

Abstract

Revaluation of real property after alteration

The Belgian Cadastre, Registration and Public Property department (hereunder: the department) lacks information to revalue the real property return after alteration. Yet, in order to comply with the principle of tax equity, this return should be equivalent to the actual value of the dwelling, which is also a source of income for the regions, the provinces and the municipalities. The Court of audit made some suggestions in order to improve the information exchange between the municipalities and the department.

According to the law, the rateable real property value is to be determined on the basis of the annual income after tax of the dwelling. In most cases, the department values this income on a contractual basis (lump sum) in function of the characteristics of the dwelling and of the lease values on the real estate market in 1975 in comparison with other similar properties. This real estate income also serves as a basis to calculate the tax on real estate, which is a source of income for the regions, the provinces and the municipalities.

In order to collect tax accurately and to comply with the principle of tax equity, the real property value should be adjusted to the actual characteristics of the dwelling. The law therefore stipulates that the data concerning a dwelling in the department's records should be revaluated whenever the property undergoes a major alteration and, since 1979, a general equalization of the real property value should in principle take place at least every ten years.

However, there has been no general equalization since 1981, making the revaluation of the real property value after alteration essential, although this was offset to a certain extent by a yearly indexation of the real property value since 1991. Therefore the Court of Audit examined if the real property value is revaluated in actual fact when the dwelling undergoes an enlargement, a reconstruction or a major alteration.

The Court compared on a global basis the dwellings' characteristics in the department's records with the available data concerning the building stock. The differences noted suggest that the department's data are not current any more. Indeed the number of dwellings with bathroom or central heating seems to be underestimated by the department. Furthermore, the share of modest dwellings (which entitle citizens to various tax incentives) in the whole property stock (approximately 43 % of real property according to the department's data) can indicate that many of these properties have been modernized or altered according to the modern comfort standards, while their real property value was not revaluated.

The examination of the data sources which should provide the department with information about the major alterations to the properties revealed a number of shortcomings.

On the one hand, the tax payers apparently almost never report spontaneously major alterations to their property, although they are legally required to do so.

On the other hand, the quarterly lists of alterations that the local councils are required to report to the department tend to mention only the alterations requiring a permit. However the recent modification of regional laws tends to narrow the list of alterations requiring a building permit.

Besides, local councils should report any infringement of the laws on town planning to the department.

Moreover, the measurement and evaluation experts who must be appointed by the local councils should collaborate more with the department, under the conditions that it should determine.

Finally, the department could examine whether it is advisable to use information kept by the regional or local authorities concerning grants they allocate for refurbishing dwellings as well as the tax incentives allocated by the State for the same purpose. However, in this case, it should also examine if this approach might risk undermining the coherence of the State action by

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making the financial incentives for refurbishment less interesting. The legislator could consider passing a law to postpone for a period of time to be determined the real property value increase resulting from the modernization of dwellings for which money or tax incentives have been allocated.