

## THE INFLUENCE OF THE REAL PROPERTY CADASTRE ON SUSTAINABLE RURAL DEVELOPMENT

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**Abstract.:** Development of rural areas is an important target for research and applied action in many countries of the world. Contrary to the liberal theory, which is very popular in the post-socialist and post-Soviet Union states and supports the regulatory nature of market forces, practical experience has demonstrated that sustainable development of rural settlements can only be influenced by means of scientifically substantiated government policies and a systematic approach to land management. Establishment and development of a multi-purpose cadastre of real property is an important contributing factor that facilitates implementation of the government policies for territorial development because the cadastre secures a title to real property, ensures tax assessment of real property and is conducive to implementation of the new progressive system for taxation of real property. The article discusses the role of real property valuations in establishing an adequate environment for economic and social development of rural settlements.

**Key words:** real property cadastre; multi-purpose cadastre; sustainable development, real property valuation, taxation of real property.

### INTRODUCTION

The process of creating a real property cadastre has been underway in the Republic of Moldova since 1998. The cadastre is a system of information about land that includes information about real property, the rights holders thereto and the appraised value thereof for tax assessment. The cadastre is a multi-purpose system; its unified database includes the main identifying characteristics of real property in legal, technical and economic (value) terms. Moldova's system for registration of the rights to real property has already gained high international acclaim, even though the process of creating the real property cadastre is not yet complete, not all types of real property have been registered in the cadastre and the cadastral database needs further improving. This acclaim has contributed to Moldova's strong position in the World Bank's annual Doing Business economy rankings that cover 189 countries as well as Moldova's high International Property Rights Index (IPRI) in the PRA rating of Eastern European and Central Asian countries.

There is very little scientific research concerning the real property cadastre in Moldova. The issues of property monitoring and cadastral data updates have not been addressed to a sufficient extent; little attention is paid to the conceptual and methodological framework for the cadastre. The concept of real property tax appraisals needs further development because it is a corner-stone in the sustainable financial foundation for social and economic development of territories. The principal objective of this article is to consider the cadastre as a system that includes certain conceptual, methodological and institutional aspects and to discuss its influence on sustainable territorial development.

### METHODOLOGY AND RESEARCH MATERIALS

The research methodology is based on a systematic approach intended to examine the role played by the real property cadastre and the cadastral data, to assess the importance of valuations for the cadastral system and of the subsequent taxation of real property for revenues to the local public budgets necessary to ensure sustainable development of the concerned settlements. The research materials include data of the Agency for Land Relations and Cadastre, Republic of Moldova, on the implementation results of the government programme to create the national cadastre of real property and Action Programme to implement the new system for tax appraisals of real property.

The year 1998 when the law on real property cadastre [1] was adopted in Moldova is considered the starting point of the process to create the national cadastre of real property. The objective for

which the cadastre is created is to identify, describe, appraise and register real property and the rights thereto; to protect public and private interests in the legal relationships that concern real property; to establish a system for protection of holders of the rights to real property; to create an open information system for real property market players and public authorities, including fiscal authorities. The principal goals of the cadastre are: to establish a civilized real property market; to secure guaranteed ownership rights to real property; to make the cadastral information open for all real property market players and public authorities; to increase revenues to local public budgets and to improve their structure by setting optimum price rates for use of real property; to attract investments in real property; to manage the territories effectively and to exercise operational control.

The cadastral system registers real property (such as land plots, buildings and structures, engineering lines, other items of property that are inseparable from land) and rights thereto (such as the title of ownership, right to use, usufructuary rights, superficies, mortgages, etc.).

Work to perform initial mass registrations of real property was not financed for a number of reasons in Moldova during 2003-2016. The cadastre was developing through selective registrations of real property based on the requests submitted by individuals and entities. Nevertheless, the real property cadastre created in the Republic of Moldova is one of the best cadastral systems emerged in the CIS states and in Europe. During 2009-2018 Moldova invariably ranked between 18 and 20 in registrations of real property among the 189 countries covered by the World Bank ranking. For comparison, Russia ranks 12, the USA – 37, Romania – 45 and Ukraine – 64 in that ranking [2]. However, Moldova's current stable rankings are not enough to relax in respect of the future. Unless the system continues to develop, its sustainability is not secured and it starts lagging behind other similar system. The core characteristics of Moldova's multi-purpose cadastre of real property are as yet sufficiently sound. The World Bank awarded Moldova 22 points (out of 30) for land management quality, while Russia was awarded 26 points, the USA – 17.6 points, Romania – 17 points and Ukraine – 14.5 points [2].

