

# MoJ initiates to cancel the IPT for primary dwellings of inhabitants with cadastral value up to 100,000 euros in 2022

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Press release

On Monday, 17 February, during the meeting of the Subcommittee on Taxation of the Saeima the issue about the immovable property tax was reviewed. During the meeting Aldis Bukšs, the head of the Office of the Minister of Justice, informed about the draft laws developed by the ministry, providing for cancellation or significant reduction of the immovable property tax for primary dwellings of natural persons (a dwelling, owned by a person, where the person is declared).

The draft laws propose to cancel the IPT for primary dwellings of inhabitants in the value up to 100,000 euros and to significantly reduce the IPT for primary dwellings with higher cadastral value. The draft laws provide, in parallel to the new cadastral values of the immovable properties, to introduce also the so-called special value, which would be used for calculation of the IPT for primary dwellings of inhabitants, starting as of 2022.

A.Bukšs underlines: "All of us - inhabitants and the State - should have objective information available on the cadastral value for all immovable properties, however, application of the IPT and increase of the tax burden with regard to the primary dwellings of inhabitants is not acceptable. Therefore, the Ministry of Justice considers that it is necessary to introduce the so called "non-taxable minimum".

"That is a political decision - actual impact of the proposal of the Ministry of Justice on life and feeling of safety of humans is invaluable. Reprimands are untrue that these changes would be compensated at the expense of companies and other legal persons. Besides, the fiscal impact of this proposal on the State/ municipal budget is minimal, when comparing with other planned tax reforms. Besides, the total income of municipalities from IPT guarantees the cancellation of this tax for primary dwellings of inhabitants," A.Bukšs emphasizes the impact of the proposal of the MoJ.

The proposal of the Ministry of Justice provides to determine that the IPT shall not be paid for the primary dwellings with cadastral value up to 100,000 euros. If the cadastral value of the dwelling would exceed 100,000 euros, then the IPT should be calculated by deducting 100,000 euro from the value and applying the coefficient 0.2 to the acquired difference (20% from the acquired difference is used for calculation of the tax).

Similar proposal is also with regard to the land plot under the dwellings, only in this case the non-taxable minimum would be 10,000 euros. Accordingly, if the cadastre value of the land plot is below 10,000 euros, then the IPT payment should be 0 euros, but if it exceeds 10,000 euros, then 10,000 should be deducted from it and the coefficient 0.2 should be applied to the remaining amount.

The Ministry of Justice recommends to review the immovable property tax provisions already this year in two stages:

1) to adopt the draft laws prepared by the Ministry of Justice - "Amendments to the National Real Estate Cadastre Law" and Amendments to the Law On Immovable Property Tax", providing for introduction of the non-taxable minimum in the calculation of the immovable property tax for the primary dwelling, starting as of 1 January 2022 - until 1 June 2020.

2) to review the possible reduction of the immovable property tax rates for the immovable properties with other purposes of use in the second half of 2020.

Besides, possible solutions are currently being reviewed with regard to reference of the draft law also to tenants. For example, determining that the provisions should refer also to those lease apartments, the lease agreements of which are registered in the Land Register and the tenant is also declared in the dwelling.

**ADDITIONAL INFORMATION:**

In accordance with provisional calculations of the Ministry of Justice, the impact of the proposed reform on the total income of municipalities from the immovable property tax in 2022 will be neutral (in comparison with actual income in 2018 and current estimates of the Ministry of Finance for 2022). Calculations are based on the fact that the new cadastral values will come into force on 1 January 2021, which shall be based on the market data recorded on 1 July 2019 and calculated according to the improved methodology.

Total income of municipalities from the IPT will not decrease as of 2022, in comparison with 2018. In case of the worst scenario, the total income will increase by 14 million euros. The above-mentioned increase is related to the fact that the cadastral values were reviewed in 2012 for the last time and that the market prices have increased during these years in many segments, as well as that buildings built during the recent ten years so far have not been properly appraised and the current cadastral values thereof, from which the IPT is calculated, often constitutes only 40-50% of the true value thereof.

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