



FIG Working Week 2012

Rome, Italy 6–10 May

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Evaluate the cultural heritage



When is a Land Market not a Land Market?

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Why does the question matter?

Economically, there is a link between countries with the lowest gross national income and defective land markets.

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Formal Land Markets

- Trade in land rights;
- Anticipate security of tenure;
- Require formal processes and structures;
- Result in economic, social and environmental benefits.

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Land Markets require:

- Legal framework and land policy;
- Integrated institutional framework;
- Freedom from corruption;
- Land registration and cadastral systems;
- Equality of rights of access to land and information;
- Public and private partnerships; and
- Adequate resources.

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How to markets develop?

- Progressively;
- Geographically;
- Sectorally;
- When is the tipping point?

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Disadvantages of Informal Land Markets

- “Dead Capital”;
- Insecurity of occupation;
- Barrier to inward investment;
- Barrier to economic generation;
- Inefficient use of land (not based on “value”); and
- True economic, social and environmental cost of land is obscured.

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Advantages of a formal land market

- Incentive for investment;
- Title security;
- Clarification of user rights;
- Improved valuation of real estate;
- Better land administration;
- Encouragement of better citizenship.

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According to Dale *at al.*, 2011

- Encourages entrepreneurship and commitment;
- Reduces dependency on State;
- Increased citizen involvement in social and democratic process;
- Better citizenship.

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Why Property Taxation?

- "An efficient and open land market will allow the possibility for fiscal policy to be implemented ..."
- Demonstrable;
- Clear linkage with market value;
- Clear linkage with planning policy;
- One of several characteristics of active land markets.

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Implication ...

- Land markets provide evidence of sales transactions which can be used as a tax base;
- *Ad valorem* tax bases are "fair" and comprehensible;
- No land market, no *ad valorem* tax base.
- Careful, there are jurisdictions with a land market, but no *ad valorem* tax base.

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Development of a land tax

- Simple, formulaic start e.g. area basis;
- Develops in complexity;
- Incorporates evidence of locational value;
- *Ad valorem* tax base.

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Prerequisites – land administration e.g.

- Land tenure records, Cadastre etc.;
- Planning policy;
- Healthy, active and transparency land market;
- Records of sales;
- Support systems e.g. mass appraisal techniques;
- Linkages between databases.

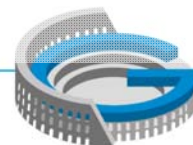
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Virtuous circle – Property tax influence:

- Landownership patterns;
- Development patterns;
- Planning policy;
- Land prices; and
- Efficient economic, social and environmental uses of land.

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Conclusions

- Value-based land tax is characteristic of a healthy land market;
- Land administration systems are required to support tax;
- Reliable data gathering systems;
- Land markets and land taxation are part of land administration systems and of the democratisation of local government.

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When is a land market not a land market?

- Tricky!
- Probably there is no “tipping point”;
- Various complexities of land markets;
- Is one characteristic sufficient?
- Need a more specific definition of “land market”?
- Research is on-going.

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