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ESTONIAN PARLT APPROVES NEW PRINCIPLES FOR REGULAR MASS VALUATION OF LAND 1

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TALLINN – On Wednesday, the Riigikogu passed a bill to amend the Land Valuation Act, the Land Tax Act and other acts, which introduces amendments that are necessary to carry out the next regular mass valuation of land later this year.

The bill was passed in the 101-seat chamber in the third and final reading by a vote of 72 to nine.

The amendments, initiated by the government, update the criteria for calculating the value of land and bring the land tax into conformity with the market value of land. The amendments do not concern the current tax exemption on the land under homes, the Riigikogu press service said.

The last mass valuation of land in Estonia took place in 2001, and in nearly 20 years, the value of land has increased sevenfold on the average. The taxable value obtained as a result of the mass valuation of land will be the basis for determining the size of land tax, of payments for tolerating utility networks and of the use fee under different usufruct contracts.

According to the law, the next mass valuation of land will take place in 2022, and after that, valuations will be carried out every four years. The results of the mass valuation of land will be implemented from 2024.

The act will reduce the maximum land tax rates that local governments can impose. For example, the maximum tax rate will be 0.5 percent of the taxable value of the land instead of the current 2.5 percent on residential land and forest land, and 1 percent on commercial land.

The lowering of the maximum tax rates will prevent land tax from becoming too high. In order to ensure a smooth transition to the new price level for the taxpayer, a 10 percent limit will be imposed on the annual increase in the land tax amount.

The tax exemption on the land under homes will be fully extended on the lands where one of the intended purposes is residential land. For example, if there are business premises on the ground floor of an apartment building and the intended purpose of the plot of land is therefore partly commercial land, the apartment owners residing in the same building cannot enjoy tax exemption to the full extent.

The law will also provide that, in the future, changes to land tax rates will have to be established at least six months before the beginning of the taxation year. At present, land tax rates must be established by Feb. 1 of the taxation year.

As the value of land has increased after the last mass valuation, the payments for tolerating utility networks will also increase 3.5 to 4 times on the average once the new taxable values of land will be implemented. The payment for tolerating will change gradually during three years, in 2024-2026, each year by one third of the difference between the new and the present payment for tolerating.

One of the amendments concerns the methodology of the mass valuation of land. In addition, the provision concerning the entry into force of the law was amended to say that the law will enter into force on March 15.