EFFICIENCY AND EQUITY OF REAL ESTATE TAXATION IN ITALY: AN EMPIRICAL ANALYSIS

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Introduction

Real estate taxation in Italy is based more or less directly on assessed values. This concerns both capital gains and taxable income from property.

The reform of the *Catasto* (Land and Urban Registry), the general register of all real estate nationwide is, therefore, a matter of great significance because of its effects on real estate taxation and on the complex issue of planning policies, a question which we do not have the space to tackle here.

The structural troubles of the *Catasto* were neglected for a long time due to the low level of real estate taxation. With the recent introduction of new property taxes, the lack of consistency in this system has assumed an importance that makes overall reform essential.

The *Catasto* has been the subject of numerous partial changes, yet these remained without significant practical effects until 1996; almost 60 years after the creation of the *Nuovo Catasto Edilizio Urbano* (N.C.E.U.), law 662 and the later D.P.R. 138/1998 laid the foundations, in fact, for a radical transformation of this institution.

Considering the strong bond between real estate taxation and assessed real estate values, the debate around the reform (Vaccari, De Santis, 1994; Del Monaco, 1998; Stanghellini, 1999;) focused on the question of efficiency, equity and assessed values updating; amongst other effects, this led to the revision of the methods of classification of real estate properties.

The reform of the *Catasto* also appears an important opportunity for the academic and scientific world to review the system of real estate appraisal and to make a constructive contribution to the administration of the country.

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This paper refers in part to work in progress that our Department is conducting together with other local academic bodies[1] and is broken down into 4 fundamental sections. The first gives a summary illustration of the structure of the *Catasto* and the main goals of the reform; the second section compares the two main assessment approaches, the capitalisation procedure, as the principal method used in the calculating assessed values and the comparison approach of the market value. The third section examines, for descriptive and analytical purposes, a sample of approximately 900 urban residential properties located in Turin and belonging to the categories most common in the local market; these were subjected to a series of tests among those most widespread in the literature of the sector (Kochin, Parks; 1982; 1984; Kennedy, 1984) in order to measure the level of assessment efficiency and, to this end, to verify the equity of taxation levels. The fourth section discusses possible prospects, clarifying, at least from the theoretical standpoint, how taxation should be used.

1. The Italian *Catasto* and the reform goals

Following the formation of the Italian state, the need arose in the second half of the 19th century to create an inventory of real estate that was uniform and covered the whole country; various land registers existed, but they had different characteristics. There were two principal objectives: 1) to construct accurate maps that showed the configuration, location, ownership and use of each property; this would make it possible, first of all, to obtain a view of the structure of real estate and, as work progressed, related changes; 2) to satisfy taxation needs.

The Italian *Catasto* was divided into two complementary sections: the *Catasto dei Terreni* (Land Registry) and the *Catasto dei Fabbricati* (Urban Registry).

The *Catasto dei Fabbricati*, begun in 1939 as the *Nuovo Catasto Edilizio Urbano* (N.C.E.U.) with the initial purpose of surveying only non-rural buildings, today covers all constructions, both rural and urban, in order to determine ownership, the taxable income and to highlight variations.

The formation of the *Catasto dei Fabbricati* implied measurement and assessment operations of the entire country real estate. A division of the nation into zones that showed a certain homogeneity preceded assessment operations; in general, these coincided with municipal boundaries.

Once the land register maps had been produced, dividing the territory into census zones – *zone censuarie* –, the various real estate groups and categories were then identified, firstly according to their use (residential, commercial, industrial, etc.). Once all possible cases had been identified, each category was

[1] This work is part of the two-year project of Research of National Interest "Real estate market, innovation and Land and Urban Registry management" concluded in December 2000.

