Conference and Plenary Meeting of the Permanent Committee on Cadastre in the European Union

The Economic Impact of Cadastre for the Society
Bucharest, Romania
6 - 7 June, 2019

Economic impact of the cadastral information in the real estate taxation in Italy

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In Italy, as in many other Countries, the tax on real estate assets is the main resource for local public bodies, whose existence is guaranteed by the "principle of benefit", according to which the policies that increase the value of the tax base are actually a benefit also for tax payers.

A property inventory system, constantly updated, which allows a detailed knowledge of the real estate assets from a technical, economic and property rights point of view, represents an essential resource for the real estate taxation of each Country.
In the real estate taxation field, the cadastral valuation plays a significant role, as it represents the reference for the calculation of the tax base of several taxes, both recurrent and non-recurrent.

In Italy\(^{(1)}\), the cadastral mass valuation system pursues the objective of determining the "\textit{theoretic yearly income}" of every real estate, the so called \textbf{CADASTRAL INCOME}, assessed with reference to a specific economic period - \textit{established by law and currently fixed in the biennium 1988/1989} - through different methodologies which depend on the real estate designated use.

\(^{(1)}\) \textit{Agenzia delle Entrate} is the Italian public body charged with the management of Tax revenues, Cadastre, Land Registers and the R.E. Market Monitoring System.
CLASSIFICATION DEPENDING ON THE REAL ESTATE DESIGNED USE

GROUP A - 11 typologies (DWELLINGS, OFFICES, PROFESSIONAL STUDIOS)

GROUP B - 8 typologies (PUBLIC USE)

GROUP C - 7 typologies (COMMERCIAL/ARTISAN BUSINESS, OUTBUILDINGS)

GROUP D - 10 typologies (INDUSTRIAL AND SPECIAL COMMERCIAL USES)

GROUP E - 9 typologies (SPECIAL USE, COMMUNITY INTEREST)

GROUP F - 7 typologies (PROPERTIES THAT DO NOT HAVE THE CAPACITY OF PRODUCING INCOME)
THE CADASTRAL INCOME ON REAL ESTATE URBAN UNITS

The economic component of the Italian cadastral information is based on the (mass) valuation of the theoretic yearly income (ref. to 1988-89 period) of every real estate, the so called Cadastral Income.

Cadastral Income

Urban Real Estate Units for **ORDINARY** use *(houses, offices, shops, etc.)*

The cadastral income is calculated by associating to the urban unit the proper **category** and **productivity class** *(to which a specific “per-unit tariff” is assigned)*

\[
\text{Cadastral Income} = \text{urban unit size} \times \text{per-unit tariff} \quad \text{€/rooms or m}^2 \text{ or m}^3
\]

Urban Real Estate Units for **SPECIAL** or **PARTICULAR** use *(e.g. industrial buildings, malls, airports, railway stations, etc.)*

The cadastral income is calculated by **specific assessment**, unit by unit
THE URBAN REAL ESTATE STOCK

The real estate stock registered in the Italian cadastral archives*

(*) With the exception of the data concerning the territories in which the Cadastre is managed, by delegation of the State, by the Autonomous Provinces of Trento and Bolzano.

### The Contents of the Italian Cadastral System

<table>
<thead>
<tr>
<th>Cadastral typologies</th>
<th>Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A (dwellings, offices, professional studios)</td>
<td>52.1%</td>
</tr>
<tr>
<td>Group C (commercial/artisan business, outbuildings)</td>
<td>40.0%</td>
</tr>
<tr>
<td>Group D (special use)</td>
<td>2.3%</td>
</tr>
<tr>
<td>Group E (specific use)</td>
<td>0.1%</td>
</tr>
<tr>
<td>Group B (public use)</td>
<td>0.3%</td>
</tr>
<tr>
<td>Group F (particular units – fictitious typologies)</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

\[ UIU = \text{Urban Real Estate Unit} \]

\[ 74 \text{ million UIU} \]
THE URBAN REAL ESTATE STOCK

The real estate stock registered in the Italian cadastral archives

- **74 million**
  - Out of these, are registered under “ordinary” and “special” cadastral typologies, bearing indication of "cadastral income"

- **63.8 million**
  - Properties are “common properties unsuitable for producing income” (namely properties with a shared use by several real estate units, that do not independently produce an income)

- **6.6 million**
  - Properties are registered under cadastral typologies of group F (as real estate units that do not have the capacity of producing income - unbuilt urban areas, paved roofs, real estate urban units under construction or still lacking an assigned use, units in a state of collapse)

- **3.4 million**
69.9% of the total cadastral income (25.6 billion euros) refers to properties from groups A, B and C.

Properties of group D, though only 2.3% of the total real estate stock, produce a relevant part of real estate income, equal to 28% (about 10.2 billion euros).
Contents of the Italian Cadastral System

THE URBAN REAL ESTATE STOCK

Non Residential Units
8.0 %
5.1 million

Residential Units
53.9 %
34.4 million

Ancillary Units
38.1 %
24.3 million

63.8 million

Are registered under “ordinary” and “special” cadastral typologies, bearing indication of cadastral income.
THE CADAstral INCOME ON REAL ESTATE URBAN UNITS

Number of urban units

63.8 million (with cadastral income)*

Total value of cadastral income

36.6 billion €

Contents of the Italian Cadastral System

“ORDINARY USE” URBAN UNITS

62.2 million

97.4%

1.6 million

2.6%

“SPECIAL USE” URBAN UNITS

11 billion €

30.1%

36.6 billion €

69.9%

25.6 billion €

2.6%

1.6 million

74 million (*) Total number of urban units (regardless of cadastral income)
Cadastral valuation and real estate taxation

Immovable property taxation in Italy:

- **Income** taxes (personal and corporate income taxes),
- **Property** taxes (municipal property taxes)
- **Transfer** taxes (VAT, Register, Cadastre, etc.)

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>19.6</td>
</tr>
<tr>
<td>Income Tax</td>
<td>8.4</td>
</tr>
<tr>
<td>Transfer Tax</td>
<td>12.0</td>
</tr>
</tbody>
</table>

**Total** 40 Billion euros (2018)*

*Estimated values

Source: AdE General Director hearing 2019
Cadastral valuation and real estate taxation

Cadastral Value as base for the Municipal Property Tax

\[
\text{Municipal Property Tax} = [\text{Cadastral Value}] \times R
\]

Tax Rate decided by each Municipality within limits fixed by the State

\[
\text{Cadastral Income}^* \times F
\]

Defined as the "theoretic yearly income", it is evaluated by the local offices of "Agenzia delle Entrate".

Factors:
- Houses: \( F = 160 \)
- Offices: \( F = 80 \)
- Shops: \( F = 55 \)
- Plants: \( F = 65 \)

\* Increased of 5%

Factor fixed by the State.
For real estate, it varies according only to the designated use (residential, industrial, commercial, ...).
Fairness in real estate taxation – cadastral value Vs market value

Gap analysis of cadastral values and market values

\[ K_N = \frac{\text{Average Market Value}}{\text{Average Cadastral Value}} = 2.0 \]

\( K_M = \text{Municipal average ratio} \)

Source: OMI - AdE data processing
It is clear how real estate taxation system relies upon:

- a correct valuation of the immovable properties and
- a fair and reliable information system (Cadastre)

In this context, to achieve a fair taxation system, it is crucial to maintain and support:

- an accurate knowledge of real estate stock together with a continuous monitoring of the characteristics and dynamics of real estate market
- a reliable cadastral information system
- coherent and efficient procedures for the mass valuation of tax bases
- a correct identification of the taxable persons
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Thanks for your kind attention

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