THE PROBLEMS AND THE SOLUTION PROPOSAL OF PROPERTY TAX APPLICATIONS IN MUNICIPALITIES IN TURKEY

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Abstract - The type of tax levied on the real estate owned by the person is called the property tax. The subject of property tax consists of immovables such as land, land and buildings. The collection of property tax and the use of its revenues in Turkey were transferred to municipalities after 1985. Therefore, property tax has become a local tax. A large part of the revenues of municipalities in Turkey is the property tax. However, as with other tax types, there are many problems in real estate tax application arising from legislation and operation. This situation can cause troublesome processes for both taxpayers and municipalities. The municipalities experience great income losses due to the differences between the market values of the real estate tax fair value determination and the implementation problems. The aim of this study is to address the problems experienced in property tax applications in Turkey and to propose solutions to these problems.

Keywords - About four key words or phrases in alphabetical order, separated by commas.

I. INTRODUCTION

Turkey is a country that is a bridge between Asia and Europe. There are 81 provinces and 922 districts. The total number of municipalities is 1391, with a total of 30 metropolitan municipalities and 51 provincial municipalities. With the Metropolitan Municipality law enacted in 2012, the number of town municipalities has been reduced. In Turkey, the task of meeting the common services of the communities belongs to the municipalities. Municipalities need certain financial resources to meet these services. The most important of these resources is the property tax, as well as the budget from the central government. The budget sent by the central government can change every month depending on the population. According to the current practice, the property tax is collected in two installments, in May and November. Municipalities create an economic value by transforming the financial resources they obtain from taxes into public expenditures. In the tax system, a classification is made to determine whether taxes are collected from income, expenses or wealth. Property tax is classified as wealth taxes. Wealth is an indicator of solvency. Real estate, which is one of the assets, is included in the scope of wealth tax. Thus, real estate is also the subject of property tax, which is one of the taxes on wealth. Property tax is collected over the economic values of real estates owned by real or legal persons. In addition, property tax is a special, direct and objective wealth tax, but it is a very old tax in terms of its history and has a wide application area.

The property tax applied in Turkey has the characteristics of a local tax. Property tax procedures in Turkey have been carried out by municipalities since 1986. However, many problems arise in the process of applying property tax. One of the most important of these problems is related to the tax base. The base of the property tax is the tax values of the immovables. In order to determine the tax value, the square meter value of the land and/or the normal construction cost of the buildings must be determined. Land and land square meters values are determined by the valuation commissions formed by the municipalities. The normal construction costs of the buildings are determined by the Ministry of Finance and the Ministry of Environment and Urbanization and Climate Change. The determination of these values differs greatly from the market values. The reasons for these differences; The fact that the valuation is not made by experts, the problems related to the determination of the building construction cost values, the updating of the real estate values every four years, the revaluation rates not reflecting the real market value increases of the real estates can be listed as. In addition, many problem areas have been identified, such as the fact that the rates of property tax are far from understanding the quality of the real estate subject to tax, their location, the developmental structures of the regions, the degree of benefit from public services, the scope of tax exemptions and exceptions is quite wide, and the property tax revenues are low.

II. FINANCAL STRUCTURE OF MUNICIPALITIES IN TURKEY

The state administration system in Turkey is divided into two as central government and local. Local governments consist of special provincial administration, municipalities and villages. Municipalities rank first among local governments in terms of service. According to the local government budget statistics of the General Directorate of Public Accounts, this rate was 75.6 percent as of 2019. When the administrations included in the municipalities are included, the rate reaches a high level of 93.2 percent. Many legal arrangements have been made to date that regulate the financial structures of municipalities in Turkey. Among these regulations, respectively; In

1981, Law No. 2464 on Municipal Revenues and Law No. 2380 on Allocating Shares to Municipalities and Special Provincial Administrations from the General Budget, Law No. 5018 on Public Financial Management and Control in 2003, Metropolitan Municipality Law No. 5216 instead of Metropolitan Municipality Law No. 3030 in 2004, and Law No. 1580 in 2005. Municipal Law No. 5393 instead of Municipal Law No. No. 2380 in 2008, Law No. 5779 on Giving Shares to Special Provincial Administrations and Municipalities from General Budget Tax Revenues in 2008 and Law No. 6360 in 2012 and various amendments made in the Real Estate Tax Law [1]. Despite all the laws, the problems arising from the financial structures of the municipalities in Turkey continue.

