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How Do Property Taxes Compare Throughout Europe?

Annual index shows that Slovakia and Estonia have the best rates, while Italy has the highest

Q. The coronavirus pandemic has been making me think about buying a second-home somewhere in Europe. How can I compare property taxes across different European countries?

A. Estonia has the most efficient property tax system of European countries in the Organisation for Economic Co-operation and Development (OECD), according to data released in November by the Tax Foundation, a think tank in Washington, D.C.

Property taxes are one of the components of the Tax Foundation’s annual report, the International Tax Competitiveness Index, which looks at how taxes compare in countries in the OECD, which has 37 member countries. (Data from Colombia, which was added this year, was not included in the foundation’s report.)

For its property tax ranking, the foundation compares real property taxes, as well as those related to property, including wealth taxes, estate and inheritance taxes, property transfer taxes and others.

There are two reasons why Estonia ranked so well, according to Elke Asen, a policy analyst with the Tax Foundation’s Center for Global Tax Policy.

“The first reason is that it has a land tax instead of a real property tax,” she said. “It does not tax what’s built on the land so it doesn’t discourage businesses or individuals from building on that land.”

The country also ranks well because of a lack of other taxes, such as estate and wealth taxes, she explained.

Slovakia and Sweden also rank in the top five countries for tax efficiency, according to the index.

On the other hand, Italy ranks the worst. Its real property taxes are relatively high, and it also imposes transfer taxes, a wealth tax on assets held abroad and an inheritance tax, among other levies, Ms. Asen noted.

“There are so many layers of property taxes,” she said. “Because of that, they rank so poorly in the index.”

Spain, Switzerland and the U.K. also have low rankings in the property tax component of the index, ranking 35th, 34th and 33rd, respectively, on the list of 36 counties.

International Property Tax Institute

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Ms. Asen also pointed out Europe has relatively low property taxes compared to other regions. For example, property taxes only make up about 4.6% of revenue in Europe, compared to 12.2% in the U.S., according to the foundation.

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