

## PREAMBLE

Regarding potential collaboration between IPTI<sup>1</sup> and PFSRM<sup>2</sup> for disseminating knowledge and experience in *ad valorem* taxation of non-residential property

An overwhelming share of local government property tax revenues in Poland comes from non-residential (non-domestic) real property. This tax constitutes a considerable burden for business taxpayers who own large non-residential properties and those who own non-building structures with high 'initial book values'. The current property tax formula for non-residential property, based on land- and building areas and on initial book values, hits disproportionately hard manufacturing companies and service firms in low-value locations. It undercuts competition and lowers productivity of manufacturing sector in the economy. These undesirable economic effects call for modification of non-residential property tax formula in order to better correlate tax burden with differences in property market values. Such a pro-market modification of property taxation has consistently been recommended by the OECD, the World Bank and the International Monetary Fund – organizations where Poland is an active member.

The pro-market modernization of non-residential property taxation in Poland will require looking at countries with rich experience in the use of *ad-valorem* formula, which calibrates and differentiates tax amounts in reference to market values. Review of this experience and conclusions regarding Poland requires broad and in-depth knowledge. IPTI is able to undertake such a task, as it possesses cross-sectional knowledge about international experience as well as about Poland – where IPTI organized two global conferences (1999 and 2010). IPTI has been providing strategic counseling to various countries and organizes annual strategic workshops for CEE countries.

General assessment of properties is a key element of *ad-valorem* property taxation, as it provides differentiated tax base calibrated to market values. Design and implementation of general assessment of non-residential properties will require training of indispensable personnel recruiting from real property valuer profession. This professional community is organized in PFSRM, which focuses on development of professional ethics and on perfection of valuation methodologies for various fiscal and economic purposes.

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Marek Wiśniewski

<sup>1</sup> IPTI – International Property Tax Institute ([www.ipti.org](http://www.ipti.org)).

<sup>2</sup> PFSRM – Polish Federation of Property Valuer Associations.