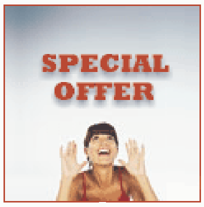

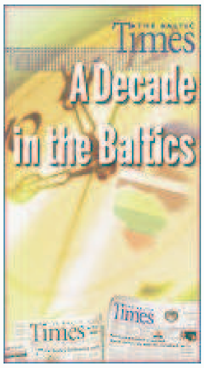

THIS WEEK

News *
Estonia *
Latvia *
Lithuania *
Business *
Finance
Sports
Opinion
Outlook
Special

ENTERTAINMENT

Out & About
Cinema
Cultural agenda
Summer events

MARKETPLACE

Business calendar
Classifieds
Real estate
Jobs

YOUR OPINION

Letter to the editor
Forum

NEWS

TALKING TAX: Lithuanian real estate tax continues quest for improvement

Jul 26, 2006
by Mantas Petkevicius

As of Jan. 1, 2006 the new Law on Real Estate Tax, which introduces significant changes into the taxation of real estate in Lithuania, has come into effect. Although the law was adopted on June 7, 2005, and it would seem that taxpayers, as well as tax administrators, have had sufficient time to prepare for the smooth implementation of the new law, the reality suggests the opposite.

Pursuant to the new law (which inter alia changed the methods of establishing taxable value), the taxable value of real estate is the average market value of the real estate established by applying mass valuation of real estate property. If taxpayers do not agree with the value established in the course of mass valuation, they may submit a request to consider the taxable value the value of the real estate determined by individual valuation, as performed by independent property appraisers. On Jan. 5, 2006 the results of the mass valuation were officially published, and taxpayers were granted the right to submit requests for individual valuation within one month.

A substantial number of taxpayers, unhappy with the increased taxable base, which according to their understanding exceeds the real market value of the property, applied for individual valuation. However, neither the taxpayers nor independent property appraisers were properly prepared for this eventuality. The Center of Registers turned down a considerable amount of requests, which resulted in administrative and court disputes. It is worth noting that an extremely short period for request submission was little help for the quality of individual valuations.

Legislators have already twice amended the law (within 6 months of its existence). First, in April, they extended the deadline for submission of requests (that is two months following the end of the initial request submission deadline) until July 5. However, this did little for those taxpayers who resolved to oppose the decisions of the Center of Registers (to refuse requests) on the basis on non-perfect individual valuations. In case of negative court decisions they may face the increased taxable base for the next five years.

Secondly, in June legislators reduced the tax burden of the increased tax base for 2006-2007 and allowed municipalities to establish the tax rates within their territory themselves as of 2007 (currently the tax rate is 1 percent of the tax value, from 2007 it will be 0.3 – 1 percent depending on the decision of the particular municipality).
Now it could be concluded that the law was neither perfect, nor it came into effect as smoothly as it was expected, and the time given for the taxpayers to react was evidently too short.

Mantas Petkevicius is an associate of Sorainen Law Offices in Vilnius
www.sorainen.com

E-mail this article Print this article Discuss this article

MORE NEWS

- Latvia banks among most profitable
- E-bills catching on in Estonia
- Report: Estonia needs to raise productivity
- Lithuanians spend more on food
- Estonia ready for shipping on Peipsi
- Bank of Latvia raises refinance rate, warns of continued inflation
- TALKING TAX: 'Hey, where should I put my old fridge?'
- Internet banking strong as ever
- Inflation unrelenting in Estonia
- Shadow boxing in Latvia

Search!