



## SESSION 2

# How to strengthen property taxes to enhance subnational government revenue?

*Setting the scene with key findings from the  
World Observatory on Subnational Government Finance and Investment*

**Margaux Vincent**

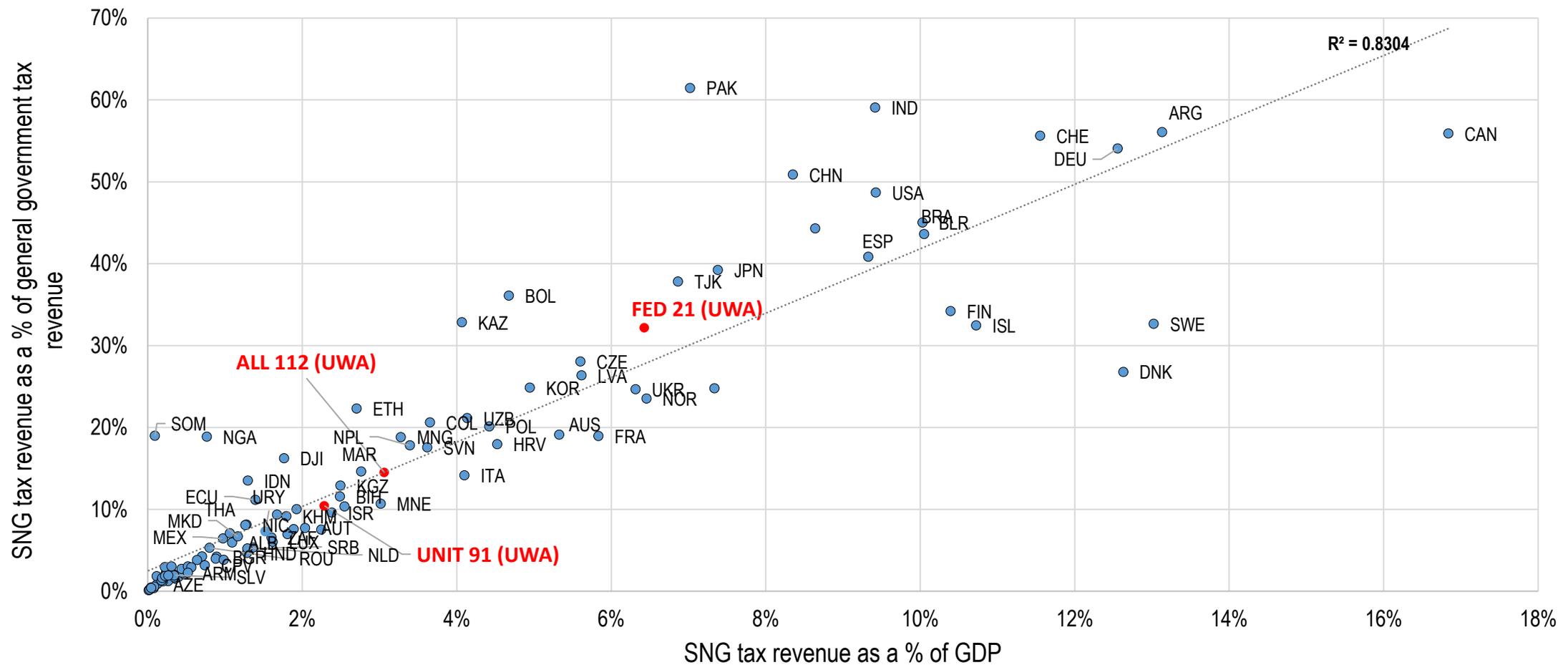
Policy Analyst

Decentralisation, Subnational Finance and Infrastructure  
OECD Centre for Entrepreneurship, SMEs, Regions and Cities



# Tax revenue accounts for 31.5% of subnational government revenue, 14.5% of public tax revenue and 2.9% of GDP

Subnational government tax revenue as a percentage of public tax revenue and GDP (2020)

