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Press release

Czech Republic sellers face above average property purchase taxes

Slovakia has cheapest taxes and charges after scrapping property transaction tax.

Sellers in the Czech Republic are faced with above average property purchase taxes, especially for cheaper and mid-market homes, shows research by UHY.

In contrast, the Slovakian Government does not impose any taxes property purchases, having abolished real estate transfer taxes in 2005.

In the Czech Republic, the average cost of stamp duty and other compulsory property purchase fees for a property of this price would be 4.0%, while there would be no equivalent tax in Slovakia. Currently in the Czech Republic the real estate transfer tax is paid by the seller of property. According to proposal of the previous government, which should be further discussed in the Chamber of Deputies the real estate transfer tax should be paid by the buyer starting 1 January 2014. In the current political situation it is not clear, whether this change will be approved or not.

UHY says that high property purchase taxes the Czech Republic discourage home ownership and create a drag on labour market mobility. By contrast in North America, which is renowned for its flexible and mobile labour market, property purchase taxes are far lower, typically below 1% in the USA and no higher than 1.9% for the most expensive homes in Canada.

Georg Stöger at AUDITOR, the UHY member firm in the Czech Republic and Slovakia, says: "By imposing often very significant additional costs on the purchase of a property, the Czech Republic Government may be discouraging people from moving for a new job, especially those with families who might reasonably expect to own their own property."

"That means that workers opt to do jobs that are below their skills and experience rather than move or even be forced to stay out of the labour market for longer than they should have to. High levels of stamp duty are an easy fiscal option, but in a prolonged recession, they may be a short-sighted one."

"In contrast, Slovakia has no real estate transfer taxes, helping the Slovakian property market and economy to compete with larger central European neighbours."

UHY adds that while some countries have targeted wealthy property buyers with higher property purchase fees in an attempt to plug their fiscal deficits, the governments of Czech Republic and Slovakia have chosen not to target prime properties in particular.

Georg Stöger explains: "In the wake of the financial crisis, national and regional governments have been desperate to plug their deficits. One populist way to do this has been by levying new top rates of stamp duty on the purchase of the most expensive properties, which often attract foreign buyers."

"While some markets might be sufficiently robust to absorb this, governments need to be careful not to kill off their property market altogether. Economies benefit from the added value that wealthy buyers and an active property market bring to the economy, from spending on refurbishments, to legal fees and employing domestic staff. Once High- Net- Worth individuals leave, it is hard to attract them back."

UHY also point out that many other European economies that do not target prime properties in particular still have relatively high overall average property purchase taxes. For example, a property worth $150,000 in Spain is subject to an average of 7% in property purchase taxes, while France imposes 5.1%.

Ireland, despite moving to a flatter stamp duty structure in the wake of the financial crisis, still charges almost two-thirds more on the rate of stamp duty on the proportion of a property sale exceeding Euro1,000,000.

UHY tax professionals studied tax and compulsory property registration charges in 25 countries across its international network, including all members of the G7, as well as key emerging economies. UHY calculated the total taxes and compulsory fees payable to local, state and municipal government on property purchases of USD150,000 and USD3.5million.

	For a property of USD3,500,000			For a property of USD150,000	
	Amount of tax and charges paid	% of property price		Amount of tax and charges paid	% of property price
India	$ 280,830.00	8.0%	India	$ 12,830.00	8.6%
Spain	$ 245,000.00	7.0%	Spain	$ 10,500.00	7.0%
UK	$ 245,000.00	7.0%	Argentina	$ 7,650.00	5.1%
Australia	$ 185,830.00	5.3%	France	$ 7,640.00	5.1%
Argentina	$ 178,500.00	5.1%	Germany	$ 7,500.00	5.0%
France	$ 178,150.00	5.0%	Austria	$ 6,900.00	4.6%
Germany	$ 175,000.00	5.0%	**Czech Republic**	**$ 6,050.00**	**4.0%**
China	$ 165,030.00	5.0%	Mexico	$ 5,410.00	3.6%
Austria	$ 161,000.00	4.6%	China	$ 4,580.00	3.0%
Israel	$ 153,340.00	4.4%	Italy	$ 4,940.00	3.0%
Czech Republic	**$ 140,050.00**	**4.0%**	Romania	$ 3,820.00	2.5%
Japan	$ 113,930.00	3.3%	Australia	$ 3,660.00	2.4%
Italy	$ 105,440.00	3.0%	Malaysia	$ 3,000.00	2.0%
Malaysia	$ 105,000.00	3.0%	Netherlands	$ 3,000.00	2.0%
Mexico	$ 83,220.00	2.4%	UAE	$ 3,000.00	2.0%
Netherlands	$ 70,000.00	2.0%	Uruguay	$ 3,000.00	2.0%
UAE	$ 70,000.00	2.0%	Japan	$ 1,810.00	1.2%
Uruguay	$ 70,000.00	2.0%	Ireland	$ 1,500.00	1.0%
Canada	$ 66,160.00	1.9%	Canada	$ 1,230.00	1.0%

Ireland	$ 57,020.00	1.6%	USA*	$ 1,110.00	0.7%
Romania	$ 55,680.00	1.6%	Estonia	$ 170.00	0.1%
USA*	$ 28,000.00	0.8%	UK	$ -	0.0%
Estonia	$ 3,320.00	1.0%	Israel	$ -	0.0%
Russia	$ -	0.0%	Russia	$ -	0.0%
Slovakia**	**$ -**	**0.0%**	**Slovakia****	**$ -**	**0.0%**
Average	$ 127,630	**3.4%**		$ 4,730	**2.6%**

Notes to table

The calculations assume that both buyers and sellers are private individuals from the country concerned. Special exemptions, e.g. for new properties, are not taken into account.

*Figures for Australia, Canada, Germany, India, Mexico, Spain and USA are national averages. State and municipal taxes and charges vary.

Russia charges a nominal fee for the registration of new property purchases. The UAE charges a compulsory 2% of the property price to register a property transaction at the local land department. The total taxes and fees for Austria include a 1.1% land register fee.

**Slovakia abolished real estate transfer taxes in 2005.

Notes for Editors

For more information about services provided by AUDITOR spol. s r.o. please contact Mag. Georg Stöger, georg.stoeger@auditor.eu.

About AUDITOR spol. s r.o.:

AUDITOR provides auditing, tax and business consulting, financial accounting and personnel and payroll administration. The company provides complex consultancy via its seven offices located in Slovakia, Czech Republic and Austria. The number of staff is in total approx. 130. For more information about the company please visit www.auditor.eu.

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About UHY

Established in 1986 and based in London, UK, UHY is a network of independent accounting and consulting firms with offices in over 270 major business centres in 86 countries. Over 7,100 staff generated an aggregate income of USD622 million in 2012, ranking UHY the 25th largest international audit, accounting, tax and consultancy network (by revenue). Each member of UHY is a legally separate and independent firm. For further information on UHY please go to www.uhy.com. UHY is a full member of the Forum of Firms, an association of international networks of accounting firms. For additional information on the Forum of Firms, visit www.forumoffirms.org

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