

Valuing Land for Land Tax Purposes in Highly Urbanized Cities

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SUMMARY

Land is the base on which the property tax is assessed in a number of countries around the world. Its tradition stems from a rural context and was the most common basis for assessing this tax during the industrial revolution where demand for land was at its greatest. The transition from a rural to urban use highlighted the importance of land value to be determined and taxed on highest and best use. This paper examines the relevance of land as the base of the property tax in the 21st Century and the challenges confronting valuers in the valuation of land in highly urbanized locations. Surveys are used to examine the valuation practices of valuers in highly urbanized locations where vacant land transactions are rare. It examines the challenges of valuing land for taxation purposes and the criteria valuers use to determine the highest and best use of land in the absence of vacant land transactions. The paper concludes that while issues exist in the determination of any basis of value, the practices valuers use are most important in the determination of a consistent basis of value on which to assess this tax.