



Market-Value Property Taxation and Romanian Fiscal Reform: Economic, Social, and Institutional Implications

Mihnea-Tudor Orjan

Bucharest University of Economic Studies, Romania

ABSTRACT

This study comparatively examines two paradigms of recurrent real estate taxation: the model based predominantly on area and administrative coefficients, and the model built around the market value of real estate, with a focus on the perspective of the Romanian fiscal reform planned for 2027. The analysis begins with the observation that the current Romanian system, although relatively administratively accessible, exhibits persistent structural deficiencies in terms of equity, tax efficiency, and alignment with the actual dynamics of the real estate market, while a market-value-based approach promises a better alignment between the tax burden and the economic value of the asset, an increase in the resilience of public revenues, and a more coherent distribution of the tax burden. The research highlights, however, that the theoretical superiority of the ad valorem model does not operate automatically, but is contingent upon the existence of robust databases, credible mass appraisal mechanisms, effective appeal procedures, and instruments to mitigate regressive social effects. Applied to the Romanian context, the issue is complicated by the very high rate of owner-occupied housing, the frequent disconnect between assets and income, the incompleteness of the land registry, the opacity of a part of the rental market, and the high social sensitivity of property taxation. Consequently, the study argues that the transition to market-value taxation is justifiable only to the extent that it is accompanied by a recalibration of tax rates, targeted protections for vulnerable taxpayers, and an administrative framework capable of simultaneously ensuring efficiency, predictability, and legitimacy.

KEYWORDS - area-based property taxation, market-value taxation, property tax reform, Romania, tax equity

1. INTRODUCTION

Traditionally, tax literature and practice view recurrent property taxation through three main lenses: taxation of benefits for local public services, taxation of real estate wealth (i.e., capital taxation), and as an instrument for correcting distortions (e.g., land use, urban planning externalities).

There are two major philosophies and, at the same time, variations of this form of taxation:

- i. area-based taxation (i.e., which tends to ignore market value): the tax liability derives primarily from the property's area (building/land) and various administrative coefficients (zone, locality rank, utilities, materials), without systematic calibration to actual transactions (rarely encountered in practice in its pure form: most systems introduce adjustments that partially mimic the market value reference system), and
- ii. market-value taxation: the tax liability is proportional to an estimated property value, derived from market information (transactions, rents, costs) and applied uniformly through mass appraisal or similar standards, with estimates periodically revised to reflect current real estate market conditions.

Romania, like the vast majority of countries with modern tax systems, taxes real estate in the form of local taxes, that is, by imposing tax liabilities owed to local authorities by owners of land and buildings, the relevant legal basis being Title IX of Law No. 227/2015 on the Fiscal Code.

At present, that is, at the beginning of 2026, this country is on the verge of a structural reform of the property tax system, with the intention of transitioning from the current tax system, based on the property's area and its value calculated using administratively set coefficients, to a new one built around its market value. The country hopes

that this will allow it to respond positively to the recommendations received from international bodies (the International Monetary Fund, the World Bank, and the Organization for Economic Cooperation and Development) and to establish a tax system that is more in line with current economic realities, more equitable, and, last but not least, capable of accounting for a larger share of the gross domestic product.

Essentially, the current tax system uses a calculation basis derived from multiplying the property's area by certain values taken from tables incorporated into the Fiscal Code and by certain coefficients predetermined by the same Code (municipality rank, zone, utilities, materials, construction year), and, once the base is established, a tax rate decided by the local council is applied to it within certain limits also pre-established by law (i.e., 0.08%–0.20% in the base version), with a series of exemptions and reliefs also available for certain categories of taxpayers, some of which are mandatory, while others are left to the discretion of local councils.

The current Romanian system has been subject to constant criticism from international organizations, with the recurring institutional assessment pointing to its inefficiency, excessive complexity, and inequity (IMF, 2022), an issue that has generated international political pressure on the Romanian government to undertake its reform. A classic example from a 2022 technical assistance report of the International Monetary Fund may be considered illustrative in this regard: a 50 m² apartment located in the city centre of Cluj-Napoca, one of the country's main urban hubs, has a taxable value of approximately €25,270, compared to an average market price of around €88,300 (a ratio of only about 1:3.5). This pressure, combined with the need to implement, starting in the post-election period of 2025, sweeping measures to combat a high and increasingly difficult-to-control budget deficit, motivated Romanian authorities to take specific steps and undertake the complex process of transitioning to a new paradigm for real estate taxation.

