International Property Tax Institute

PRESIDENT'S MESSAGE

January 2024

As this is my first newsletter of 2024, may I wish you all a very Happy New Year. I hope you all had a relaxing and enjoyable time with family and friends over the holiday period and are looking forward to what the new year will bring.

I thought I would start this month with a look at a property tax system in a country that we do not hear a great deal about in this connection – Egypt. A recent article provided some interesting information about it, and I include selected extracts from that article below.

The authors states: Pursuant to the Egyptian Property Tax Law, the real estate tax is imposed on all constructed properties situated on Egyptian land, excluding those exempted from taxation. This includes properties that are either rented or occupied by the owner responsible for tax payment, regardless of whether they are fully completed and occupied, fully completed but unoccupied, or partially occupied. Therefore, all existing constructed properties, including villas, buildings, houseboats, and chalets, are subject to real estate tax, irrespective of their location.

The responsibility for paying property tax lies with the natural or juristic person who owns, benefits from, or exploits the property. While tenants are not directly liable for paying the tax, they shall be jointly liable with the taxpayer to the extent of their rent obligations. Property tax, also known as real estate tax, is a direct tax levied on the ownership of immovable property, such as land, buildings, and units within buildings. It is a significant source of revenue for Egyptian local governments, contributing to the funding of essential public services like infrastructure, education, and healthcare.

The primary law governing property tax in Egypt is Law No. 196 of 2008, titled "The Real Estate Tax Law" and the amendments thereof. This law and its amendments outline the various aspects of property tax, including the taxpayer base, tax base, exemptions, deductions, calculation methods, and payment procedures.

Property tax is imposed on the individual or entity registered as the legal owner of the real estate property. This includes individuals, companies, partnerships, and other legal entities that own property in Egypt.

The tax base for property tax is the rental value of the property. The rental value is determined by the Real Estate Taxation Authority (RETA) based on various factors, including the property's location, type, size, and condition.

According to Articles 11, 18 of the abovementioned Law, certain categories of properties are exempt from property tax, including:

- State-owned properties;
- Built properties earmarked for a general benefit such as schools, universities, educational institutions, hospitals, clinics, medical facilities, and charitable organizations and non-profit institutions;
- Constructed properties that are privately owned/held by the state, provided, however, that these buildings shall be subject to tax from the first of the month following the date of their disposal to individuals or juristic persons;
- Headquarters owned by political parties and professional unions, provided that they are used for their designated purposes;
- Buildings designated for holding religious rituals or buildings where religion is taught;
- Constructed real estate that has been expropriated for public benefit from the date of actual seizure by the expropriated entities;
- Cemetery/graveyards, yards and buildings.
- The property allocated for residential purposes and whose market value is less than 2 million Egyptian pounds (note: the second property owned by the same person and allocated for residential purposes is subject to real estate tax);
- The real estate unit that the taxpayer uses as a main private residence for himself and his family and whose net annual rental value is less than 24,000 pounds (twenty-four thousand pounds), provided that anything in excess of that is subject to tax;
- Every unit in a property used for commercial, industrial, administrative, or professional purposes whose net annual rental value is less than 1,200 pounds (one thousand two hundred pounds), provided that the excess is subject to tax;
- Real estate owned by foreign government agencies on the condition of reciprocity. If the tax has no counterpart in any foreign country, the Minister may, after taking the opinion of the Minister of Foreign Affairs, exempt the real estate owned by it from the tax; and
- Certain units owned by the Armed Forces.

The property tax is calculated by applying the tax rate of 10% to the rental value of the property. The resulting tax amount is payable in two equal installments, the first due by the end of June and the second by the end of December.

According to Article 12 of the Egyptian Property Tax Law: "The tax rate shall be (10%) of the annual rental value of the taxable properties, after excluding (30%) of this value for the places used for residential purposes, and (32%) for the percentage used for non-residential purposes, in return for all expenses incurred. The person responsible for paying the tax, including maintenance expenses…"

Pursuant to Article 23 of the same Law: "The tax due in accordance with this law is paid in two equal installments, the first of which is due until the end of June, and the second is due until the end of December of the same year, and the taxpayer may pay the entire tax on the date of payment of the first installment. The tax whose assessment is delayed beyond the time it is due for any reason shall be paid in installments over a period equal to the period of delay."

