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THE NETHERLANDS IN MAPS

HOUSING RELATED FEES AND REAL ESTATE TAX RATES IN CITIES IN THE NETHERLANDS

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HOUSES AND HOUSING: DIFFERENT PRICES

In the previous issues of this year's series of *The Netherlands in Maps* Dutch cities were pictured with divergent rates of population growth, economic performance and regional dominance. As can be expected, higher rates in each of these qualities are reflected in real estate prices. Apart from the social housing stock, where rent levels and annual rent adjustments are set in line with national regulations, the selling prices of houses in the owner-occupancy market segment and the rent levels in the private rental sector, tend to vary in accordance with the attractive power of cities as multi-functional service centres and as places to live and work. For both owners and renters however, the expenditures made for purchasing or renting homes constitute large, but not all property-related costs. Additional expenses involve the delivery of public utilities (gas, electricity and water), insurances, maintenance, possible service costs, and municipal and water board taxes. Together, these categories cover a substantial part of household incomes. In the Netherlands, for one out of six households (16%) even more than 40 per cent of their income is put in house-related expenditures. According to Eurostat figures, the percentage of households with such excessive expenditures for housing is much lower in other European countries. The EU average is 11.4 per cent. In France it is only 5 per cent (Vastgoedmarkt 2015).

In this issue, we concentrate on three important additional housing fees that typically differ between municipalities because the (annual) determination of the tariffs is a municipal prerogative. These 'municipal taxes' are: real estate or property taxes, refuse collection fees, and sewage

charges. As we will see, the spatial variation in the levels of these municipal taxes results in a spatial pattern that does not easily coincide with the patterns of expensive/cheap housing in terms of purchase prices and rents.

MUNICIPAL TAXES

On average, the three municipal taxes in the Netherlands together account for 18 per cent of all non-rent related housing costs. If we add water board taxes this share rises to 25 per cent. Most non-rent expenditures (75%) are for the supply of energy and water, insurance, national taxes on energy, water and buildings, and the 'home ownership' tax, but these are all 'non-spatial cost categories' that cannot be influenced by migration to another municipality. In other words, residents can only influence a minor part of their non-rent related housing costs by means of 'voting with one's feet' behaviour (Tiebout 1956). In absolute terms, the grand total of municipal taxes amounts to 716 euro per year for an average non-single person household in the Netherlands, but there is a substantial difference between the lowest tariff (€520 in Aalten in the province of Gelderland) and the highest (€1,198 in Blaricum in the province of North Holland) (Allers *et al.* 2015).

The yearly determination of the tariffs for real estate tax, garbage collection fees and sewage charges is a major item on the agenda of all municipal councils. Apart from possible revenues from land development (which have been low or non-existent since the last financial crisis) these municipal taxes are in fact the only regular and autonomous income sources for municipalities, who receive a major share of their incomes through a rather rigid distribution rule from

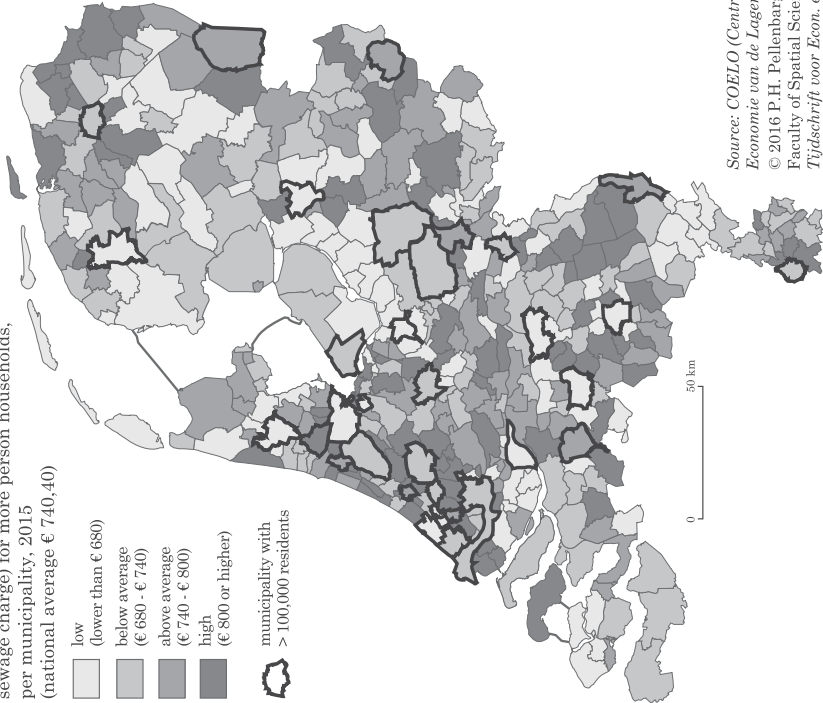
THE NETHERLANDS IN MAPS

Cities in the Netherlands (Part 4)

