

The thesis presents a brand new concept of recurrent real estate tax in the Czech Republic. The object of the tax is designed to be exclusively land and apartments and non-residential premises. Buildings or any other aboveground or underground structures are not the object of taxation. Unlike buildings, land and apartments and non-residential premises can be appraised with sufficient accuracy only considering their quantity and location, hence by simply multiplying their areas and unit prices common in a given place and time. Consequently, the real estate tax can be designed on an ad valorem basis in order to differentiate between the tax liability of most lucrative, less lucrative and least lucrative property owners. As a result, tax collection can be substantially increased and a still marginal local tax can become a significant source of funds to the state treasury. At the same time, the increased recurrent tax on immovable property allows to abolish the economically questionable one-off tax in the Czech Republic, which is nowadays levied on the transfer of immovable property.

The land tax is imposed on all land in the territory of the Country, with the exception of land built by apartment buildings and land used exclusively with them. The tax on apartments and non-residential premises falls on the owners of the units defined in apartment buildings either according to the Act on Ownership of Apartments or according to the Civil Code, as well as on the owners of apartment buildings without defined units at all. For tax purposes, it is distinguished between urbanized land (building plots within the boundaries of built-up area of the municipality) and non-urbanized land (agricultural land, forest land, water areas and other areas outside the boundaries of built-up area of the municipality). Not only built-up plots and courtyards and still empty plots with building permits in force, but also built-in vacancies in urban areas regardless of the type of land are taxed as urbanized land. Brownfield areas scheduled for redevelopment are taxed not according to their current use but taking into account their proposed use. Thus, the intensity of taxation of a plot does not depend as yet exclusively on its status in the Land Register, but mainly on the functional and spatial limits of its possible development in the Master Plan.

Considering arable land, permanent grassland, gardens and hop gardens, vineyards and orchards outside the built-up area of the municipalities, as well as forest land and ponds with intensive and industrial fish farming, the tax burden on all owners across the country is the same regardless of in which municipality or in which cadastral territory the land is located. For all other land, i.e. land located within the built-up area of municipalities either on built-up plots or built-in vacancies or brownfields for redevelopment, the tax burden varies vastly depending on the Land Category. The proposal of the new bill of law defines a total of eight land categories, covering the whole price spectrum of real estates in the Czech Republic - from rural areas far from larger cities and traffic arteries and without tourism and recreational potential, to the best places suitable for lucrative retail, administrative, residential and multifunctional property complexes in the center of

Prague. The tax burden increases exponentially with the increasing Land Category. Namely regarding plots for housing and commerce, the tax burden in the Land Category No1 is approximately twenty times lower than the tax burden in the Land Category No8. The same is true with the Apartments Categories. However, plots for industry and logistics are classified only in lower Land Categories, so the differences between the intensity of their taxation is not so huge.

Given the considerably higher tax burden, in listed situations, property owners must be protected against unbearable tax burdens. Therefore, the new tax concept, unlike the existing legislation, introduces a system of tax rebates. Discounts are provided in four cases. First, a discount is granted to all owners for the period of first eight years after the law becomes effective. Similarly, for up to eight years, also the owners of land, apartment units and apartment buildings affected by the approval of expansion or redevelopment of the built-up area are protected. While the first type of discount is provided by law, the second one only depends on the will of the local government to adopt a generally binding municipal ordinance. Municipalities can also provide discounts to owners of land, units and apartment buildings in areas affected by natural disasters. The most important discounts however are intended for owners and tenants of flats, family houses, farms and cottages provided they use the property as permanent residents. The basic discount is granted to still an economically active adult. Double discount is provided to adult persons receiving retirement or disability pension. Even higher discounts are provided to families with dependent children. Municipalities can, with regard to specific local conditions, set the conditions and intensity of discounts for any people in need in a specific way.

The proposal for a new concept of recurrent real estate tax is not an end in itself but a means of creating a room for broader public finance reform. While maintaining the current level of the tax revenue, increased property tax makes it possible to reduce social security contributions and consequently eliminate unhealthy tax wedge. Property taxes are independent of the economic cycle and less sensitive on demographic trends. Therefore, higher taxation of immovable property can also make a substantial input to the necessary reform of the pension system. Moreover, the ad valorem taxation of immovables can maintain and even deepen ever fragile social peace and cohesion between the capital and the country, centers and peripheries, between high-income and low-income groups, between young families and the elderly, generally between owners and non-owners. Tax properly levied on plots and on apartments and non-residential premises also supports the economical utilization of urban areas as well as of housing stock and thus helps to cure the critical lack of apartments and the uncontrolled growth of urban sprawl.