



# Potential EuroPACE application in EU28

## Focus on 4 most promising countries

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Karolina Zubel

CASE – Center for Social and Economic Research

# 🎯 EuroPACE Readiness: Overview



EuroPACE started with setting up a **legal and fiscal framework** to allow for the legal, fiscal, economic and societal assessment of key characteristics that determine viability and attractiveness for an on-tax financing mechanism in EU28 countries.

This crossover analysis identifies a **roadmap for EuroPACE adoption**.

The objective of this work-package is to define the EuroPACE Adoption Roadmap by countries and cities:

- Assessing the **on-tax suitability landscape** in the EU28 and analysing the demand levels from households and contractors;
- Preparing the future **securitisation** of the pools of capital deployed;
- Understanding the **feasibility of on-tax financing** of investment at household level.

# 🌀 EuroPACE Readiness: Progress



## Step 1: Legal and Fiscal Analysis *Completed*

1. Functioning property tax system
2. Legal guarantee mechanism
3. Municipalities' rights over tax collection mechanism

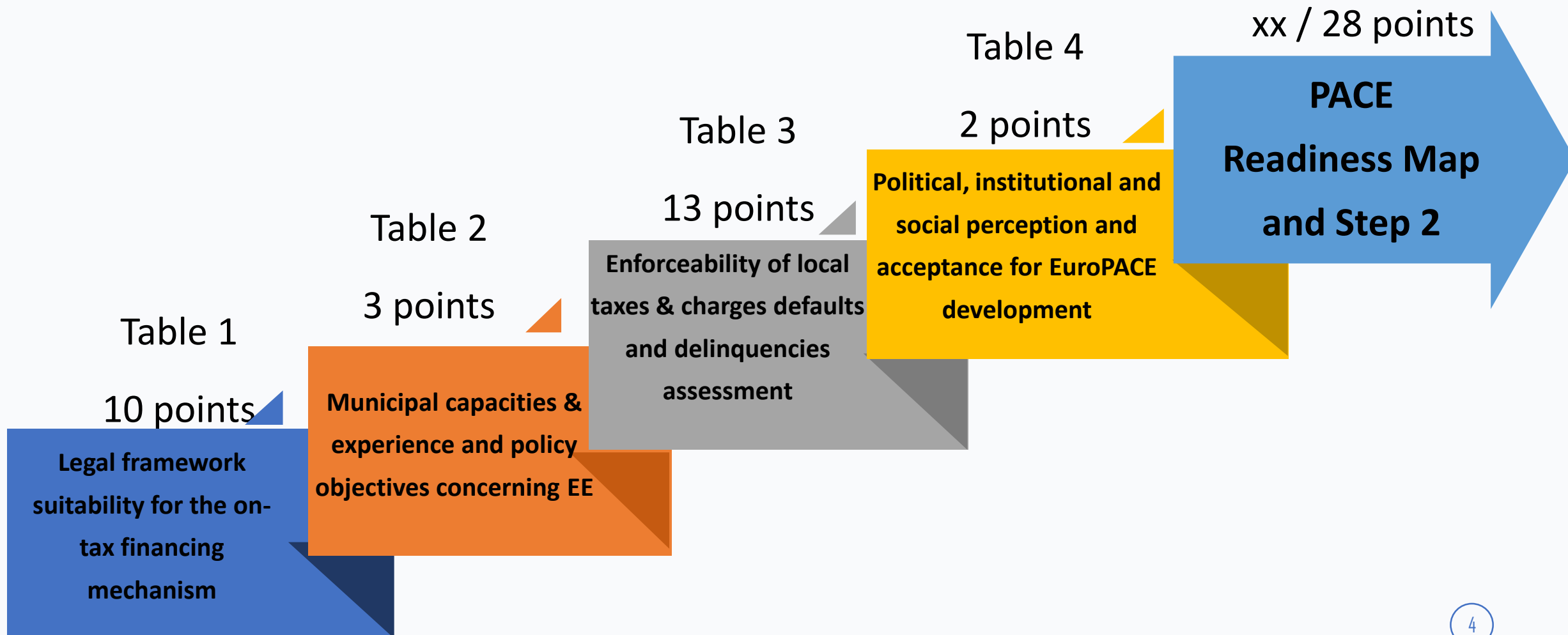
## Step 2: Market Assessment *In progress*

1. Market size and potential for EE home renovation
2. Existing policy tools and initiatives
3. Peoples perceptions and attitudes to home renovation