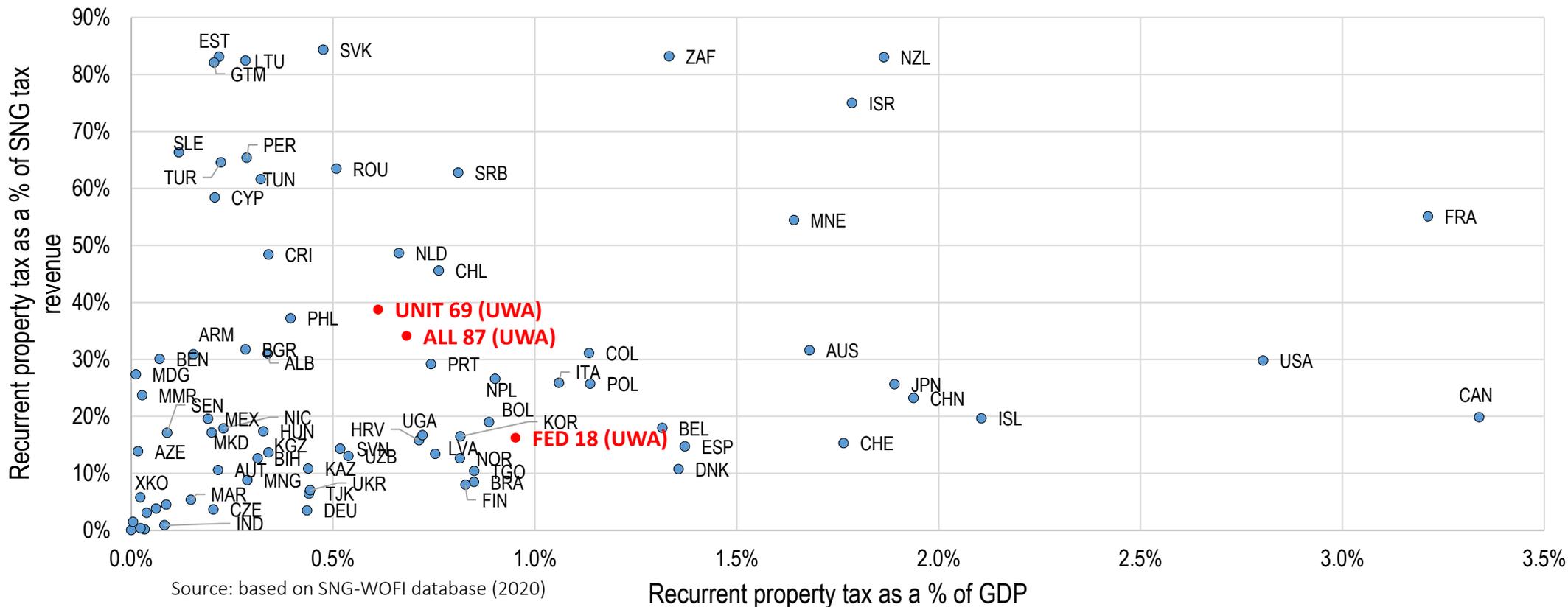


Source: based on SNG-WOFI database (2020)



# Property tax remains an underexploited source of revenue at the subnational level in many countries

Recurrent property tax as a percentage of GDP and subnational government tax revenue (2020)

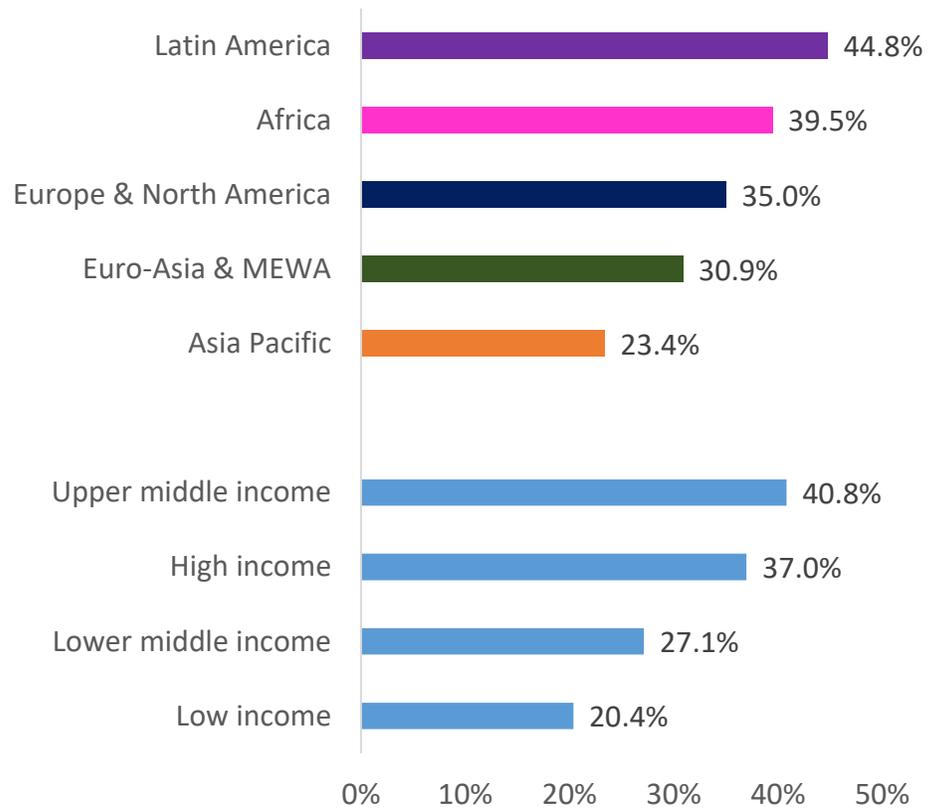


Property tax accounts for **34.1%** of subnational tax revenue, **8.2%** of subnational revenue, but only **0.7%** of GDP on average in 2020.