III. PROPERTY TAX

Property tax is known as the oldest tax in human history. The taxpayer is the owner of the building and land, the usufruct owner or the saver. In other words, the taxpayer of the property tax is primarily the owner of the building and land. The base of the real estate tax, on the other hand, varies according to the countries, but generally the value of the building and land [2]. Property tax is a tax that is generally collected by local governments in the world and spent by local governments. Real estate elements within the borders of the country are taxed as a result of the taxation authority. In addition, the tax collected from the value or revenues of buildings, lands and lands is carried out by the central or local governments, or the central government may distribute some of its income to local governments.

The benefit and cost relationship between individuals and local administrations necessitated individuals to consider the degree of benefiting from local services in return for such taxes. Such a relationship will benefit both local governments and taxpayers. Thus, an increase in the value of real estates will occur together with the services provided by local administrations. As a result, tax revenues will increase. Individuals, on the other hand, will be able to see the return of the taxes they pay against the services provided as control and audit. Thus, voluntary compliance of individuals with taxation will become commonplace [3].

The fact that real estate is a fixed immovable asset is an element that facilitates tax determination. This situation can be made more easily by local administrations to determine the real estate within the boundaries of the local region. It may mean that local administrations will be more effective in terms of tax revenues. In other words, property tax can be seen as a more suitable source of income for local administrations. In addition, services rendered by local administrations can be seen as compensation for the real estate tax collected. For example, property tax in the USA is seen as a benefit tax. The benefits of the tax received and the local services provided can almost meet each other [4].

IV. PROBLEMS IN APPLICATIONS OF TAX PROPERTY IN TURKEY

It is possible to divide the problems experienced in the property tax system into three in general. The first of these; Problems arising from the application of property tax. The problems arising from the application are classified within themselves as the problems experienced in the control and collection of the real estate tax, the real value of the real estate cannot be determined, and the problems arising from the appraisal commissions. The second source of problems is management problems. The problems arising from the administration are classified within themselves as those arising from the municipalities, the land registry cadastre system and the relevant ministries. The last and third source of problems is determined as the problems arising from the taxpayer

As stated before, the property tax base is the tax value of real estate. In order to determine the tax value of the land and lands, the square meter values of the plots and lands are determined by the valuation commissions. In addition, the share of land is added to the base of the building tax. According to the existing laws in Turkey, each member of the appreciation committee consists of people working in their own fields. However, it is known that the valuation of real estate is a separate field of expertise and certain training and experience are required for specialization in this field.

A process in line with international standards is followed in the valuation of real estates applied by developed countries. The fact that the persons and organizations that will evaluate the real estates accept this process as a profession increases the effectiveness of the application [5]. In practice, land unit values are handled on a street and street basis. This situation results in the fact that the position rent in the regions is not evaluated well. Because there may be differences in value even between two neighboring parcels on the same street. There may be differences between these determined values and the actual values [6].

While calculating the tax value for the lands, the minimum value determined by the valuation commission in terms of street and street is taken as basis. The same is true for the building tax value. The value determined in terms of street and street is taken as basis for the land value to be determined. It is also important to determine which street and street will be the basis for the calculation. In addition, the value determined for the land also affects the building tax. In the current system, since the valuation is made on the basis of streets or districts, land and buildings and buildings are calculated according to the same tax value. As stated before, there can be huge differences in value depending on the location of the land or building, even on the same street.