# Step 1: Legal and Fiscal Analysis

4 separate tables focusing on: fiscal, administrative and legal readiness as well as public perception insights



# Table 1: Legal Framework

Table 1	Variable	Definition
1.1	Examples of existing on-tax financing schemes nationally or locally	On-tax financing scheme has already been piloted/tested in the country
1.2	Property-related tax existence	Property taxes (or other taxes linked to the property suitable for EuroPACE implementation) exist Existence of local charges/bills attached to the property (i.e. waste management fees)
1.3	Collection of property-related taxes by local authorities	Local authorities* are responsible for collection mechanism (even if subcontracted to third parties) of taxes and charges attached to the property
1.4	Local authorities rights towards property-related taxes	Local/regional administration has the legal authority to change the tax rate of property-related taxes within a range Local/regional administration has a right to establish new local taxes and fees
1.5	Tax collection exceptions	Differences in tax collection at regional or local levels (urban vs. rural) Differences are observed at the individual property level based on the property size /property value, etc.

<sup>11</sup>\* In case of the smallest EU countries (ca. 3 million citizens and less), separate central taxing authority will be satisfactory, as given its size, such countries oftentimes do not have a clearly decentralized structure.

## Table 2: Municipal Capacities

Table 2	Definition
2.1	Experience in working with the private sector to implement investment programs related to infrastructure, buildings, public lighting, etc.
2.2	Existence of Sustainable Energy Action Plan (SEAP) or other EE strategy for the municipality
2.3	Existence of EE programmes, either in a form of grants, subsidies, tax deductions, or technical assistance at the local level

## Table 3: Enforceability

Table 3	Variable	Definition
3.1	<b>Property-related tax collection</b>	
		Property-related tax collected well and on a regular basis with a high collection rate of more than 90%
		Foreclosures related to tax delinquencies and defaults
3.2	<b>Local authorities finances characteristics</b>	
		Local authorities possess a fully autonomous budget
		Earmarked budgets/projects related funds exist at local authority level
		Local authorities finances are controlled by independent bodies
3.3	<b>Measures aimed at enforcing local taxes collection</b>	
		Existence of additional interest rates and penalties in case of deliberate non-payments
		Existence of standardised and transparent administrative processes
3.4	<b>Mortgage and property ownership characteristics</b>	
		Property Title Search and evidence of legal ownership of the property and approval in case of voluntary EuroPACE assessment
		Municipality has an authority to impose senior lien on the property

## Table 4: Social Perception

Table 4	Definition
4.1	<b>Institutional continuity and stability of property-related taxes</b>
4.2	<b>General perception towards property-related taxes - acceptance reflected in documented situations where the topic of property taxes has been a subject of political debate</b>



## ③ 3 Key Criteria Discovered

### PROPERTY-RELATED TAXES

We are looking for Property-related taxes that might be suitable for financing energy efficient home renovation. In the U.S., it has not been used the property-tax to implement PACE, rather the 'Property Assessments'.

### EFFECTIVE FORECLOSURE MECHANISM

We assess if the 'Property-related taxes' that might be suitable for the EuroPACE financing are equipped or can be equipped with a consolidated, effective and well-functioning foreclosure mechanism in case of tax delinquency or default. In terms of credit risk, this is the most relevant element.

