Contesting a real estate property’s cadastral value
Contents

• Why contest a cadastral value?
• Why is now the time to contest a cadastral value?
• On what grounds can you contest?
• What is the contesting procedure?
• Why Capital Legal Services?
• Benefits of working with Capital Legal Services
• Our experience
**Why contest a cadastral value?**

The amount of the cadastral value is a parameter that directly affects the expenses of the real estate owner.

<table>
<thead>
<tr>
<th>Who is affected?</th>
<th>What is the effect?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate owners</td>
<td>Amount of company’s property/land tax</td>
</tr>
<tr>
<td>Tenants of state and municipal real estate</td>
<td>Rent amount is usually calculated based on the cadastral value</td>
</tr>
<tr>
<td>Persons entitled to buy out land</td>
<td>Property buyout price is calculated based on the cadastral value</td>
</tr>
</tbody>
</table>

*Statistics for 2017 show real estate cadastral value was **overstated by 43%***

*Source: [https://rosreestr.ru](https://rosreestr.ru) Information on court disputes on results of cadastral value assessment for real estate in 2017*
Why is now the time to contest a cadastral value?

Starting in 2019, new cadastral value calculated per new rules will be set in Moscow. Currently, the “old” procedure for contesting is in effect, for which there is extensive court practice.

If an application on contesting the cadastral value is filed in 2018 and the case is successful, the new cadastral value will be used retrospectively for tax purposes from 01.01.2018.

Value resulting from the contesting will apply for tax purposes until the new cadastral value is established.

Statistics: in 89.65% of disputes on cadastral value examined in court in 2017, the case was resolved in favor of the plaintiff*

*Source: https://rosreestr.ru Information on court disputes on results of cadastral value assessment for real estate in 2017
On what grounds can you contest?

The following facts can serve as grounds for contesting:

- Cadastral value of a property is **not aligned with the market value**
- **Unreliable data** regarding the property was used when establishing the value
- Cadastral value is **used illegitimately** by state bodies for tax purposes

Over 85% of all claims are filed on these grounds.
What is the contesting procedure?

Procedure for aligning cadastral and market values:

1. **Appraisal as to market value**
   - **Application to commission**
     - Done by a partner appraisal organization

2. **Court claim**
   - A court claim can be filed if the commission examined and denied the claim
   - The commission’s decision is not examined in court

3. **Court expert examination on establishing the value**
   - Per our experience, if the claim concerns a decrease of 10-15%, it is possible to establish the value without expert examination

4. **Appeal instance (optional)**
   - If the authorized body does not agree with the value set by court and appeals, we represent the client in the appeal instance

5. **Decision takes effect**
   - New value is automatically entered into the Real Estate Register (EGRN)
   - New value is used for tax purposes from January 1 of the calendar year in which the claim was filed
Why Capital Legal Services?

Capital Legal Services is a leading Russian law firm, rendering a full range of legal services. Founded in 1999, the firm has offices in Moscow, St. Petersburg and Helsinki.

- Firm with extensive **industry expertise**, providing **full range** of legal services
- Our **clients** are transnational and leading Russian companies
- A Russian law firm providing **world class service**
- Highest level of expertise, noted by **Chambers & Partners** and **Legal 500**, as well as Russian ratings **Kommersant** and **Pravo – 300**
- According to Chambers Europe, **Elena Stepanova**, partner and head of the real estate and construction practice, is among leading real estate lawyers in Russia

“One of the best law firms (in Russia) when comparing both quality and fees” (Chambers Europe)
Benefits of working with Capital Legal Services

**Comprehensive approach.** We undertake the management of the entire contesting process at all stages, including coordination of appraiser work.

**Pragmatism.** We see the contesting process not merely as a court dispute. Having substantial experience, we consider both the specifics of courts adopting decisions on such cases and the law enforcement practice, and that is why we work on ensuring speedy case examination and minimizing expenses.

**Quality.** We work only with the best partner appraiser companies.

**Value.** Having extensive experience, we can assess in advance the potential and prospects of decreasing the cadastral value for each separate property.
Our experience

Notable projects on contesting the cadastral value:

Contesting the cadastral value of an office building on the Bolshaya Gruzinskaya Street in Moscow. Cadastral value of the building was decreased from 1,090 million to 705 million rubles, comprising a decrease of over 35%.

Contesting the cadastral value of a trade warehouse complex in New Moscow. Cadastral value of the building was decreased from 160 m million ln to 73 million rubles, comprising a decrease of over 54%.

Contesting in court the cadastral value of a building and land plot of a Toyota auto dealer sales and service center. Cadastral value of the building was decreased from 980 million to 645 million rubles (over 34%) and of the land plot from 353 million to 208 million rubles (over 41%).

Contesting in court the cadastral value of a building of a BMW auto dealer sales and service center. Cadastral value of the building was decreased from 345 million to 228 million rubles. The client's savings comprised over 33%.

Contesting the cadastral value of a land plot for one of the largest Swedish truck and bus manufacturers. The value was decreased from 232 to 95 million rubles, an almost 60% decrease.

Contesting the procedure for using the cadastral value for tax purposes in respect to a shopping center of over 300,000 sq.m. As a result of the lawsuit, the property owner’s overall tax burden was decreased by 140 million rubles.

Contesting the cadastral value of premises of the largest children’s store in Russia. As a result, the cadastral value was lowered by over 86%.
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