It is a qualitative element like value. However, in the current legal regulations in Turkey, quantitative factors such as quantity and size are handled. This is one of the main reasons for the lack of integrity in real estate valuation practices. It is seen that different methods and principles have been put into effect in the regulations and practices made in areas such as expropriation, privatization, tax, enforcement-bankruptcy, zoning and consolidation, which are also defined as legal valuation works [7].

For example, the value determined by the municipalities of a house in the Meram District of Konya may differ considerably from the value determined by the bank that will mortgage the same real estate. While the value of a house determined by the bank in 2018 with valuation experts is 1000000 Turkish liras, the real estate value as of 2022 determined by the municipality is 650,000 Turkish liras. In other words, although four years have passed, the value of the real estate has remained below the value determined by the bank. From here, we can conclude that the difference in value determined by two different institutions harms municipal tax revenues and may cause the same problems to continue if a standard is not provided in the application of real estate value.

In determining the tax value that is subject to the property tax, the real estate values must be determined. Municipalities, on the other hand, may need to collect data by contacting many different institutions and organizations regarding the valuation of these real estates. It is a problem that municipalities cannot provide this information and document in a healthy way. Municipalities obtain information and documents from many different institutions in order to value real estates. In addition, municipalities need plan and project information for the valuation of immovables. As the main problems faced by municipalities in order to obtain these data; It can be summarized as the lack of a standard in the processes in terms of information and document supply and the inability to provide an archive system [7].

Cadastre practices are very important in fulfilling social, cultural and economic development. This practice ensures that the right to property is constitutionally guaranteed. It also contributes to the protection of various information about real estate. The cadastral system implemented in Turkey is predominantly legal cadastre, that is, it provides property security. In the world, especially in developed countries, the cadastre system has gained importance not only with its legal dimension but also with its financial and technical dimension [7]. It is important to ensure the flow of information between the land registry and cadastre directorates and municipalities in the real estate valuation process in Turkey. However, it is a problem that the land registry and cadastre directorates cannot provide the needed real estate information to the municipalities, and that the land registry and cadastre records are not up-to-date and accurate [5].

Real estate valuation is known as a problem area in Turkey. The taxation of real estates with the same qualifications and values, determined by the valuation commissions, by subjecting them to different valuations according to municipalities, may damage taxpayers' trust in taxation. It is a problem that these problems are not resolved and that the real estate tax rates are applied by the valuation commission to the real estate tax values without objectivity. Low property tax rates directly affect municipal revenues. Although the determination of real estate values is made by taking into account the current prices in the market, low rates may cause the real estate tax income to remain low.

The tax value of the buildings is the value determined by the Ministry of Finance and Environment, Urban Planning and Climate Change, by multiplying the normal cost per square meter with the surface area and adding the land share in addition to this value. The ratio of heating and air conditioning installations is added to these values. In addition, according to the provisions of the regulation, it is foreseen that the wear share will be deducted. According to the provisions of this regulation, it is shown how to determine the building cost values. It has also been stated that the usage style, construction type and class of the building will be taken into consideration for these costs.

According to Article 10 of the Regulation, buildings; classified as luxury construction, premium construction, second class construction, third class construction, simple construction. Due to the characteristics of the buildings, they are included in one of these classes. The definitions of these classes are explained in the "Table of Determination of Building Construction Classes" in the Official Gazette dated 15.12.1982. Belonging to these classes, materials, technology, construction quality, etc. It will not be an accurate and reliable determination to evaluate the buildings according to the provisions of the properties, about thirty years from now [8].

V. SUGGESTIONS FOR SOLUTIONS TO PROPERTY TAX IMPLEMENTATION PROBLEMS

Real estate tax in Turkey is collected at different rates determined for residences, non-residential buildings, plots and lands within the borders of the metropolitan city and other provinces. The rates of property tax in Turkey are determined by the central government. Taxpayers consider property tax rates high. The issue of transferring the authority to determine the rates of the property tax to the municipalities is still under discussion. Uncertainties in determining the market value of real estate in the calculation of real estate tax damage the reliability of real estate tax.