### LIEN ON PROPERTY

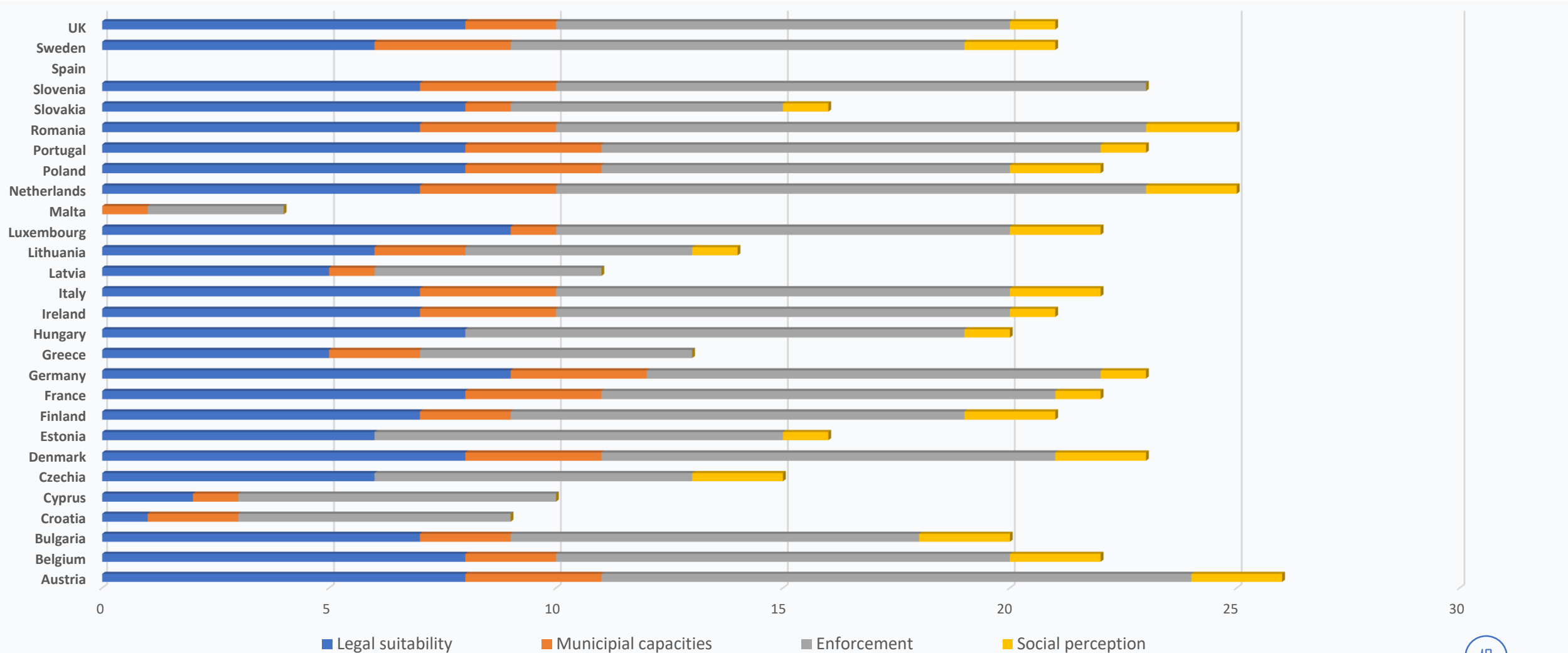
The 3rd very important element that needs to be addressed is about the possibility to register a lien on the property associated with the EuroPACE financing.



# EU countries suitability for EuroPACE implementation



Cumulative





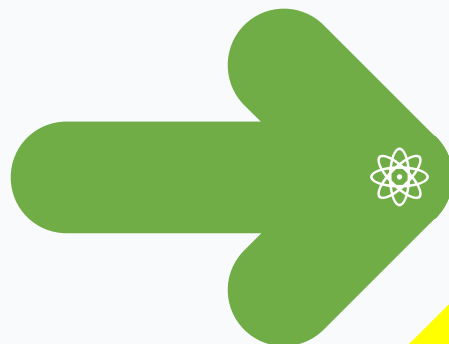
# Grading & EuroPACE Readiness Map

4 categories



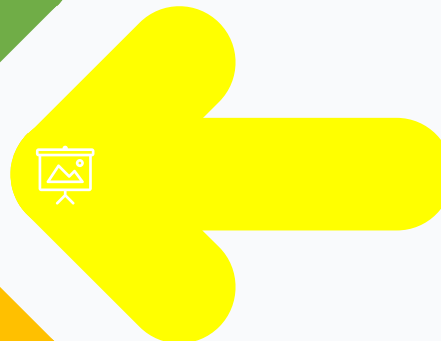
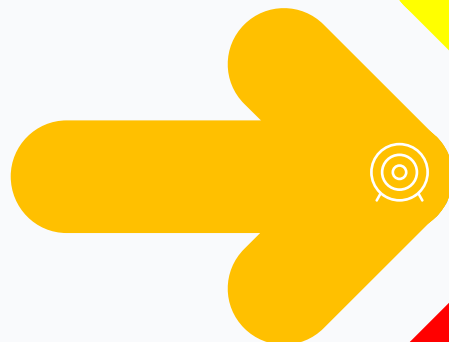
## VERY ADEQUATE COUNTRIES