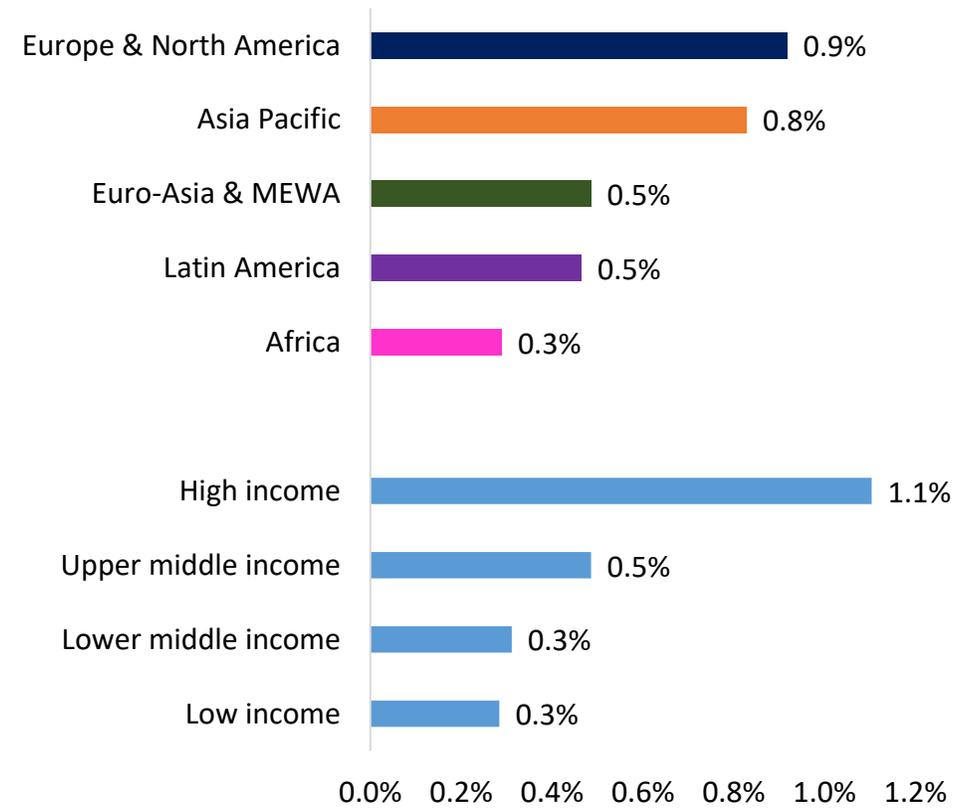


# The share of property tax varies across income groups and world regions

Recurrent property tax as a share of subnational tax revenue by income groups and world regions (2020)



Recurrent property tax as a percentage of GDP by income groups and world regions (2020)



Source: based on SNG-WOFI database (2020)



# The property tax dropped by 6.4% between 2019 and 2020

Change in property tax in real terms by country between 2019 and 2020

Slovakia	13%	Republic of Türkiye	1%	Chile	-5%
Korea	7%	Denmark	1%	Romania	-5%
New Zealand	6%	Germany	0%	Portugal	-6%
Finland	3%	United Kingdom	-1%	France	-6%
Austria	3%	United States	-1%	Bosnia and Herzegovina	-7%
Norway	3%	Estonia	-1%	Montenegro	-7%
Switzerland	2%	Lithuania	-2%	Ukraine	-7%
Netherlands	2%	Latvia	-2%	Kazakhstan	-8%
Costa Rica	2%	Luxembourg	-2%	Republic of Moldova	-8%
Australia	2%	Albania	-2%	Israel	-8%
Slovenia	2%	Hungary	-2%	Croatia	-9%
Serbia	2%	Morocco	-3%	Republic of North Macedonia	-10%
Czech Republic	1%	Belgium	-3%	Kosovo	-11%
Colombia	1%	Spain	-3%	Montenegro	-11%
Canada	1%	Greece	-3%	Georgia	-15%
Iceland	1%	Bulgaria	-4%	Mexico	-16%
Poland	1%	Cyprus	-4%	Tunisia	-16%
		Italia	-4%		

Average change for the 56 countries in sample: **-6.4%** due to tax deferrals, postponement and exemptions implemented in 2020 as part of the support package measures



