

Ministry Proposes Nationalizing Unclaimed Property

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The state does not know who owns 39 percent of the country's real estate, undermining changes to property tax. **Sergei Porter**

The government could resort to seizing property from owners who fail to register their titles of ownership by March 2018, as part of an effort to fill state coffers.

A draft bill published by the Economic Development Ministry would order municipal authorities to confiscate any unclaimed property that has been listed in the cadaster, or state real estate registry, for at least five years.

The threat of expropriation is the only way to force property owners to pay their taxes, said Andrei Ivakin, director of the Economic Development Ministry's tax department, Vedomosti reported.

The law would affect a huge swath of Russian real estate, as ownership of 39 percent of all

property is currently unclear to the government, according to the Federal Tax Service.

This blind spot is a legacy of the Soviet Union: the state agency that tracks property ownership has no information from before 1998, while its Soviet-era predecessor did not keep viable records, said Anna Strezhneva, a legal expert from KPMG.

The new law would primarily affect private individuals, who make up the majority of title holders, said Andrei Zakrevsky, senior vice president of real estate consultancy Knight Frank.

The drive to flush property owners from the shadows coincides with another sweeping change that the Federal Tax Service says could increase property tax revenues by 5.6 times.

The Finance Ministry is in the process of shifting from tax evaluation based on artificially low Soviet-era "inventory" values to market pegged cadastral values.

The new tax is expected to come into force in 2015, but its effectiveness will clearly be limited as long as almost 40 percent of property owners avoid taxation by not formalizing ownership documents.

It is not only elusive landowners who have stymied the government's efforts to bring order to real estate taxation.

In early 2013, the Audit Chamber discovered violations in the use of more than 21 billion rubles (\$650 million) allocated for the creation of the digital national cadastral registry. Despite its price tag, the project has yet to be completed.

A number of officials from the Federal Service for State Registration, Cadaster and Cartography, which was responsible for the project, were charged with negligence in December, Investigative Committee spokesman Vladimir Markin told Itar-Tass.

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