

New Property Tax Postponed Until 2015

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Property taxes will be based on cadastral values, but lawmakers still disagree on tax deductions for privileged categories. **Dmitry Fedoseev**

The introduction of the widely discussed new real estate tax that is set to levy fees on property based on market-oriented evaluation, will not be implemented until 2015, a news report said.

The bill was submitted to the government in August, but needs to be revised and submitted again by Nov. 15, one of the participants of a meeting chaired last week by First Deputy Prime Minister Igor Shuvalov said, Vedomosti reported.

President Vladimir Putin said earlier this year that the new tax could be levied as early as 2014, but this now looks unlikely to happen due to quarreling inside the government.

The provision of tax deductions for privileged categories became the stumbling block for the bill, which has been criticized by sections of the government.

Rather than being tied to the artificially low inventory price of property, the new real estate

tax that the Finance Ministry has initiated is to be calculated according to the cadaster value, which is closer to a property's market value.

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 current rate is 2 percent of the inventory property value.

Introducing the new system will increase property tax revenues by 5.6 times, to 137 billion rubles, the Federal Tax Service said.

The initial bill proposed by the Finance Ministry entitled everyone a 20-square-meter deduction from every apartment or house they owned, thus reducing the value and tax bill. Special categories of citizens — pensioners, the disabled, World War II veterans and others — were to receive a bigger deduction: 30 square meters from residential property and 1,000 square meters from land. That deduction could only be claimed for one piece of property and land, however.

Currently, those set to receive this benefit do not pay real estate tax, no matter how much property they own.

The President's administration said that there should be more tax deductions and that privileged residents should not pay the tax at all. The Finance Ministry, on the contrary, thinks that the existing deductions are "radical," an unidentified ministry official said.

Another reason for the possible delay in rolling out the new tax is that the process of establishing the cadastral prices for property across the country is not complete. The agency responsible for setting up and maintaining the cadastral database was hit by corruption scandals earlier this month.

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