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Government Doesn't Know Who Owns 40% of Real Estate

By The Moscow Times

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The government does not know who owns about 40 percent of all real estate in Russia, creating a massive blind spot that could obstruct the Finance Ministry's proposal to bring in a tax on real estate, Vedomosti reported Thursday, citing the Federal Tax Service.

The problem has cropped up because the state agency that tracks realty ownership has no information from before 1998, while its Soviet-era predecessor did not keep serviceable records, said Anna Strezhneva, a legal expert from KPMG.

"It is an illusion that the technical inventory bureaus have information about property rights. You need a copy of the title deed, and as a rule they do not," said Andrei Ivakin, director at the Economic Development Ministry's real estate department, Vedomosti reported.

Furthermore, there is no legal obligation to provide information about properties purchased before 1998 for use in the cadaster, with the result that property owners can essentially

remain invisible until they perform a transaction involving the property, Strezhneva said.

The regions could be losing up to 45 billion rubles ($1.4 billion) every year from taxes that go unpaid by these invisible landowners, said Oleg Repchenko, head of real estate information portal irn.ru.

The gaping holes in the cadaster would severely limit the effectiveness of a bill submitted to the government in August, which proposed replacing the current system of land taxes and personal property taxes with a combined real estate tax.

The Finance Ministry's proposal would allow the regions to set their own tax rates within given parameters. Taxes on residential buildings could be set at no more than 0.1 percent of their cadastral value, taxes on nonresidential buildings at up to 0.5 percent, and taxes on properties worth more than 300 million rubles ($9.3 million) at up to 1 percent.

The bill requires all regions to institute the tax between 2014 and 2018. The law could go into effect no earlier than Jan. 1, 2015, however, meaning that no real estate taxes will be paid until 2016, RBC Daily reported.

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