal of the Net Wealth Tax**