As per Article 14 of the Egyptian Property Tax Law, taxpayers must submit a declaration form to the Real Estate Tax Office in which the property is located containing the following data:

(a) The name of the person responsible for paying the tax on built real estate and his/her capacity in relation to the real estate for which the declaration is submitted in accordance with the provisions of Article (2) of the law.

(b) The name of the governorate within whose jurisdiction the built property is located, and the name of the administrative division, such as the name of the city, bandar, section, center, or district, the street and its branches, and the property number specified by regulation or by real estate taxes, whether previous or current.

(c) The number of floors of the built property, the number of units in each floor, the divisive contents of each unit, its area, and its value according to the ownership contracts or building permit, or according to the existing location.

(d) The name of the occupant, the actual rent and the type of exploitation.

(e) The address and national number of the person submitting the declaration.

(f) Documents specifying the price of the property, if any.

(g) The chosen mailing address.

(h) For units used for purposes other than housing, the declaration must include, in addition to the above, the name of the owner or the name of the establishment, the tax file number, the tax registration number, the commercial registry number, and the activity license number.

Additional Considerations

- Property owners are responsible for paying the property tax, even if the property is leased to tenants. Tenants shall be jointly liable for paying the tax, with the taxpayer, within the limits of the rent owed by them and after notifying them of this by a registered letter with acknowledgment of receipt. The tax collection vouchers and its accessories that are delivered to them shall be considered a receipt from the person responsible for paying the tax within the limits of what has been collected, and as a receipt from the person responsible for collecting the rent within the limits of what the tenant paid.
- Property tax payments can be made through various channels, including banks, post offices, and online payment platforms.
- Taxpayers can appeal the rental value assessment within 60 days of the publication of the assessment notices.

Property tax plays a crucial role in Egypt's fiscal system, providing a steady stream of revenue for local governments to support the provision of essential public services. By understanding the various aspects of property tax, property owners can ensure timely and accurate payment of their tax obligations, contributing to the overall economic well-being of the country.

Moving on to IPTI activities, our most recent major event was the "Property Tax Policy & Practice" conference we held in The Hague (Dan Haag). This 2-day conference took place on 6-7 December 2023. The cooperating agency for this event was the Netherlands Council for Real Estate Assessment (NCREA) and the conference was kindly sponsored by the Property Valuation Services Corporation (PVSC) from Nova Scotia. The conference was supported by the Netherlands Ministry of Finance. We had a great line up of speakers from around the world who covered a wide range of topics which the audience found really interesting and informative. We also took the opportunity to hold a meeting of IPTI's Board of Advisors and other IPTI groups whilst so many of us were at the conference.

Looking ahead, we have a great line up of both online and in-person events planned for 2024. As usual, details of all our forthcoming events can be found on our website: www.ipti.org

Now it's time for a quick look at what is making headlines concerning property taxes in selected jurisdictions and countries around the world. For more information, and links to the original news articles, please refer to IPTI Xtracts which can be found on our website: https://www.ipti.org/ipti-xtracts

Starting in the USA, and in connection with a topic that was discussed at IPTI's conference in The Hague, it is reported that Boston (Massachusetts) is losing out on hundreds of millions of dollars in property taxes due to the city's numerous tax-exempt institutions, including colleges and hospitals. The city has a PILOT Program, which stands for Payment in Lieu of Tax, where tax-exempt institutions are asked to make voluntary payments. However, the amounts they actually give to the city vary widely. A bill being considered on Beacon Hill would require payments to cities and towns across Massachusetts. "There are over 23,000 nonprofits that fall under this clause, $22 billion of property," a spokesperson said. The plan is to give communities across the state the power to require payments from larger nonprofit organizations that don't pay property taxes. If the bill becomes law, cities and towns could force tax-exempt institutions like colleges, hospitals, and museums, with property valued at or above $15 million, to make payments equal to 25% of the property tax amount they would pay if they weren't tax-exempt. "About 25% of municipal budgets cover public works, snowplowing, police, fire. These are all services that everyone relies on," the spokesperson said. With Boston's voluntary PILOT program, the city asks for that 25% payment, but half of what they pay can be made in the form of what's called "community benefits" that include everything from full-tuition scholarships and free film screenings to funding for community health centers and free admission to museums. Across the board, tax-exempt institutions are falling far short of what the city is requesting. While hospitals contributed 91 percent, colleges contributed only 68 percent, and museums donated just 35 percent of what the city requested. It adds up to a nearly $30 million shortfall. The bill is currently in the legislature's Joint Committee on Revenue.

