



ASSESSMENT OF THE IMPACT OF THE STATE CADASTRE OF REAL ESTATE ON A BUDGET INCOME

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Abstract

Purpose: The article deals with the results of the analysis of the reform of land and property relations aimed at the formation of an objective basis for the taxation of real estate.

Methodology: The empirical base of research is data of official statistics on revenues of regional and municipal budgets of the Russian Federation from 2005 for 2017. Data processing was made by means of statistical methods.

Result: The study of foreign experience has confirmed the right direction of the formation of an objective basis for taxation of real estate in Russia. The influence of the created state real estate cadaster on the structure of budget revenues of regional and local budgets is revealed.

Applications: This research can be used for universities, teachers, and students.

Novelty/Originality: In this research, the model of Assessment of the Impact of the State Cadastre of Real Estate on a Budget Income is presented in a comprehensive and complete manner.

Keywords: *Real Estate, Property Taxes, Real Estate Cadaster.*

INTRODUCTION

Orientation to innovative orientation of the Russian economy and socially oriented type of its development demands changes macro - and microeconomic structures and ways of their interaction with public authorities of management. Changes concerned also the sphere of the land and property relations on which quality the fullness of regional and local budgets in many respects depends. Predefinitions of reforms in this sphere is connected with the fact that the relations connected with property, its legal and economic aspects have paramount value for the development of the economy of any country ([Harriss et al. 2019](#); [Property Tax, 2019](#)).

METHODS

Transactions with the real estate as the basic unit of the land and property relations are guaranteed by the state providing the right of possession and the order of own property. But the state demands as well as an accounting of the carried-out transactions with the taxation purpose, therefore, the corresponding procedures which are carried out on the basis of accurately operating legal and registration mechanism are necessary. Such requirements are connected with the fact that the real estate and property rights on it define the relations of the owner (user) and the state. The empirical base of research is data of official statistics on revenues of regional and municipal budgets of the Russian Federation from 2005 for 2017. Data processing was made by means of statistical methods.

In the work general, scientific methods of research were applied.

RESULTS AND ITS DISCUSSION

Formation of the objective base for the taxation of real estate, followed by the improvement of mechanisms of calculation of property taxes demanded to study foreign experience. In the majority of the countries, taxes on real estate belong to the local level of the budgetary system and make a considerable share of its income. The property tax is a local tax in such countries as Canada, India, Ireland, the Netherlands, Chile, the Russian Federation, the USA.

In the United States of America, the income collected at the expense of a property tax makes about half of the receipts received by local authorities. In the past, this tax acted as a significant source of revenue from the Government of states, but now only a few states receive more than several per cents of budget revenues from this source. But some authorities support that the tax on real estate passed to the state, considering that the state will operate more effectively ([Harriss et al. 2019](#)).

But there are countries in which property taxes are raised at the different or several levels of the budgetary system of the country. So, in Brazil, the tax on real estate of rural territories gathers on federal level and city - on municipal. In Australia taxes on real estate are raised at two levels of the budgetary system.

The land tax states though most Australians do not pay it as they the bulk of states provide release from a land tax for the main house or the residence. Different rates of tax can be applied to foreign owners depending on the state. Except specified in local budgets the municipal tax formed on the basis of estimation of cost of the property is paid.

In Greece, the property tax is also raised at two levels of the budgetary system. But it reflects costs of service of the real estate because it is formed on the basis of utility payments, including accounts for the electric power, payment for cleaning of streets and lighting at a municipal level rather. At the state level, the property tax represents a combination of the individual property tax which calculation is based on an accounting of the area and a value-added tax for a property of natural persons, which is based on the assessment of the net value of all real estate objects, which owns ([Property tax, 2019](#)).

The administration of property taxes is rather expensive. In the report of the Organization for Economic Cooperation and Development (OECD) it is specified that at the beginning of the 21st century the property taxes made less than 0.5% of all tax revenues in Greece, but on their tax, administration was twice more expensive, more than 1% of the budgetary expenses were the share of it.

But in the majority of the countries as tax base as showed the analysis of foreign practice, cadastral assessment of the real estate is used. The inventory - the term treated very widely. Understand as it also the systematized arch containing data in an ordered form and the certain database made when carrying out constant observation of an object and the systematized set of data made periodically or by continuous observations over the corresponding object ([Big encyclopedic GUFU, 2017](#)). Data from the inventory are used for calculation of taxes, payment for use of natural resources, estimation of cost of objects at their rent, pledge, sale ([The business dictionary, 2017](#)).

To the research of tendencies of increase in the fiscal importance of property taxes, in budget revenues of regional and municipal level, a number of works are devoted to their role ([Akimova, 2013](#); [About cadastral activity, 2007](#)).

The objective of this research is the identification of the influence of the State Immovable Property Cadaster on the structure of budget revenues of regional and local budgets. In the federal law "About the State Immovable Property Cadaster" the State Immovable Property Cadaster is defined as "the systematized set of data on the considered real estate..." The law declares that the State Immovable Property Cadaster is a federal-state information resource).