**Table 1.** *Interrelation among real property mass registration, mass valuation and ad valorem taxation processes*

Property types	Number of objects	Initial mass registration (period of time)	Mass valuation date	Ad valorem taxation (year of implementation)
Apartments	340,000	2000-2002	1 June 2004	2007
Residential houses in cities	180,000	2001-2003	1 June 2005	2007
Commercial and industrial objects	90,000	2006-2007	1 June 2009	2010
Agricultural land – total, including:	4,010,000			
-with constructions on them	30,000	2009 – 2010	1 June 2011	2012
-gardens	920,000	Not accomplished	Not accomplished	Not accomplished
-plots with seasonal houses	80,000	2006–2007	1 June 2007	2010
-land for agricultural use	3,000,000	1998 - 2003	Not accomplished	Not accomplished
Residential houses in villages	1,000,000	550,000 properties	Not accomplished	Not accomplished
Special-purpose property, public property, other property	70,000	Sporadic registrations	Not accomplished	Not accomplished
<b>TOTAL</b>	<b>5,700,000</b>	<b>5,075,000 (89%)</b>	<b>790,000 (13.8%)</b>	<b>13.8%</b>

Some conclusions can be made already at the current interim stage of implementing the national programme to create the real property cadastre, and the actual achievements can be compared with the programme targets and goals. The most important conclusion is that Moldova has succeeded to create the cadastral system. Almost 89% of all real property located in Moldova have been registered in the real property cadastre. Mass tax appraisals have covered 14% of all real property (Table 1).

Appraisals have been performed for all types of property in urban areas and for some types of property in rural areas. The new *ad valorem* system for taxation of real property, where tax is assessed on the basis of the property's market value, applies for all appraised types of real property.

## RESULTS AND DISCUSSION

It can be concluded from the data presented in the foregoing that a uniform cadastral system and registration of the rights to real property creates the necessary prerequisites for building a system for tax valuations of real property. The mass valuation approach is optimal for appraisals of the market value of standardised and uniform properties.

The *ad valorem* system for taxation of real property extends currently only to appraised real properties. Revenues from the property tax paid on the appraised real properties are MDL 275 million, which is 55% of the total property tax revenues; these figures demonstrate big promise held by the new taxation system.

In all countries, property tax is a major source of revenues to the local public budgets. The importance of this tax for Moldova's local public budgets is as yet insignificant; it makes only 17% of all tax revenues of the local public budgets.

Rural settlements hold a major promise for increasing revenue flows to the local public budgets. Most of the real property not yet registered and appraised for tax purposes are located in villages. Mass valuations have not yet covered the largest real property categories – agricultural land, rural residential houses, public property managed by the central government and by municipal authorities, special purpose property, unique items of real property. Mass valuations will only become possible in each of these categories after multiple institutional, methodological and social problems are solved.

## CONCLUSION

Sustainable development of rural areas can only be ensured in an environment where tax revenues of the local public budgets are stable and the established tax base is accurate and reliable. It would be necessary to that end to complete registrations of all types of real property in villages. As of the beginning of 2018, over 450,000 rural residential houses were still not registered in the cadastre. The system currently applied for assessment of the property tax in rural areas is quite outdated; the tax amounts charged on rural residential property are purely symbolic (MDL 5 to 10 per household, which translates to EUR 0.25 to 0.50). These tax amounts cannot have any major importance for the taxpayers or for the local public budgets.

The expansion of the property tax basis through registration of all real property and the transition to the new taxation system in rural areas will make it possible to increase tax revenues to the local public budgets several-fold.

Another major issue for sustainable development of rural areas is establishment of clear boundaries between public property managed by the central government and public property managed by local authorities. Bringing this process to completion will enable more efficient management of real property that falls within the administration scope of local authorities.

A matter of at least similar importance is to establish arrangements for sustainable funding of the ongoing work to appraise and to review appraisals of real property in rural areas. It would be necessary in that context to ensure co-financing of property registrations and mass valuations from the centralised and local public budgets. The central public budget is currently the sole source of funding for the work to establish and maintain the real property cadastre - and this situation does not create incentives for the local governments to take a more proactive part in identification and registration of items of real property and their rights holders.

## **BIBLIOGRAPHY**

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