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

Marco SELLERI
Director for Cadastral, Cartographic and Land Registration Services

www.agenziaentrate.gov.it
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.

Source: MEF & AdE processing on OCSE data
Real Estate in Italy 2017
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 "theoretic yearly income" of every real estate, the so called **CADASTRAL INCOME**, assessed with reference to a specific economic period - *established by law and currently fixed in the biennium 1988/1989* - through different methodologies which depend on the real estate designated use.

\(^{(1)}\) *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.

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)

Cadastral Income = urban unit size \((\text{cadastral rooms/m}^2/\text{m}^3)\) \(\times\) per-unit tariff \((\text{€/rooms or m}^2 \text{ or m}^3)\)

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.

---

**Contents of the Italian Cadastral System**
The real estate stock registered in the Italian cadastral archives*

<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>

(*) 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.

UIU = Urban Real Estate Unit
THE URBAN REAL ESTATE STOCK

The real estate stock registered in the Italian cadastral archives

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

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)

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)
Contents of the Italian Cadastral System

THE CADAstral INCOME ON REAL ESTATE URBAN UNITS

63.8 million

Are registered under “ordinary” and “special” cadastral typologies, bearing indication of cadastral income

Total Cadastral Income

36.6 billion €

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)
THE URBAN REAL ESTATE STOCK

- Residential Units: 53.9% (34.4 million)
- Non Residential Units: 8.0% (5.1 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 \((\text{with cadastral income})^*\)

Total value of cadastral income
36.6 billion €

\(\text{(*) Total number of urban units (regardless of cadastral income)}\)

“ORDINARY USE” URBAN UNITS

62,2 million

97,4%

1,6 million

2,6%

Total number of urban units
74 million

“SPECIAL USE” URBAN UNITS

25,6 billion €

69,9%

11 billion €

30,1%
Immovable property taxation in Italy:

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

\[
\begin{align*}
\text{Property Tax} & \quad 19,6 \\
\text{Income Tax} & \quad 8,4 \\
\text{Transfer Tax} & \quad 12,0 \\
\hline
\text{Total} & \quad 40 \text{ Billion euros (2018)*}
\end{align*}
\]

*Estimated values

Source: AdE General Director hearing 2019
Cadastral Value as base for the Municipal Property Tax

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

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

Cadastral Income* \times F

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

Factor fixed by the State. For real estate, it varies according only to the designated use (residential, industrial, commercial, ...).

* Increased of 5%
Fairness in real estate taxation – cadastral value Vs market value

Gap analysis of cadastral values and market values

National average ratio

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

\( k_M \ll K_N \)

\( k_M \approx -5\% \quad 14\% \)

\( k_M \approx -5\% \quad 41\% \)

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

Houses (2016)

- > 4 (247)
- 3.2 - 4 (398)
- 2.8 - 3.2 (565)
- 2.4 - 2.8 (930)
- 2.2 - 2.4 (660)
- 1.8 - 2.2 (2153)
- 1.4 - 1.8 (2157)
- < 1.4 (828)
- not available (80)

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**
Thanks for your kind attention

Marco SELLERI
Director for Cadastral, Cartographic and Land Registration Services

www.agenziaentrate.gov.it