



Documentation Regional development instruments

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Bavarian State
Ministry of the
Environment,
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and Consumer
Protection

Interreg III B

General Data	
Name of instrument:	Taxation of real estate based on market value (= Bodenwertsteuer)
Country / region:	DE
Spatial level:	national
Type:	Economic instruments
Subtype:	Steering taxes
Description:	Currently, real estate tax is calculated according to an value (Einheitswert) appraised in 1964 (for new German states in 1935), which is grossly below the current market value. Considering the undervaluation of real estate, it is considerably attractive to speculate with undeveloped land. If taxes on real estate would reflect its actual value, property would be developed more rapidly to generate more revenue and thus inner-urban potentials would be rapidly mobilised. For municipalities, real estate taxes are a constant source of revenue, unlike business taxation whose effect of revenue generation varies widely from year to year based on tax legislation and economic cycles.
General objectives:	Limit land speculation, generate more municipal revenue based on real estate and mobilise underdeveloped zoned land.
General Objectives keywords:	real estate tax ; municipal funds ; mobilisation of zoned land ;
Responsible:	National authority
Stakeholder Involved:	Private individuals
Stakeholder Involved:	Local authority/Municipal council
Reference:	http://www.isl.uni-karlsruhe.de/vrl/regionalplanung/ws_04_05/material_rlp_04_05_teil2.pdf , pg. 6
General assessment of strength and weakness:	Strength: Strong financial incentive to both mobilise development sites for construction and to generate more municipal revenue. Weakness: Risk of directing residential land use towards outskirts of cities. Long process to change national taxation procedures. Involves comprehensive assessment of real estate values and regular updating of that database on municipal level.
Metadata:	Date of entry: 29.01.2007 Contact: Ifuplan, Schleißheimer Str. 156, 80797 München
Implementation	
Legal status:	mandatory

Extension:	pilot status
Comment:	Not yet realized in practice, but review of real estate taxation is discussed as part of the federalism reform project in Germany.
Type of monitoring:	none
Preconditions for implementation:	Review of real estate tax requires long legislative process and is bound to face harsh opposition. The appraisal of each individual plot requires an overview of regional sales prices stored at municipal and district level, which is available in Germany.
Assessment	
Relevance	
Status:	very strong direct relevance
Ranking:	5
Remark:	Instrument has a very strong relevance for mobilising land resources, as it would be expensive to speculate with undeveloped land
Acceptance	
Status:	Municipal councils, environmental NGOs, superordinate administration
Ranking:	3
Implementation	
Status:	-
Ranking:	1
Remark:	legislation is in discussion, but not yet implemented
Feasibility	
Status:	Budget/HardwareStaffknow-howLegislationpolitical will
Ranking:	1
Remark:	political will and change of legislation are needed to implement it, afterward there is a need for the assessment of real estate values and the regular updating of it
Effectiveness	
Status:	-
Ranking:	0
Remark:	as the instrument is not yet implemented it is not possible to estimate the effectiveness