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# **Barriers to the use of property taxation in municipal finance**

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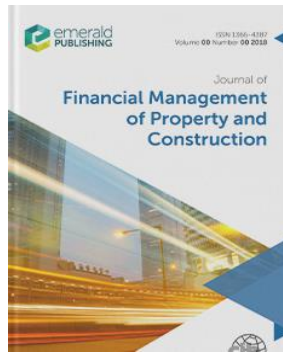
## **Abstract**

### **Purpose**

This study aims to present the findings from a series of case studies that examine the problems faced by countries seeking to introduce value-based recurrent property taxes to replace the ones levied on the basis of area or inventory value. It identifies that two of the most significant barriers are the absence of comprehensive list of taxable properties and inadequate data on transaction prices. Both of these can be overcome with sufficient resources, but this raises the question as to why governments are reluctant to do so, in spite of the advantages of such a change.

### **Design/methodology/approach**

The paper makes particular use of case studies of Moldova, Poland, Serbia and Turkey, which have explored the potential of introducing value-based recurrent property taxes and the issues they have faced. The case studies have been produced by participant observers who have had the opportunity to examine developments over long periods of time. The case



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studies are set against a wider statistical analysis of the role of recurrent property taxes in tax systems.

## **Findings**

Putting in place comprehensive systems for registering properties and recording their characteristics and systematically collecting data on transaction prices require significant investment over a long period of time. This requires commitment on behalf of governments. Governments may be reluctant to support this because of the opposition such reforms can face unless confronted with compelling fiscal or external pressures to act.

## **Research limitations/implications**

The issues identified are the ones that many countries seeking to introduce value-based recurrent property taxes will face and puts forward how they can be tackled. The case study countries are middle-income ones with relatively well-developed infrastructure, which low-income countries may lack.

## **Practical implications**

The solutions to overcoming the barriers to value-based recurrent property taxes encountered in the case study countries are the ones that are applicable to many other countries, who can learn from their experience.

## **Originality/value**

The paper provides a perspective on overcoming the issues encountered in introducing value-based property taxes from the viewpoint of those who have been involved in working out ways of overcoming them and so provides insight that is a useful addition to the literature.