

Quick Response Request

Submitted by: Union of Municipalities of Montenegro

Date: June 2011

Subject: Solutions implemented in NALAS countries regarding the taxation of the telecommunication and electro-energetic properties.

Background: The association was involved in the development of a legal act for regulation of Property Tax and was interested to learn about the solutions implemented in NALAS countries regarding the taxation of the telecommunication and electro-energetic properties.

1. Summary of the Results

NALAS used its network of experts, members of the fiscal decentralization task force and the NALAS national knowledge management assistants located in the NALAS member associations to gather information on this request. NALAS collected information and excerpts of laws from 7 member associations. According to the collected information, the experiences in taxation of the properties in question are quite diverse: in Slovenia and Croatia the legal entities are not paying property tax at all, while in other countries the telecommunication and electro-energetic properties are taxed if they have the constitutive elements of a building, plus the tax on land is levied for these properties. The electrical networks, pipes, other devices, usually are not subject of taxation.

2. Detailed answers

Slovenia:

In Slovenia at the moment only individual property is taxed. Legal entities are taxed only with the duty for the use of urban land, not for the property in their ownership.

In the new system (probably introduced the next year) all individual person and legal persons owning property will be taxed -- but all the infrastructure is subject of tax exemption.

Croatia:

In Croatia there is no (yet) a Law on Property Tax. Therefore, nobody is paying property tax. They have a Law on Income Tax (which is important for private persons) and the Law on Profit Tax - responsible for legal entities. So, the telecommunication and electro-energetic properties in private or state ownership are subjected to profit tax which is 20 %. During last two years, when Croatia faced economic crisis, the Government was planning to introduce property tax because of budget shortage, but they gave up, probably because they were afraid of opponents.

Moldova

In Moldova the telecommunication and electro-energetic properties are subject to taxation (tax on buildings and land tax). Article 278 of the Fiscal Code of RM - Objects of taxation and real estate taxable basis

(1) Objects of taxation are real estate assets, including land (agricultural land, land for industry, transport, telecommunications and other special-purpose land) from or outside the built-in area, buildings, constructions, apartments and other isolated rooms, including real estate assets within a finishing stage of construction of 50% and more, left unfinished for three years after beginning construction.

(2) The taxable basis of real estate property is the estimated value of these assets.

Romania

According to the Romanian Tax Code, telecommunication and electro-energetic companies pay tax on buildings and land tax on land near the buildings for the properties they own or administer, upon the case. For the buildings affected by hydroelectric and nuclear power plants, transformation stations, they do not pay taxes. Also, the special constructions that do not have the constitutive elements of a building (telephone or electrical cables, pipes for heat transport) are not subject to taxation. Slovenia – the telecommunication and electro-energetic properties are not subject of taxation of the property tax. The legal enterprises pay only the tax for the use of the communal land on which the properties (buildings, improvements) are placed.

Turkey

Buildings and land owned in Turkey are subject to real estate(property) tax at the following rates: Residences 0.1% Other buildings 0.2% Also, please take a look at the web site below, which interprets taxes, incentives and exemptions in Turkey. In organized industrial zones and technology zones, there are several tax exemptions.<http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/Taxes.aspx>

Bulgaria

According to the Bulgarian legislation there is a tax exemption only for the public state and municipal properties. In Bulgaria telecommunication and energetic companies are in most cases private ownership.

Macedonia

In Republic of Macedonia according to article 8 of the Law on property taxes, telecommunication and electro-energetic properties which are state owned and are used by the government agencies are exempted from tax obligations, and in cases when they are in private ownership according to the article 2 of the same law they are subject to taxation as well as installations set on them or under them and permanently connected with them. In the case of the property transfer tax they are subject to taxation irrespective to the type of ownership.

Kosovo

Taxable are only residential and business properties and properties where a public service is delivered. It means that they tax only the buildings and trafo-stations . The assets of the electrical networks of low and high voltage are not taxable. In telecommunications, taxable are only the buildings and the land used for the buildings, but not on the telecommunication network.