The need of creation of an organized system of accounting of real estate objects in the Russian Federation demanded to carry out a significant amount of organizational actions which generally came down to a search of new forms of accounting of all real estate objects and their data in the uniform system of registration data.

Formation of a uniform system of accounting of real estate objects in the territory of the Russian Federation was carried out for the last decade. For acceleration of processes of its creation the Federal target program "Development of Uniform State System of Registration of the Rights and Cadastral Registration of the Real Estate (2014-2020)" was adopted. The main objective of the program is directed to the creation of the conditions allowing to harmonize the sphere of the land and property relations taking into account respect for the balance of interests of the state, business and society and also joint coordination of activity and mutual responsibility

Improvement of mechanisms of calculation of property taxes which cornerstone the cadastral cost of real estate is (lands, buildings, constructions, etc.) began since 2006. Since January 1, 2005, into the Tax Code, it is entered by hl. 31 "A land tax" which acts in all territory of the Russian Federation began since January 1, 2006.

The changes concerning the calculation of the taxable base of the land plots ambiguously affected a share of property taxes in various regions. Noticeable influence on the growth of volumes of a land tax in the analysis of regions of Central Federal District is traced in the regions located on chernozem lands. So, in the Belgorod region located in a chernozem zone more intensive growth of property taxes is observed, than in the Oryol region where is only a half placed on chernozem soils. Dynamics of a share of property taxes in the income of regional budgets on the example of the Belgorod and Oryol region are presented in figure 1.

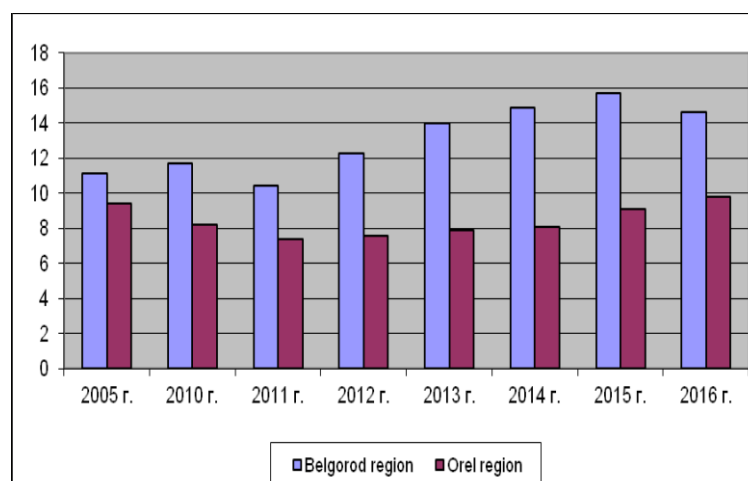


Figure 1: Share of property taxes in the income of regional budgets

The calculations which formed a basis for the schedule (fig. 1) are based on the data of official statistics ([Regions of Russia, 2016](#)). The analysis of the submitted data says that the share of property taxes in the Belgorod region fluctuating by years for 3 - 6 percent is higher than in the Oryol region.

Except for that only half of the Oryol region is located on chernozem soils that influenced growth of property taxes at the expense of a land tax, it is possible to consider also other tax - on the property of natural persons. One of the reasons for a smaller share of property taxes in the structure of budget revenues is more intensive rates and volumes of housing construction in the Belgorod region. For the analyzed period commissioning of houses on 1000 inhabitants in the Belgorod region made 550-1004 sq.m a year, and in Oryol - 229-629 sq.m a year.

Introduction of the Unified State Register of the Real Estate (USRRE) promotes the process of improvement of collecting and disclosure of information on the number of transactions with real estate. Possession of information on real estate objects allows expanding the taxable base that is promoted by determination of the cadastral cost of these objects. The abundance of the laws adopted in the sphere of management of real estate leads to an excessive specification which promotes the emergence of contradictions of again adopted regulations with accepted earlier. It, in turn, causes ambiguous interpretation at the level of the state and municipal authority, landowners, promoting the emergence of land disputes. Also, the sphere of the residential real estate where there are disputable situations on tax payments on real estate of citizens aggravates a problem of the emergence of disputes. It is connected with a transition period which duration is determined till 2020 during which gradual transition to the calculation of tax base of the property tax of natural persons proceeding from the cadastral cost of real estate objects will be carried out.

The extent of the period is defined by the fact that so far not all real estate objects are brought in EGRN and not the cadastral cost is determined by all objects. For such objects during the specified period tax base following the results of the tax period will be defined proceeding from the inventory cost of the property.

Besides, the facts of overestimate of cadastral cost of objects when its size exceeds the market value of the specified objects meet now. These cases represent precedents for the emergence of disputable situations as according to the current legislation the citizen can challenge the amount of the property tax of natural persons if the taxable base of an object is formed from the size of the project cost exceeding its market value. In such cases tax base is defined proceeding from the market value of a real estate object.