In New Zealand it is reported that councils up and down the country are considering rates rises as high as 25.5%, even 31.8%. High interest rates and inflation, and growing infrastructure costs are blowing council budgets, and no one is immune from the cost-of-living crisis. For example, Hamilton ratepayers could face a 25.5% hike in rates next year, after city councillors voted for the proposed average rates rise to go out for public consultation. For the median ratepayer, a 25.5% increase in rates would add $13.90 a week to their bill, or $722 a year. Hutt City residents face a possible 15.9% rates increase as inadequate water infrastructure poses a threat to the city's future housing plans. For Wellington city residents, next year's rates rise could be in the range of 15% to 20% it was reported after city councillors were warned that proposed cuts to the 2024/2025 budget were insufficient to prevent an "unprecedented" rates rise. Perhaps the most extreme example of the financial pressure that water infrastructure is putting on urban and regional councils came this week from Westport, where Buller District Councillors discussed a potential rates hike of 31.8% due to uncertainty around the government's plans for three waters' infrastructure. It will be interesting to see the reaction of taxpayers (ratepayers) to these larges increases in property taxes.

Moving on to the UK, the country's tax level across the economy has increased to its highest rate on record, according to new data from the Organisation for Economic Co-operation and Development (OECD). The OECD's annual revenues statistics update found the total tax-to-GDP ratio across the UK hit 35.3 percent for the 2022/23 financial year - the highest since OECD records began in 2000. It represents a 0.9 percentage point increase from the 34.3 percent record a year earlier. It ranks the UK as having the 16th highest rate of 38 OECD countries, and is 1.3 percentage points above the group's average of 34 percent, in relation to tax competitiveness. Separately, new analysis from commercial real estate firm Altus Group revealed that the UK has the joint-highest rate of property taxes across the 38 OECD countries. It found the UK has a ratio equivalent of 4 percent of property taxes to GDP. The research said this compares with an average of 1.5 percent across the European Union and a 2.9 percent average against countries in the G7 group of advanced economies.

And finally? I have two stories to share this month, both of which provide links between property tax and show business. The first involves a property in Illinois used in the Home Alone movie. It is reported that the owners of 671 Lincoln Ave. in Winnetka, Illinois, will pay $50,066 in property taxes this year, a 57% increase from the previous year's bills. The county estimate for the property's value is $2,328,140. In the movie, youngster Kevin McCallister is accidentally left behind from the family vacation. Burglars hit the neighborhood. Kevin fends them off with a series of booby traps, but there's no getting rid of the taxman!

The second story raises the unusual question: what is the connection between heavyweight boxing and property tax? The answer is Tyson Fury. Tyson Fury is a British professional boxer. According to Wikipedia, he has held the World Boxing Council heavyweight title since 2020. Previously, he held the unified heavyweight titles from 2015 to 2016 and the Ring magazine title twice between 2015 and 2022. But he came up against an opponent he could not beat – property tax. It transpired that he owed some £100,000 in unpaid business rates (property tax payable in respect of non-residential properties in the UK) and the local authority took him to court to enforce payment. It seems that this was one fight where Fury did not land a single blow on his opponent! The judge was scathing in his comments about the evidence presented and ordered payment of the property tax owed with costs. I suspect Tyson was "furyous".

If you would like a third example of a link between show business and property tax, do you know the name of the movie where "the boys" had to get "the band" back together again in order to raise money to pay the property tax due on a property in Chicago? I will let you rack your brains for a bit and then provide the answer in next month's newsletter.

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