# Recurrent property tax is a key potential source of revenue for many subnational governments

## Advantages

- ❖ Stability of the tax base
- ❖ Solid and predictable tax revenue
- ❖ Local fiscal autonomy
- ❖ Low taxpayer behaviour distortion
- ❖ Implicit progressivity and horizontal equity
- ❖ Other non-fiscal objectives (e.g. local democracy, accountability)

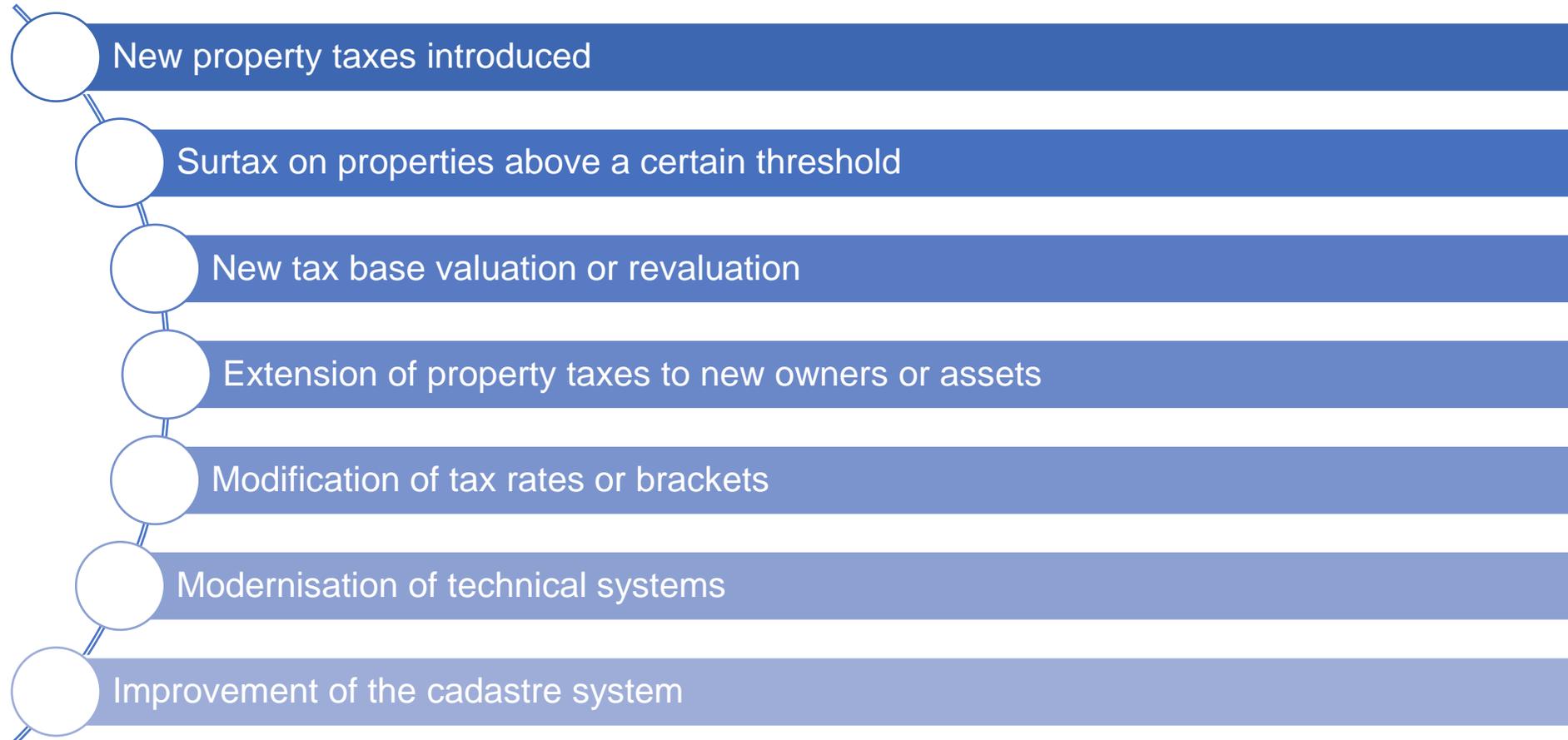
## Challenges

- ❖ Valuation of the tax base
- ❖ Lack of efficient and reliable cadastre and land registry
- ❖ Low administrative and technical capacities
- ❖ High political resistance
- ❖ Tax users capacity



# Property tax reforms have been diverse over the last five years

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# Thank you for your attention

More information: <http://www.sng-wofi.org>

Contact: [margaux.vincent@oecd.org](mailto:margaux.vincent@oecd.org)