

Official Committees of Valuation Experts and Taxation in Germany

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SUMMARY

Official committees of valuation experts and data In Germany official committees of valuation experts exist since 1960. They've been established legislatively to ensure transparency and to prevent speculation in real estate after the lapse of price maintenance in that sector. Only in 2013 about 1.000.000 transactions have been registered nationally by the committees of valuation experts which equals a total volume of approximately 160 Billion Euro. Comprehensive data are derived from sales contracts. These data organise the real estate sector in a transparent way and also serve as important tools for appropriate valuation of real estate. Besides deriving standard land values this means particularly property yields, conversion factors, index series and units of comparison. Those data relevant to valuation of real estate are especially required by the financial administration to guarantee fair taxation of German citizens. Tax valuation of real estate Valuation of real estate is crucial particularly in three sectors: 1. Capital transfer tax and gift tax 2. Real estate tax and real estate transfer tax 3. Profit and surplus assessment Regarding capital tax of standard land value various kinds of development status as well as their features and the plot ratio have to be considered. Built-up properties are generally calculated in a comparison-, asset value- and income approach to valuation method. Again the relevant data regarding valuation of real estate of the committees of valuation experts are essential as only by these values (factors of asset value, property yields, etc.) reference to the real estate sector can be established. Especially factors of asset value, conversion factors and property yields are of fundamental importance. As to land tax which represents a crucial part of the communal fiscal revenue for the most part the current taxable values are taken account of. To establish fair taxation for these outdated values currently a reform of land taxation is being discussed which in turn will draw on property values (derived from standard land values) and generalised building costs. Here again data (standard land values, property yields, factors of asset value, etc.) of the official committees of valuation experts are required. Transfer tax is based on the respective purchase prices which are matched by the market values of real estates. As to income-based tax always the partial value is calculated. In fact this value is based on the market value as well but also considers the specific advantages and disadvantages of value incurred by businesses because of acquisition or removal of real estate at business property. Conclusion Data of official committees of valuation experts therefore represent one of the most fundamental aspects of tax valuation of real estate which in turn is essential to ensure fair taxation.