LOCAL HOUSING RELATED FEES AND REAL ESTATE TAX RATES

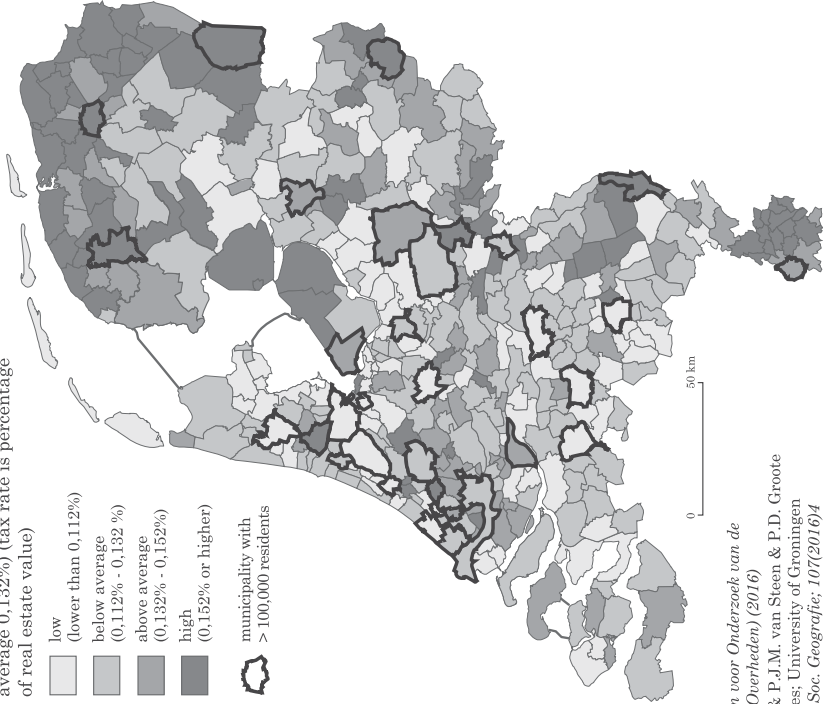
Average local housing related fees (average paid real estate tax + garbage collection fee + sewage charge) for more person households, per municipality, 2015 (national average € 740,40)

- low (lower than € 680)
- below average (€ 680 - € 740)
- above average (€ 740 - € 800)
- high (€ 800 or higher)
- municipality with > 100,000 residents



Average local real estate tax rate, per municipality, 2015 (national average 0,132%) (tax rate is percentage of real estate value)

- low (lower than 0,112%)
- below average (0,112% - 0,132 %)
- above average (0,132% - 0,152%)
- high (0,152% or higher)
- municipality with > 100,000 residents



Source: COELO (Centrum voor Onderzoek van de Economie van de Lagere Overheden) (2016)
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various national government funds. Municipalities are free to determine the levels of their municipal taxes. But they have to be cautious in their tariff policy, trying to avoid sudden tariff increases and carefully harmonising the three tariff types, which is complicated because not all categories of residents will be affected to the same degree by the different tariff types.

SPATIAL PATTERNS

The spatial variation of municipal tax rates is depicted in two maps. The left hand map shows the level, in four scale categories, of the total level of all (three) housing related fees in absolute terms. The right hand map shows the real estate tax only, not in absolute terms but as a percentage of the real estate value, also in four categories. The real estate tax is the most frequently discussed property related tax, because it is directly related to the (estimated) value of one's house and as such, the subject of disagreement between house owners and municipal authorities. The 31 cities/municipalities with more than 100,000 inhabitants are indicated by bold outlines.

In the 'total municipal fees' map these 31 cities generally (i.e. in 70% of all cases) show below average values, with the exception of a number of cities in the North, East and South such as Groningen, Emmen, Enschede, Arnhem, Nijmegen and Breda. In the Randstad provinces, only Zaanstad and Delft stand out with relatively high tax levels. But it is difficult to identify a real trend. Light and dark shades frame a rather irregular pattern for all municipalities across the map, and also for the 31 larger cities we meet high and low tax levels next to each other in the same region: Leeuwarden (low) and Groningen (higher) in the North, Zwolle (low) and Enschede (high) in the eastern province of Overijssel, Breda (high) versus three cities with low values in the southern province of North Brabant, and surprisingly low Amsterdam next to very high Zaanstad in North Holland.

At first sight also the other map, that shows the real estate tax rates, offers the same contrast between cities with high and low tax rates, but here a more structural pattern in this contrast can be observed. For all municipalities, most of the higher tax rates are found in the peripheral parts of the country (with the exception of all but one of the Flevoland municipalities) and also for the 31 largest cities it is clear that apart from a few exceptions in South Holland (Delft, Leiden, Zoetermeer) the cities in the three Randstad provinces and North Brabant have modest real estate tax rates, whereas cities in the North (Leeuwarden, Groningen, Emmen) and along the eastern border (Enschede, Arnhem, Nijmegen, Venlo) have high real estate tax rates. Also Almere in Flevoland province applies a high real estate tax rate.

The tax rate pattern as visualised in the right-hand map is more or less the reverse of the housing market price conditions, and warrants the conclusion that cities with high selling price levels of houses can afford a lower tax rate to reach satisfactory local tax incomes, while cities with lower house price levels have no choice but to charge higher real estate tax rates to ensure that enough tax money will come in to balance the municipal budgets.

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