subdivided into as many classes as there were income levels of the properties in that category.
At this point, for each category and class of property a conventional property types defined in low – *unità tipo* – were identified as elements of study to determine the assessed values and as a term of comparison for later classification. These were intended to represent the average quality real estate for each category and class.
For each class, the assessed value expressed in monetary terms the ordinary assessed income with reference to the unit of measurement (*vano catastale* – a conventional room types defined in low – cubic metre, square metre) with which urban real estate was surveyed.
Once all the operations above were completed, it was possible, through comparison with *unità tipo*, to attribute the appropriate category and class for each property, on the basis of its characteristics.
Until 1991, the taxable income was determined by making reference to market incomes current in the three-year period 1937/39[2]. Until then, the Italian *Catasto* appeared essentially as a mechanism based on income and not on market values. The shift from income to the capital value of the property was guaranteed solely by conventional real estate appraisal methods even if based on the direct capitalization approach. Taxable income was re-assessed automatically – usually every two years – through coefficients specific to each category, but uniform nationwide. This procedure did not make it possible either to grasp the specific features of the local property markets, nor the real transformations of the value systems by taxing the effective capital gain. In addition, the lack of periodic adjustment produced, in time, the definitive estrangement from the reality of the property market with grave consequences for taxation and its fair distribution.
This is why the revision of the estimated values (D.M. 20/1/90) was put forward, referring to the two-year period 1988/89. It is important to emphasise that updating the assessed values has introduced a new method of calculating sources of further distortions.
For the assessed values referring to the census period '37/'39, the calculation of assessed incomes of *unità tipo* is based, as has already been specified, on income. Taxable income therefore represents the ordinary average income taken from a property, net of possible operating expenses and gross of taxes and not the net operating income.
The new values are instead calculated based on the *unità tipo* market values shown in the two-year period '88/'89 multiplied by pre-set capitalization rates[3].

[2] The units of measurement still in force today are a "legacy" of 1939: they express, in fact, the parameter with which the income values and market values of property were determined at the time.
[3] The rate of return, uniform nationwide, were 1% of dwellings, 2% of offices and 3% of retail stores.

This prefigured an assessment based, although indirectly, on values and no longer only on incomes as was previously the case. It has not however resolved the problem of lack of uniformity in estimates.
It is worth remembering – and we shall better specify it below – that taxable income, calculated by multiplying the assessed value by the unit of measure[4], constitutes the basis of numerous taxes.
To sum up, this structure has given way, in the course of time, to a series of contradictions, aggravated by the following introduction of new taxes. These can be thus summarised:

1. estrangement of assessed values from the actual real estate market values;
2. persistence of updating procedures which are not consistent with each other;
3. lack of reliability of land register documents;
4. failure to record a substantial share of the national real estate[5].

These are just some of the reasons why D.P.R. 23/3/1998 no.138 intended to completely review the Italian real estate classification and appraisal criteria and also because, since 1992, a new tax has been in place on a municipal level, known as the I.C.I. (*Imposta Comunale sugli Immobili*), in line with the new principles of the financial and taxation independence of local authorities, which continues to use taxable income as the basis of calculation. The aims of this rule are to update now obsolete assessment categories, and to recognise the surface square metre as the only unit of measurement of urban properties.
Municipalities are entrusted with the task of dividing their territories into *micro-zone omogenee* – omogeneous micro-zones –, so as to identify the different market segments, inside of which the identification of income classes attributable to properties will no longer be conducted through comparison with a *unità tipo* , but by direct comparison with property actually rented or sold on the market.
The recent legislative decrees to assign the tasks and functions of the state to the regions and local authorities outline a new operational horizon for the municipalities in relation to the *Catasto* and fiscal policy. In brief, functions relating to the definition of methods concerning land and urban property classification, the real estate registry, map making, information and monitoring of updating processes quality control, and the unitary management of information updating are all maintained by central government.
The management of the *Catasto* register, including the operations of assessed values and classification revision, entrusted to a special technical department.

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[4] Rendita catastale = Tariffa * consistenza (*taxable income = assessed value * measurement unit*). The latter is made up of the *vano catastale* , square metre or cubic metre according to the category.
[5] Currently, the *Catasto dei Fabbricati* had 42 million property units registered. Recent research, based on comparison of data from the last *Istat* census and the corresponding land registry information, highlights a shocking difference between reality and the registry data. Over 1,700,000 dwellings seem to be missing from the *Catasto* register.