The size of the property tax calculated at the cadastral cost which is approved at the local level by each of the regions Russian according to hl. 32 Tax Code of the Russian Federation considerably increases the tax burden of taxpayers therefore during a transition period the decreasing coefficient works. The size of decreasing coefficient within the first 4 years of introduction in the region of calculation of a tax from cadastral cost respectively is 0.2; 0.4; 0.6 and 0.8.

Thus, by 2020 in all territory of the Russian Federation transition to property assessment at cadastral cost has to be carried out for what the cadastral cost of all real estate units has to be determined. It will allow creating conditions for activation of the real estate market and will increase the volume of own income of local budgets.

Change of taxable base of the property tax of natural persons gradually changes the structure of local taxes that can be tracked in the analysis of the data provided in table 1. Data sources are official reports of the finance department and the budgetary policy of the Stary Oskol city district for 2015-2017.

Table 1: Dynamics of income of the local budget of the Stary Oskol city district

| Income/years | 2015 | | 2016 | | 2017 | |
|------------------------------------------------------------------------------|------------------|------|------------------|------|------------------|------|
| | thousand rubles. | % | thousand rubles. | % | thousand rubles. | % |
| Income tax | 578 970 | 33.6 | 604 020 | 32.4 | 671 539 | 28.2 |
| Excises | 26 477 | 1.5 | 44 398 | 2.4 | 34 717 | 1.4 |
| The single tax on imputed income | 200 359 | 11.6 | 197 631 | 10.6 | 176 417 | 7.4 |
| Single agricultural tax | 903 | 0.01 | 1 195 | 0.06 | 6 865 | 0.3 |
| The tax raised in connection with the use of a patent system of the taxation | 5 716 | 0.3 | 5 968 | 0.3 | 7 471 | 0.3 |
| Property tax of natural persons | 74 686 | 4.3 | 87 248 | 4.6 | 128 626 | 5.4 |
| Land tax | 795239 | 46.1 | 865 676 | 46.4 | 1 286 331 | 53.9 |
| State tax | 41 012 | 2.59 | 58 340 | 3.24 | 73 022 | 3.1 |
| In total tax income | 1 723 362 | 100 | 1 864476 | 100 | 2 384 988 | 100 |
| Income from rent | 316902 | 65.6 | 319117 | 61.0 | 356106 | 64.2 |
| Income from the property sale | 75000 | 15.5 | 103000 | 19.7 | 52580 | 9.5 |
| Payment for the negative impact on the environment | 37 702 | 7.8 | 32955 | 6.3 | 31 358 | 5.6 |
| Other non-tax income | 53813 | 11.1 | 67927 | 12.0 | 82955 | 20.7 |

Dynamics of income of the local budget of the Sary Oskol city district shows that the land tax plays the most significant role and its share increases. Besides, the growth of an income tax is observed though decreasing coefficients to the cadastral cost of real estate objects when calculating taxable base are still used. In comparison with the 2015 growth of a share of this tax increased by 1.1%. Besides, it is possible to note that for the analyzed period the accurate tendency of change of a share of income from rent of real estate is not revealed.

CONCLUSION

The used approach to a research of assessment of the influence of uniform state system of registration of the rights and the cadastral registration of the real estate formed in the Russian Federation the last decade allowed to reveal both positive and negative tendencies for certain citizens and the states in general.

Thus, the conducted research allows noting that:

- At the present stage in the Russian Federation works on improvement of the land and property relations are continued that is promoted also by the transition to use of cadastral assessment of the real estate;
- Introduction of the Unified state register of the real estate promotes the process of improvement of collecting and disclosure of information on the number of transactions with real estate;
- Full and objective information on real estate objects allows to expand the taxable base of real estate of citizens and legal entities;
- The excessive specification of procedures of account and assessment of the real estate which arose owing to the abundance of laws in the sphere of management of real estate promotes the emergence of contradictions, causes ambiguous interpretation at the level of the state and municipal authority, landowners, promotes the emergence of land disputes;
- Introduction of a transition period when forming the taxable base of the property tax of natural persons which duration is determined till 2020, on the one hand, gradually increases a tax burden of owners of the real estate, with another, aggravates a problem of the emergence of disputes in the sphere of the residential real estate;
- Improvement of mechanisms of calculation of property taxes on the basis of cadastral cost increases the fiscal importance of property taxes and increases their role in budget revenues of regions and municipalities;
- Considerable influence on the growth of volumes of a land tax has a quality of lands therefore in the territorial subjects of the Russian Federation located on more fertile lands the specific weight of a land tax in the income of local budgets more increased;
- Annual growth of an income tax even in the conditions of application of decreasing coefficients to the cadastral cost of real estate objects is noted when calculating taxable base.

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