

16.08.2016

Fabio Bruderer

MLaw
Tax Advisor

Fabian Jeker

Tax Advisor

Drastic rise in notional rental value possible

Dear Sir or Madam,

As of the tax period 2016, the Basel area will encounter changes in the taxation of real estate.

Basel-Stadt

During the last 15 years the average market value of real estate in the canton of Basel-Stadt has nearly doubled. The tax values that have been in effect until now date back to 2001. Accordingly, the tax administration has decided to carry out a re-evaluation of the tax values to take account of the increased values. Before the end of 2016, all real estate owners living in their own property will receive an assessment stating the new valuation. This new tax value will retroactively come into effect for the tax period 2016 already. On average, the tax values may rise by approximately a third.

The impact on the notional rental value and consequently on the income tax will be lower than that. The reason behind this is a decision by the Cantonal Council not to set a blanket rate of 4% of the wealth tax value for the notional rental value. The notional rental value will now be calculated on the basis of the reference interest rate for mortgages at the beginning of the tax period plus a surtax of 1.75%. To avoid disproportionately high results as a consequence, the rate for the notional rental value is capped at 4.5%. Please note that this rate can now change on an annual basis.

For 2016 the rate of notional rental value is 3.5%. Thus the notional rental value will go up on average by 1/6.

Baselland

The notional rental value for the canton of BL was evaluated in 2013. During the evaluation it was noticed that detached houses were slightly overvalued, whereas freehold flats were slightly undervalued. This will be amended from tax period 2016 onwards. The notional rental value rate will basically be reduced by about 4-16%, while simultaneously, the adjustment factor for freehold flats will be raised from 0.8 to 0.9. Adjustment factors specific to local councils remain unchanged.

There will also be an adjustment to the standard deduction for property maintenance. The relatively high deductions, compared to other cantons, of 25% (for buildings up to ten years old) and 35% (for those older than ten years) will now be reduced to 12% and 24% respectively.

The wealth tax values remain unchanged.

Aargau

According to tax law, notional rental value is 60% of customary rents on the market. Due to rent increases, the proportion has been reduced to an average of 54.2%. To get back to the legally required 60%, the notional rental values are going to be adjusted as of tax year 2016. Due to significant differences among communes, there will be an individual adjustment for each municipality. As a result there will be either deductions or increases to existing notional rental values ranging from -5% to +32%.

Conclusion

According to the judgement of the Federal Supreme Court, the tax values should be at least 60% of market values. The cantons must make adjustments accordingly to comply with this requirement. Nevertheless, it might still be possible that your property will have a disproportionately high evaluation. Thus it is worth checking whether the increase will be within the framework mentioned above. However, it is equally possible that in the past your property had been evaluated far too low, which resulted in reduced taxes for you. Please note that any possible objection must be submitted within 30 days upon delivery of the assessment. Needless to say that we would certainly be pleased to assist you with an evaluation and any eventual appeal.

Kind regards

artax Fide Consult AG

Member of Morison KSi

Gartenstrasse 95, Postfach, 4002 Basel
Tel: +41 61 225 66 66, Fax: +41 61 225 66 67
info@artax.ch, www.artax.ch