According to the new regulations, the assessed values of urban properties will be determined on the basis of a procedure founded on market information, after the delimitation of the urban territory in homogenous microzones. This makes it necessary to have real estate values available for the delimitation of urban property market segments.
The underlying principle of this reform is that the assessed microzones will be able to form an instrument of the new procedure of estimation of the *Catasto dei Fabbricati*. These should simplify the analysis of the system of market prices and the technical and economic aspects that characterise urban property; furthermore, they should facilitate the updating of the taxable income in line with the modifications of the territory.
However, as it seems to many, the D.P.R. 138 has not grasped the opportunity to create a *Catasto* completely based on market values, something held to be indispensable because it is coherent with the asset taxes. This indeed specifies that the determination of the assessed taxation will have to be effected on the basis: "of the ordinary incomes, with reference to data from the property market; […] of the property market values, determining their profitability through the application of capitalization rates found in the local real estate market using units of comparison". It has not however clarified the contribution of income and capital gain in the estimation of a property value.

2 Direct income capitalisation approach in assessed values

We have seen how the basis of property taxes is made up of taxable income, defined by the 1939 law as "ordinary average income from *unità tipo* net of operating expenses and gross only of property tax, related additional taxes and contributions of all kinds".
This statement shows how, during the formation of the *Catasto*, the establishment of a property value from its ability to produce a periodical income was considered useful. As real estate with a recurring income, it was possible to determine a value that tended to coincide with the market value through income capitalization.
There could be two reasons behind such a choice: 1) trust in the tradition of the income capitalisation method (often called rational method in Italian literature on the topic last century), in contrast to the direct comparison procedure (also known as the synthetic or empirical method), as if to highlight the greater scientific nature of the first over second; 2) it is possible that, at the time, rent income reflected property values better.
To make the assessment for income capitalisation it is necessary to determine both capitalizable income, which is what the owner could normally get from the property if it were rented in normal conditions, and the capitalization rate.

For the assessment of the most probable selling price, the real estate income to be considered is the ordinary one, i.e. that can be found in the market; all property expenses before tax cash flow are to be subtracted from this.
The definition of the rate of return is the most delicate operation of the whole procedure: “the capitalisation rate is not a natural measure, in the sense that it is not a price provided by the property market, but is rather the relationship between a property income and price: both the income and the price are made in different markets, the former in the rent market, the latter in the buying and selling market. The cap rate is the internal rate of return and an investment that provides for property acquisition and the successive enjoyment of a constant and unlimited income cash flow” (Simonotti, 1997).
To express the current value of a property with constant deferred and unlimited annual income, the formula: $V = R/s$ is used.
However the correspondence between value and income becomes problematic because, for property that does not conform to the ordinary conditions, it is difficult to maintain the hypothesis that the market value is equal to the flow of future incomes, constant and continuous. And, as we have suggested, the question of capital gains remains unsolved.
In effect, the only approach to the assessment of a property’s most likely market value is direct comparison using the Sales Comparison Approach or other similar methods (Simonotti, 1985; Roscelli, Bellomo, 1997; Bravi, Rondoni, 1999). The discussion can at the most regard the usefulness, for mass appraisal, of using statistical models (Mark, Goldberg; 1988), based on probability, able to provide a good value indication above all for property in ordinary or average conditions.

3 Empirical analysis

In Italy documents relating to real estate deeds present values which do not reflect the prices agreed between the parties; one can in fact use law 154/1989, according to which a price declaration above or equal to taxable income multiplied the income multiplier can mean avoiding checks by the tax authorities. This conventional value, for which it is common to find a great difference from market prices, is declared in private deeds.
Regarding the differences between prices, *valori dichiarati* – conventional values – and assessed incomes, it is necessary to specify that the market price is the sum of money stipulated and effectively paid by the buyer to the seller. This amount does not often correspond to the value indicated in the sales deeds, because the taxes are calculated on the basis of conventional value*:* this is why a lower price often tends to be put in rather than the real one. This false declaration is paradoxically facilitated by the state as the income multiplier is

conventionally stabilised at a fixed amount; it is, for example, equal to 100 for residential properties. The importance of the taxable income assessment is therefore also evident at the moment of sale.
So as to develop some reflections and interpretations on the deviation between real market values or their estimates, conventional values and assessed incomes, we have made a series of analyses from a sample of around 1,000-900 urban residential properties sold in Turin during 1998.
First of all, we examined the information in the deeds at the *Conservatoria dei Registri Immobiliari di Torino* and, subsequently, added the missing data from the *Catasto*.
As assessments of market values for transactions reported in the deeds were not available, it was necessary, to resolve the problem of the correspondence between *vani catastali* and square metres. It is worth remembering that the surface is not mentioned in deeds but just the number of *vani catastali*, while sales in the property market occur on the basis of square metres.
We then took two control samples, independent from the first, one relating to apartment sales, the other relating to rents, by means of a market analysis; we thus obtained circa 1,300 sales and circa 800 annual incomes, subdivided by homogeneous zones where price – or income – and total surface area were known. Both the sales price and gross annual income were known for a small sub-sample of around 50 apartments.

