



SELÇUK  
ÜNİVERSİTESİ



# The Necessity Of Real Estate Valuation For Property Taxation

**Dr. Mehmet ERTAŞ**

1

The Necessity Of Real Estate Valuation For Property Taxation

## SUMMARY

Countries that have adopted private ownership collect “property tax” from property owners for reasons such as;

- the obligation for being property owners,
- the responsibility of the state for providing property assurance by the law.

In our country, property tax is collected by “municipalities” and shared among certain institutions providing that the main share is allocated to the municipalities.

In Turkey, property taxes are collected based on the “declarations” of the property owners.

In fact, these declaration values issued by municipalities are substantially below the real market values.

Another topic of our taxation system is the “property taxation rates and exemptions” introduced by the state and municipalities.

Dr. Mehmet Ertaş, Selçuk University, Technical Sciences College

2

## 1.TAX

### 1.1 Definition

Tax is the monetary values which the state takes from natural and legal entities as an enforced contribution to provide for the expenses required by public services and public debts and also the impositions that consequently emerge based on its power of supremacy and without reciprocity.

Taxation is applied for economic, financial, political and social reasons.

Article 73 of our Constitution gives the power of taxation to the state and the state collects taxes from persons based on its power of supremacy.

## 2. PROPERTY TAX

### 2.1 Definition of Property

Property is the whole of a plot and land by its own and all types of housing existing on the land in question.

Today, it is also stated as *real estate*.

Property tax value is the current value of the building, plot and land subject to property tax.

Current value is the normal purchase and sale price of the building, plot or land on the date of declaration.

### 2.2 Types of Property

**Buildings:** Comprises all immovable constructions and their extensions either on land or water regardless of the material they are built of. All types of structures are defined by the term 'building'.

### Types of Property

**Plot:** A plot is a piece of land reserved or intended for constructing a building; according to law, land located within the borders of a municipality and plotted by that municipality.

Plots are areas subjected to a zoning plan and divided into tracts suitable for construction

**Vineyard:** Vineyard is a piece of land where grapes are grown.

**Garden:** Gardens are places for growing flowers, vegetables and trees.

**Field:** A field is a piece of land used for agriculture and stockbreeding.

**Pasture, Grassland:** These are shared areas under the ownership of the people in a village.

Pastures and grasslands cannot be intended for private use and also cannot be plotted, sold or opened to settlement.

### Types of Property

**Land:** Lands are cultivated agricultural areas that are exclusive of zoning plans.

In other words, pieces of soil apart from settlement areas and roads are named as land.

## 2.3 Property Tax Declaration

Property declarations are presented to the **Property Tax Office** of the municipality by which the property is registered.

Property taxation is the payment of the tax amounts of real estate properties determined annually by municipalities.

### 2.3.1 Documents and Data Required for Property Tax Declaration

The following information is required for presenting a **property declaration** to the municipality by which the property is registered;

## **Documents and Data Required for Property Tax Declaration**

- a) Land register information,
- b) Birth certificate information of the owner,
- c) Area of the plot or land stated in m<sup>2</sup>,
- d) The category of land, the state of cultivation,
- e) Unit m<sup>2</sup> cost of construction,
- f) Plot area of the building and m<sup>2</sup> area based on allotment,
- g) The overall surface area of the building,
- h) Type of construction,
- i) Class of construction (such as 1st, 2nd, 3rd),
- j) Age of the building,
- k) The presence of central heating or elevator,

Property tax declarations can be filled out after the completion of required documents and information.

## **2.4 Assessment of the Property Tax Value**

### **2.4.1 Calculation of the Tax Value for Plots and Lands**

According to Property Tax Law, the tax values of plots and lands in a taxation year have to be determined by multiplying the square meter unit value stated by the valuation commission and the area of the plot or land stated on the property tax declaration submitted to municipalities by taxpayers.