In fact, in a press release issued by the Romanian Government on January 11, 2026¹, the Executive emphasized that only 0.55% of Romania's GDP comes from property taxes, compared to a European Union average of 1.85%. In the same press release, the Executive noted that the transition to a property tax system based on market value had been committed to by Romania through its negotiations with the European Commission, including within the National Recovery and Resilience Plan, as early as 2021–2022, but that this reform had been postponed throughout the years by the various successive government teams. In analyzing the postponement of the discussed reform within the aforementioned press release, the current cabinet of ministers cited as consequences of the postponement the jeopardizing of attracting European funds, the delay in collecting significant sums under the National Recovery and Resilience Plan, the worsening of the underperformance of local public administration, and the accumulation of budgetary imbalances.

Equally, the Romanian Government has explicitly set January 1, 2027, as the target date for the transition to the market-value taxation system.

With the intention of demonstrating the seriousness and reality of its commitment to implementing this reform, the National Agency for Fiscal Administration within the Ministry of Public Finance indicated in a programmatic document titled "Milestones, Targets, Indicators, and the Monitoring and Implementation Timeline Applicable to Non-Reimbursable Financial Support"² that an IT system for the automatic assessment of property values and the subsequent determination of their tax base would already be operational by the second half of 2026. In the same vein, in the current year 2026, the Romanian property tax system has undergone certain significant transformations, so that the intermediate step of transitioning from the old to the new tax system can be taken, and the paradigm shift is not too abrupt.

It is well-established in the specific literature (OECD, 2010) that recurrent property taxation is less harmful to economic growth compared to other forms of taxation, such as profit and income taxation, provided that the system is coherent and the tax base is periodically updated. Equally, certain authors (Leodolter, A., Princen, S., Rutkowski, A., 2022) have shown that this form of taxation, as long as it is based on a conceptually sound system, can help reduce inequality in society (especially wealth inequality) and, furthermore, that it can support specific urban planning and environmental objectives.

Likewise, an element that confers a significantly higher level of equity and efficiency on a system based on market value taxation, compared to one built around floor area and administrative coefficients, as widely

¹Source: <https://agerpres.ro/comunicate/2026/01/11/comunicat-de-presa---guvern--1517738>

²Source: https://static.anaf.ro/static/10/Anaf/Informatii_R/Programe_proiecte/C8%20Tabel%20jaloane%20si%20tinte%20versiunea%202025.pdf

explained in scholar literature (Kiss, Á, Leodolter, A., Turrini, A., Ványolós, I., 2024), is the ability of budget revenues to grow alongside the economy and prices, that is, alongside the appreciation of real estate assets (a property referred to in the specific terminology as “buoyancy”). The same authors noted that tax assessment based on market value is the approach adopted by most European Union Member States: at the time of the authors’ research, this approach characterized 19 of the 27 states, but the authors also draw attention to the fact that the obsolescence of the data used to determine the tax base could lead to a decline in budget revenues and the emergence of inequities and inequalities in the treatment of taxpayers. Equally, as a matter of principle, an effective and equitable ad valorem tax system is one that, over time, does not become regressive in practice, i.e., that manages to avoid phenomena such as the overvaluation of inexpensive properties or the undervaluation of expensive properties, for which purpose professional guidelines (International Association of Assessing Officers, 2025) recommend the use of testing and quality control tools (ratio studies, data audits, re-inspection cycles, etc.).

For the transition from the old to the new tax system to be a successful endeavor for the Romanian State, it is imperative that policymakers take into account the country’s demographic, social, economic, and even geographic characteristics when designing and implementing the new system, so that, on the one hand, the system is as predictable as possible and does not create new imbalances and injustices, and, on the other hand, it is as widely accepted as possible by the population.

It is important to note that taxpayers’ opposition to a transformation of the tax system is a constant from which even the Romanian population does not deviate, especially since the interim changes drafted by the Romanian Government throughout 2025 were viewed with hostility by a large portion of Romanian taxpayers and because there is currently a widespread prejudice among the Romanian public that the value-based taxation system will inevitably lead to widespread increases in the tax burden. Consequently, the degree of public acceptance of the new system (which, by definition, will have a direct impact on the level of voluntary tax compliance) will depend, to a very large extent, on the rigor, consistency, and transparency with which the system is designed and implemented.