3.1 Income and market price assessment

The above considerations are easily shown by the data we possess. It is easy to estimate the new assessed value – obtained, this time, by market information – by the comparison approach, by thinking of the attribution of a value interpreted as the most probable selling price or as the most probable income, to the homogeneous urban microzone for the apartments market.

Table 1 shows some initial indications on the gaps existing between assessed values and most probable market values. The CP and CPSM have results lower than the MPSP and MPSPSM by around 20% on average; however TI has results lower than MPI by a good 464% and even 536% in comparison of TSIM and MPISM. As we have indicated, the problem of the lack of adjustment of assessed values in market trends and real inflationary trends created a divergence between effective incomes and assessed incomes. This is particularly evident in comparison between the CR and CCR and the IM and CIM. The rate of capitalization – and of return – of residential real estate investments in 1998 was around 4.75%, while the conventional capitalization rate is 1%; the net income multiplier[6] detectable in the market for the same type

[6] *One of the most widely used payback methods for estimating both market and investment value is the Gross Income Multiplier (GIM) or, as an alternative, the Net Income Multiplier (NIM): GIM=Price/Effective Gross*

of investment is around 22 years while, as we have indicated, it has been fixed by law in a conventional measure equal to 100 and, in our sample, equal to 102 years.

Table 1 Descriptives

	number	mean	st. dev.	min	max
Conventional Price (**CP**)	901	141.37	92.9722	8.01	700.00
Most Probable Selling Price (**MPSP**)	908	169.69	85.77009	23.79	595.31
Taxable Income (**TI**)	917	1.39	0.853149	0.09	8.71
Most Probable Income (**MPI**)	920	7.86	3.69593	1.26	26.18
TI/Square Metres (**TISM**)	917	0.02	0.008616	0.00	0.15
MPI/Square Metres (**MPISM**)	920	0.12	0.014161	0.08	0.19
CP/Square Metres (**CPSM**)	901	1.90	0.77645	0.17	5.96
MPSP/Square Metres (**MPSPSM**)	908	2.27	0.363441	1.26	3.80
Capitalization Rate (**CR**)	900	0.05	0.006861	0.00	0.09
Income Multiplier (**IM**)	900	21.75	7.908584	11.76	234.69
Conventional Cap Rate (**CCR**)	885	0.01	0.006648	0.00	0.10
Conventional Income Multiplier (**CIM**)	885	102.27	29.45547	10.50	358.97
Square Metres (**SM**)	933	73.36	30.1778	11.00	204.00
Conventional Number of Rooms (**CNR**)	918	4.20	1.371345	1.00	13.00
SM/CNR	918	17.32	4.714595	7.15	86.67

The strong divergence in value is accentuated by the problem of the conventional number of rooms (CNR) – *vani catastali* – which does not respond to consumer behaviour and appreciation in the market.

3.2 Vertical equity test

The relationship between assessed value and real market values is a constant theme in american literature. Our tests, at least in part, also draw on this.

It is worthwhile remembering that property taxation in the United States is an extremely important source of public revenue: around 4%. Notwithstanding large differences in federal laws, the percentage of taxation is fixed at the value interpreted as the most probable selling price. This has always led to a situation where the assessors' estimates set their priority as efficiency with regard to the market value system. The imperfection of the assessment notwithstanding the free access to market information is however recognised, both in the academic world and by administration bodies (National Association of Assessing Officers).