#### **2.4.1.1 Assessment of Plot Tax Value**

Tax values of plots are assessed by taking their areas into consideration. The following points are taken into account in assessing tax values:

### **Assessment of Plot Tax Value**

- a) Remoteness or closeness to business centres and residential areas and state of transport,
- b) Location by square, coast, street or road in which the estate is situated,
- c) The availability of municipal services such as water, electricity, gas and sewerage,
- d) The type of construction suitable for the plot,
- e) Its status in the zoning and construction plan,
- f) The size of building and building lot,
- g) Topographical status.

### **2.4.1.2 Assessment of Land Tax Value**

The type, category and the state of use of lands are taken into consideration in assessing their tax values.

Lands are classified into three types based on the degree of irrigation.

Each type of land is classified into four categories as good, medium, poor and being not suitable for growing cultivars based on its state of yield.

The following are taken into consideration in taking such decisions:

- a) Classification based on the use of dry or irrigated farming on the land and the existence of a rainy climate,
- b) Classification based on the cultivars grown on the land,
- c) Classification based on the varieties of crops used for rotational cropping.

## 2.4.2 Calculation of the Tax Value for Buildings

The tax values of buildings are assessed according to their way of use, type and categories. The following qualities of buildings are also taken into account in assessing their tax values:

- a) Remoteness or closeness to business centres, residential areas and facilities like parks and schools and the state of transport,
- b) Location by square, coast, street or road in which the building is situated,
- c) The availability of municipal services such as water, electricity, gas and sewerage,
- d) Size, number of floors and sections such as rooms, halls and bathrooms,
- e) Practicality of inner sections,

## Calculation of the Tax Value for Buildings

- f) Location on the facade or rear front,
- g) Presence in a built environment,
- h) The presence of central heating, elevator and air conditioning systems,
- i) Premises,
- j) Having a view

### 2.4.2.1 Discounts to be made on the Cost Value

In multi-storey buildings, discounts are made on the calculated cost value at rates of 10-15% for basements depending on the rate of depth, 3% for ground floors, 2% for fourth floors, 3% for fifth floors and 4% for sixth and higher floors.

The floors subject to discount are determined according to the building project approved by the municipality, or according to the zoning legislation in buildings for which the owners cannot present a project.

### **2.4.2.2 Additions to be made to Cost Value**

In following cases, additions are made to the calculated cost value at stated rates:

a) Between 5-10% for buildings located in the front,

The condition for being in the front is the existence of a façade facing a square, coast, street or road.

b) Between 15-25% for the ground floors of built for use in commercial, industrial and vocational activities; between 10-15% for first floors and 5-10% for second floors in such buildings.

### **2.6 Tax Rate**

According to Property Tax Law, taxes are levied on real estate at following rates;

a) 2‰ on housings

c) 6‰ on plots,

b) 4‰ on businesses and factories,

d) 2‰ on Land.

### **2.6.1 Reasons for Changing Tax Values**

The reasons for changing tax values are listed below:

a) Construction of a new building,

b) Complete or partial destruction of a building because of reasons such as fire or breaking apart,

c) A complete change in the way of usage of a building,

d) A change in the state and shape of the land,

e) A non-agricultural land is converted into arable land,

f) Land is parcelled into plots,

g) Continuous increases or decreases of above 25% in the values of buildings and land in a city, town or village for any reason.

h) ...

### 3.1 Application

Today, the increase in the number of qualified technical staff computerised record keeping and the increasing need of the state for more financial resources to be spent on new investments has rendered the real estate value statements relatively controllable.

That is, the law has not left the whole initiative in tax declaration to property owners.

Furthermore, the duty of collecting property taxes was assigned to the *municipalities*.

In this way, an important obstacle to the control of statements and tax collection has been removed.

However, even today, 0.65 of the real market values of the real estate is declared in Konya province, which means a 35% loss in taxation.

### Application

For example, the number of real properties subject to property taxation within the borders of Selçuklu Municipality is 316 287.

Of these real estates, 33 378 are exempt of tax.

In a municipality where such a large number of real estate exists, a 35% loss of collected tax is not a rate to be underestimated.

As a matter of fact, a legislative study has been initiated by the government to minimize losses in property taxes.