i.e. Austria, Belgium, Romania



## LESS ADEQUATE COUNTRIES

i.e. Czechia, Estonia, Lithuania



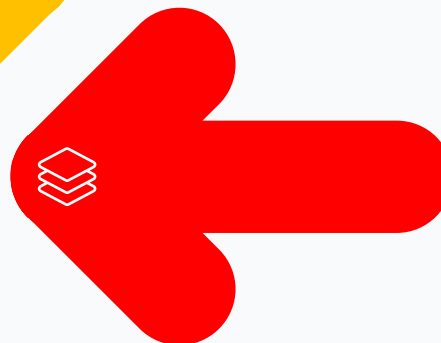
## MODERATELY ADEQUATE COUNTRIES

i.e. Sweden, UK, Hungary



## NO-GO OPTIONS

i.e. Croatia, Malta, Cyprus





# Selection process

SWOT analyses for 12 countries with overall grading above 75%

## Quantitative results complemented with qualitative studies



Strengths



Weaknesses



Opportunities



Threats



# EuroPACE Readiness: Preliminary Results

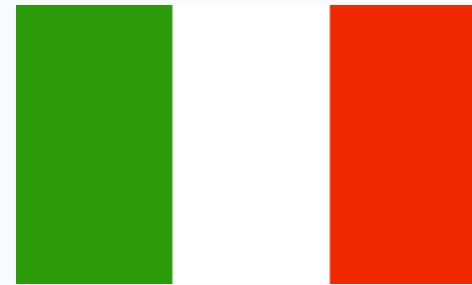
Pilot in Spain + Countries chosen based on *Step 1* results and preliminary assessed market potential



Austria



Belgium



Italy



Poland



Romania



*+ 2 additional countries*



# Austria

**Overall grading for suitability: 93%**

- Austria is one of the few European countries that **satisfies all three crucial criteria** for EuroPACE implementation
- The Austrian Property Tax Act (**APTA, Grundsteuergesetz**) identifies one property tax imposed on: agricultural and forestry assets, the real property, business assets
- A lien on a property exists and is well documented in the **Property Title Search**
- Austrian municipalities have a freedom to collect, change and introduce new taxes; and manage their budgets freely
- Austrian municipalities are active players in sustainable energy actions, with **half of municipalities** active in Climate Alliance
- The social perception of the property taxes is positive



# Belgium

**Overall grading for suitability: 78,5%**

- Belgium satisfies two out of three crucial criteria for EuroPACE implementation
- There is a property tax in Belgium, called the **précompte immobilier/onroerende voorheffing**
- Property rights in Belgium are well protected by law, and the courts are independent and considered **effective in enforcing property rights**
- The lien seniority is complicated and as a result municipality cannot really impose senior lien on the property in case of a mortgage
- Municipalities have relatively huge freedom in **collecting taxes**, managing their budgets and initiating new programmes for energy efficiency solutions
- **75%** of buildings are not energy efficient, what gives a huge potential for EuroPACE implementation



# Italy

## Overall grading for suitability: 78,5%

- Italy is one of the few European countries satisfying all three crucial criteria for EuroPACE implementation
- Since **2018 there is one property tax IUC** (Imposta unica comunale) which is made of three components: Imposta municipale unica (IMU), Tributo per I servizi indivisibili (TASI), Tassa sui rifiuti (TARI is a fee being collected together with property-related taxes)
- Standardised foreclosure procedures related to properties apply in case of evaded taxes but with some limits and constraints
- Italian municipalities have relatively huge freedom in collecting taxes, managing their budgets and initiating new programmes for energy efficiency solutions
- Social perception of property-related taxes is **positive** and no discussion took place about its abolishment in the last couple of years





## Overall grading for suitability: 78,5%

- Poland, despite its complicated rules when it comes to lien (or rather mortgage as it is called even for tax delinquencies) imposition, is a country where other two crucial criteria for EuroPACE development are outstandingly effective
- Property tax exists and its share in municipal income in 2011-2015 was as much as **83%**
- The local government administration (gmina) is fully responsible for the **property tax collection**
- Polish municipalities have relatively huge freedom in changing the property tax rates within a range, administering and collecting local taxes, managing their budgets and managing national, regional and own energy efficiency programmes
- Recently launched '**Clean Air**' programme for Poland should not be treated as a direct competitor for EuroPACE, but rather a complementary initiative boosting the interest and necessity for innovative financial instruments


# Step 2: Market Assessment Structure


 Introduction


 Social and economic conditions of households

 Building characteristics and ownership



 Energy consumption in private residential buildings and type of EE/RE investments

 Barriers to develop the EE/RE potential in private buildings

 Policies related to EE/RE in buildings



## Call to Action



Join the EuroPACE Community.  
Help us select **4 Leader Cities**  
to develop EuroPACE programs

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# Thank you!

**Karolina Zubel**

[karolina.zubel@case-research.eu](mailto:karolina.zubel@case-research.eu)

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