Real estate appraisal methods appear to condition values, indicating the presence of both under – and over-valuation of market prices (Kochin, Parks, 1982; Sunderman *et al*., 1990). There have been scientific proposals to correct

*Income (EGI). The GIM simply tells how many years it would take to recover the total investment cost (price) if all the gross income were allocated to recovery (Jaffe, Sirmans, 1995, p. 298). Of course: GIM * EGI=Price.*

this bias which have given interesting results that have also been partly applied in Europe (Janssen, Soderberg; 1999).
Italy's case is clearly notably different from America's and those of other EU member states. The reason why has already been partly shown.
Academic interest in this issue owes to the analogy between the evaluation process of the assessors and any other instrument of market value assessment. The interesting aspect concerns the relationship between an efficient estimate and the problem of the assessment vertical inequity: the over – or under – valuation mentioned above that, in the Italian case, is further complicated by the specificities of the above case.
An estimate is said *ipso facto* to be efficient in terms of a given data set if it is not possible to improve the estimate using information from the given data set. From a statistical point of view it means, in other words, the study of a class of models where the margin of error of a conditional estimate is zero – or tends towards zero. For example, an estimate based on linear regression models will be tested within the given class of models using a certain set of variables. In particular, if AS_t is the estimate and P_t is the market value at time t, then we have the following equation:

$$P_t = AS_t + ?_t$$

$$\text{with } _t = 1, \ldots\ldots, T$$

where the random error must not be correlated to the estimate S_t and the variance of P_t is equal to the sum of the variance of S_t and $?_t$; from which we can see that the variance between an efficient estimate is always lower or equal to the predictor-variable. In the Italian example, the first assumption could be distorted due to the very fact that the difference between assessed values and real market values at the time of t depends on t; in other words it increases or diminishes in relation to the growth of this difference. It is like saying that $?_t$ does not have a perfectly random distribution.
The same approach can be applied to incomes as well as prices, putting effective property income in relation to time t and taxable income.
A class of regression models can be prepared, the simplest of which propose, as mentioned, the relation between market values and assessed values, differing only in the choice of functional form (linear, log, or others). It is also possible to use as an independent variable the relationship between assessed value and price, correlated inversely to the latter.
The inverse relation between S and P is usually proposed in such vertical inequity tests according to the following three regression equations:

$$AS = \ ? \ + ?P + ? \qquad (1)$$

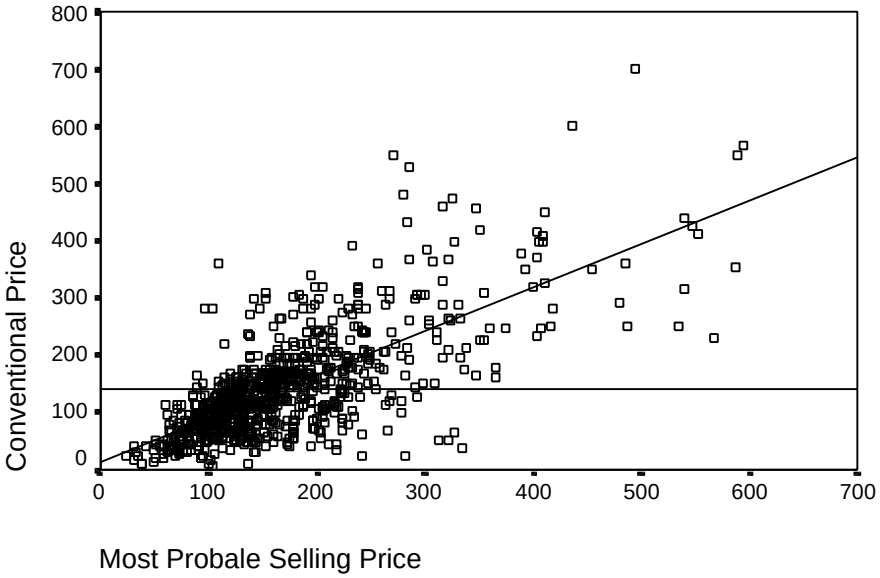
$$AS/P = ? + dP + ?' \qquad (2)$$
$$\log AS = ? + ?\log P + ?'' \qquad (3)$$

Using OLS and following the traditional approach if there is a significant departure in (1) and (2) of ?, or d, from 0, and in (3) of ? from unity, vertical non-uniformity or inequity is found.

In conclusion, it is possible to enrich these models by introducing other explanatory variables, such as for example, assessment time or the difference between this and sale time; or it could also use, as a dependent variable, the difference between real market value and assessed income, as independent variables, a set of characteristics, amongst which are age, the census zone, square metres, etc.