Problems in real estate tax arise from the registration and control of real estate. First of all, this situation

must be corrected. Since the problems experienced in the real estate tax arise from the inaccuracy of the real estate valuation, the valuation process should be carried out objectively and impartially, taking into account the market conditions. It should be noted that the square meter normal construction prices of the buildings do not reflect the market conditions.

Another source of the problems experienced in real estate tax is the Municipality Real Estate Tax Service applications. Service personnel should be selected from among those who are well-versed in the legislation and trained in public relations. Another tax collection problem in Turkey is the frequent tax amnesties. Tax amnesties negatively affect the tax payment culture of individuals. This situation causes taxpayers not to believe that the Property Tax Law is fair. The central government needs to re-evaluate this situation. Property taxpayers do not believe that the property tax collected by the municipalities is spent in appropriate places. Taxpayers should be provided with information transfer from the Land Registry and Cadastre Directorates to the Municipality. Exemptions and exceptions commonly applied in property tax cause serious injustice. Therefore, exemptions and exceptions should be rearranged.

A significant part of the problems experienced in real estate tax arises from the registration and control of real estates. In order to solve this problem, a good system should be developed to provide information transfer from the Land Registry and Cadastre Directorates to the Municipality, instead of giving the taxpayers the duty of notification. In addition, the Municipal Property Tax Service and the Land Registry and Cadastre Directorates should work in harmony and the technological infrastructure of these units should be developed. Thus, the problem of reporting is resolved and many unregistered real estates are included in the scope of taxation.

Some of the problems experienced in real estate tax arise from the inaccuracy of the real estate value determination. In determining the real estate value, it would be more appropriate to determine and apply the real value of the real estate instead of the precedent market value. These problems experienced in the real estate tax arise from the fact that the square meter normal construction prices of the buildings do not reflect the market conditions. Therefore, it is useful to obtain information from real estate appraisers, who determine the value of real estates, in order to determine the real value of real estates. Municipal personnel should be equipped with seminars and in-service trainings and professional knowledge in order to help taxpayers more.

Policies that will increase the tax awareness of the citizens should be developed by the central government. In addition, more permanent solutions should be produced in order to prevent tax evasion and the penalties for tax evasion should be increased. Tax amnesties should be minimized, and even if their financial situation is not sufficient, discounts should be given to citizens who pay their real estate taxes on time by forcing their means. Municipalities should inform where the real estate tax is spent. increases the willingness of property taxpayers to pay taxes. Property taxpayers should be able to easily find out where their taxes are spent.

Opportunities such as payment points, internet, installment or credit card payment should be provided in the collection of property tax. In particular, the opportunity to pay taxes online should be made by all municipalities. The Real Estate Tax Law should be made more fair and a flexible, transparent and stable system should be established. Legal arrangements should be made to determine the tax amount and to make its allocations. In addition, technological infrastructure investments should be made especially in terms of the healthy operation of the database and the control of collection transactions.

VI. RESULTS AND DISCUSSION

Wealth refers to all the assets owned by taxpayers who are real and legal persons. Especially in the taxation of wealth, many innovations have been introduced from the past to the present. The large number of taxpayers of the property tax, which is included in the wealth taxes, and its implementation in almost every country in the world make the property tax more important. Property tax is a tax that is applied within the framework of local rules within the local administration of each country. Property tax is one of the most important sources of income for local governments. Property tax revenues are noteworthy among the total tax revenues. Due to the different property tax rates, exemptions and exceptions applied in each country, property tax revenues vary from country to country.

Property tax in Turkey is calculated over the current market value. This value can be quite different from the market value. This difference causes the state to lose tax and income. In this study, the problem of real estate tax practices has been discussed and solutions have been proposed. As a result, it is recommended to provide a fair valuation, fair tax collection service and increase tax awareness.

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