**Table 3.1.1 Number of Real Estates located within the borders of Selçuklu Municipality**

Type of Real Estate	Total number	Number exempt of tax	Property tax rate (‰)
Residence	157 978	2 827	2
Business	42 675	---	4
Factory	920	---	4
Plot	66 254	6 321	6
Land	48 460	24 230	2

### 3.2 Introducing the Town of Selçuklu

Selçuklu is the 17th biggest county of Turkey.

In terms of development, the town ranks ninth among the counties in Turkey.

Selçuklu County provides the 25% of the GDP of Konya province.

The urbanisation rate of the county is 83%.

Selçuk University, which is the fourth biggest university in Turkey, is in this county.

First, Second and Third Organised Industrial Zones, a tractor factory, Konya cement factory, important industrial plants and 15 small industrial sites are located in Selçuklu.

Konya Airport is in Selçuklu.

The intercity bus terminal is also in this county.

The tramway system that provides local public transport operates completely in Selçuklu County.

#### 3.2.1 Numerical data on Selçuklu County

Population	: 528 000	Number of districts	: 68
Urban area	: 30 000 ha	Number of streets	: 154
Area of responsibility	: 12 000 ha	Number of alleys	: 3 374
Improved land	: 8 000 ha		

#### 3.2.2 Population of Selçuklu according to years

47% of the total population of central Konya live in Selçuklu.

The population of Selçuklu is higher than that of 56 provinces.

1990: 188 224

1997: 261 800

2000: 327 627

2008: 459 921

2010: 474 993

2011: 528 000 (537 899 including villages)

### Map 1: Border Map of Selçuklu Municipality



### 3.3 Suggestions

The following can be suggested for a fair property tax system:

a) Land registry and cadastre information system (TAKBIS) should be activated in every part of our country and a graded property tax system which is based on value should be adopted,

b) Tax rates should be lowered to payable rates. For example;

For properties that are located within the zoning plan and fully-built according to the provisions of the plan;

- All types of buildings used as family residences with floor areas smaller than 100 m<sup>2</sup> and gardens 500 m<sup>2</sup> at most and their annexes should be exempt of all types of property taxes and purchase and sale fees,

- Property tax of a real estate with a value of up to 250 000 TL including plot 1‰,

- Property tax of a real estate with a value of up to 500 000 TL including plot 3‰,

# The Necessity Of Real Estate Valuation For Property Taxation

## The Necessity Of Real Estate Valuation For Property Taxation

- Property tax of a real estate with a value of up to 1 000 000 TL including plot 5‰,
- Property tax of a real estate with a value of 1 000 000 TL and above including plot 10‰.

For properties that are located within the zoning plan but unstructured or deficiently built according to the provisions of the plan;

- For a building plot, 70% of the total building value that can be constructed according to the zoning plan and the total plot value,

- For a cadastre plot, in case an independent building plot can be created in its current state, 70% of the plot value and 70% of the total building value that can be constructed according to the zoning plan,

should be taxed based on the rates given above,

- A cadastre plot on which an independent building plot cannot be formed and thus completely spared for a social zoning area should be exempt of property tax.

Dr. Mehmet Ertas, Selcuk University, Technical Sciences College

21

## The Necessity Of Real Estate Valuation For Property Taxation

In case of an agricultural land outside the zoning plan, 5‰ of the net income should be taken as property tax by taking the type of crop mainly cultivated in the region, the cropping system and customs of renting into account.

Building construction values should be assessed by Provincial Directorates of Public Works, and the calculation of the annual net incomes in agricultural areas should be made by Provincial Agriculture Directorates.

a) Property value maps should be created to protect the state and citizens against all sorts of fraud.

b) The state should have the pre-emptive right in case of persistently low declarations.

The enforcement of particularly item b given above will force the speculators who buy and hold plots and real estate profiteers who live on rental income to mainly retire from the land market and this idle capital will be utilized in the economy.

Dr. Mehmet Ertas, Selcuk University, Technical Sciences College

22

**THANKS ...  
QUESTIONS ?**

[mertas@selcuk.edu.tr](mailto:mertas@selcuk.edu.tr)