Figure 1

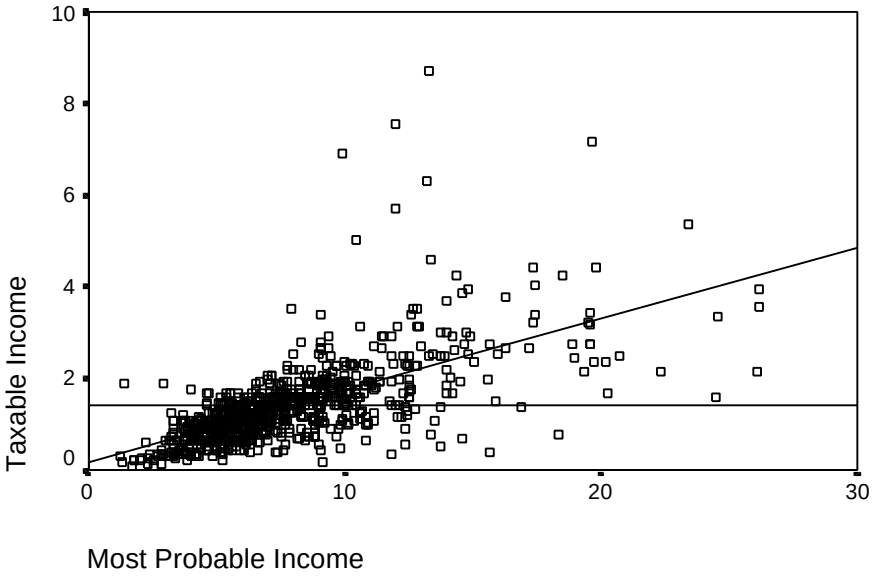
Test of Vertical Inequity - CP and MPSP



In Figure 1 we show the linear relationship between conventional value and the most probable market value while in Figure 2 we show the relationship between taxable incomes and market incomes.

Figure 2

Test of Vertical Inequity - TI and MPI



However, in Table 2 it is possible to verify the results of vertical equity tests implemented on the same data following the equations (1) (2) and (3).

Table 2 Vertical equity tests

	Rsquared	a ? ?	ß ? d
CP - MPSP			
Linear Model	0.519	12.97(*)	0.7625(*)
Log Model	0.47	0.038(***)	0.942(*)
Ratio Model	0.003	0.899(*)	-0.000278(**)
TI - MPI			
Linear Model	0.428	0.185(*)	0.155(*)
Log Model	0.502	-1.672(*)	0.943(*)
Ratio Model	0.006	0.196	-0.00181(**)

(*) Significance at 0.00
(**) Significance between 0.01 and 0.05
(***) Significance over 0.05

A significant difference of a from zero in linear model is clear; ratio and log models appear to perform better; these latter models can in particular partially correct the heteroscedastic error distribution, which however appear to be determined by specific causes of assessment inequity and not just by the choice of the functional form.
The wide under-valuation of taxable incomes is also confirmed, compared to the most probable market income; coefficient ?, is equal to 0.15 in the linear model while, as far as price is concerned, it is 0.76; this ought obviously to tend to 1 in the case of perfect alignment between assessed values and market values.

A second analytical passage regards the problem of the improvement of the efficiency of assessed value in relation to market price or income. This implies the criterion of reduction of the residual variance in the price regression model on the assessment through the addition of new information. In other words, one wonders if the use of new information could improve the assessment performance and in what direction the bias could be corrected.
One can here demonstrate that the difference between conventional value and most probable market value (DIF_CP) can be somehow interpreted in the light of what can be considered the inequity factors of the assessment, first of all conventional number of rooms (CNR), the time assessment (AGE) and the assessed category (CAT). This verification can then be made using income. Table 3 shows the results of our analysis.

Table 3 Inequity Factors – Regression Results

	Dependent Variable	
Linear Model	**DIF_CP**	**DIF_TI**
Rsquared	0.286	0.442
a	82.538(*)	-6.935(*)
CNR_SM	-6.885(*)	-0.435(*)
AGE	1.068(*)	0.03533(*)
CAT	-19.725(*)	2.212(*)

(*) Significance at 0.00

The difference actually grows with the growth of the difference between conventional number of rooms and effective square metres per room, in other words with the size of the apartment (CNR_SM); in particular it raises the under-valuation of the price with the growth of the effective room sizes – 6.8 million for every extra square metre per room – just as income valuation grows – 435,000 lire for every extra square metre.
The time assessment expressed in years (AGE) reduces the under-valuation by 1 million, in the case of the price, and 35,000 lire in the case of income, for every extra year; the more recent the assessment, the closer it is to the market value.
The related category results seem to be contradictory. It must first be stated that CAT is an ordinal variable and expresses the order of the assessed values, from 1 to 5, according to the categories from best to worst – A1/A5 –. In any case, the under-valuation of the price rises if the category worsens while income rises. What conclusions can be drawn from this? It is useful to distinguish two possible sources of assessment bias. The first could be defined as a methodological or procedural type, with the second as a structural type. The structural bias is due to the reasons of the *Catasto* troubles, previously mentioned, from its origins up to the present day and, in particular, to the lack of periodic assessment updating. The second factor refers to appraisal methods. Since, in our analysis, the most probable value and market income are estimates,

one must ask oneself if an average price per census zones takes into account the qualitative differences between properties or if the use of more characteristics in the comparison approach would be better. The effect of the assessed category on the value differential would have to be interpreted in this direction as well. What really seems essential, however, is the passage to the use of square metres as the only unit of measurement.

5. Conclusions

Our analysis has highlighted the inequity of assessed values compared to the market value system. In particular, it has pointed out the broad margins of under-estimation of assessments in relation to the real market situation. We recall that the prices are undervalued in 93.5% of cases while income is undervalued in 100% of cases. It also underlined the inequity of the assessments and, as a consequence, of taxation that continues to be based on taxable incomes. In effect, it still represents the tax base for the main forms of taxation: I.C.I., – *Imposta Comunale sugli Immobili* - I.R.PE.F. – *Imposta sulle Persone Fisiche* – , I.V.A. – *Imposta sul Valore Aggiunto* (VAT), *Imposta di Registro* and I.N.V.I.M. – *Imposta sul Valore Aggiunto degli Immobili* – abolished by Art.17 of D.L. 30-12-1992 no.305 under a transitional system until January 1 2003.

I.N.V.I.M represented, until the introduction of I.C.I., the attempt to tax the increase in property value at the moment of sale or succession; the difference between the initial (or acquisition) value, and the final (or resale) value of a property, were based, even if through a rather complicated procedure, on the effective market value, and envisaged checks by the administration. Its abolition in favour of the I.C.I. and the calculation of conventional values based on assessed incomes have only increased fiscal inequity.

The global level of property taxation effectively works out very high but very unequal in Italy. It seems necessary to clarify the very mechanisms of taxation. Income and capital gains contributions to the formation of an increase in property value have never been clarified, just as the objectives of the property use have not been: the equity investor perspective or the owner perspective. In fact, there are two types or categories of supply and demand with which the investor must be concerned. The first is the supply and demand for the use of the real estate; this involves the owner perspective. The second is the supply and demand for the ownership of an investment, or the equity investor perspective (Jaffe, Sirmans, 1995; p.69). We must distinguish these, because the valuation of tax shelter benefits can represent an important element in the choice of an investment, just as it can have significant socio-political repercussions. The attempt to exempt the first owner property from taxation and

to hit speculative sales has only made fiscal questions more complicated, whose various aspects it is not possible to discuss here (Mogorovich, 2000).
From the point of view of real estate appraisal, it is however necessary to remember that the property gives rise to a mixed income expressed in income flows and capital gains at the moment of reversion. The income flows are linked to the incomes market while the second is linked to the sales market; the trends of the two markets, in time, can also present opposing or varying trends that must be kept in mind.
A form of taxation that can be defined as fair ought to be based on comparison approach by the administration, able to take both components into consideration in a consistent manner. In any case, the estimation of incomes, capitalization rates and market values should be based on recent assessed values annually updated. Current assessed incomes, as well as being greatly under-estimated, seem disproportionate and untrustworthy; they should therefore be verified and applied.
We also observe that the nature of the I.C.I. should then be clarified and the possibility of using conventional values in sales deeds should, consequently, be abolished.
In conclusion, there is a need for re-calibration of taxation on the new values distinguishing, first, the direct owner use of the real estate investments. This seems, apart from anything else, to be consistent with the objectives of the real estate development which necessitates market transparency, together with a clear system of rules which can be shared, based on a system of sure values.

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