Based on these indisputable realities, this paper aims, taking into account Romania’s various particularities, to recommend and argue with appropriate scientific precision the solutions that the future real estate property tax system should provide for the specific context in which it will operate, namely the current Romanian context.

Methodologically, this paper adopts a qualitative approach, placing particular emphasis on the studies and guidance provided to Romania by international organizations with high technical expertise in the understanding and design of tax systems, and instruments for safeguarding private property rights.

The relevance and practical significance of the research topic are evident in the current context of fiscal and administrative reform that Romania is undergoing.

2. KEY CONSIDERATIONS TO BE TAKEN INTO ACCOUNT WHEN DESIGNING THE NEW REAL ESTATE TAXATION SYSTEM

Designing an efficient, fair, and widely accepted property value-based taxation system requires taking into account several realities and characteristics of the Romanian society, real estate market and real estate stock, as outlined below:

a) Obtaining the data necessary for real estate valuations

The data sources that Romanian public authorities will need to use for the mass valuation of real estate properties to determine market values could consist of reports from the National Agency for Cadastre and Real Estate Publicity and from notaries public, given that the aforementioned Agency holds a monopoly on real estate records in Romania through the single, public national system of cadastre and real estate publicity, and that the transfer of real estate in our country is mandatorily carried out with the assistance of notaries public, who have a clear legal obligation to submit monthly reports to tax authorities regarding the values of the transferred real estate (as these values are recorded in the property transfer documentation that these professionals authenticate). However, it is well known that, unfortunately, at the national level, cadastral records are still incomplete, requiring cadastral registration of numerous properties not yet included in the system (most of which are located in rural areas), just as it is well known that the thoroughness with which the notarial obligation of monthly reporting is fulfilled can vary from notary to notary, as the oversight by the regulatory bodies of the notarial profession are not permanent and absolute.

Thus, in order to obtain conclusive and sufficient data for conducting objective and precise mass appraisals, it can be asserted that the Romanian State must take vigorous and firm measures both to accelerate systematic cadastral work and to ensure an adequate level of compliance by notaries public throughout the country with their legal reporting obligations. To this end, specific budgetary, technical, and administrative measures are required, as well as close dialogue and effective communication among the entities with responsibilities in this regard (the Ministry of Development, Public Works, and Administration, the National Agency for Cadastre and Real Estate Publicity, the Ministry of Justice, the National Union of Notaries Public of Romania and the regional notary chambers, and, on the other side, the Ministry of Finance, the National Agency for Fiscal Administration, and the local tax and fee directorates).

It is important to understand that, given that in Romania there is no obligation for owners to hold valuation reports and to register them in any unified public record system, the mass appraisals that will be carried out will be approximate and similar in terms of results among neighboring properties.

In cases where certain properties cannot be approximately valued due to a severe lack of data (a situation likely to occur especially in isolated rural areas) a viable alternative approach until conclusive data is obtained could be to refer to the market studies used by notaries public, i.e., the so-called “notarial grids”. Although the purpose of “notarial grids” is not to reflect the market value of real estate, but rather certain minimum transaction values used to identify transactions that might conceal tax fraud, using them as a fallback solution could be viewed as fairer to taxpayers than the authorities’ use of analogies or empirical and speculative valuation methods.

b) The situation of taxpayers in the asset-rich & cash-poor category

A fundamental principle of Romanian taxation, expressly set out in the Fiscal Code, is that of fairness of taxation, meaning that each taxpayer’s fiscal burden must be determined on the basis of their ability to pay, respectively according to the level of their income or the value of their property.

Moreover, an important benchmark of the fairness of a market-value taxation system, frequently cited in tax literature, is the appropriate treatment of taxpayers who, although they own valuable real estate, do not possess a significant amount of cash: a category referred to as “asset-rich & cash-poor”. Although the aforementioned phrase appears to describe a paradoxical phenomenon, it reflects a reality that taxpayers with very diverse personal histories may find themselves in: individuals with modest incomes who have inherited high-value real estate, individuals whose standard of living was previously high enough to allow them to purchase an expensive property but has deteriorated following job loss, business failure, or retirement, people who, without having distinguished themselves throughout their lives by earning substantial incomes, benefited from social and historical circumstances specific to certain states or regions and acquired properties with high market potential at very favorable prices, etc.

In Romania, a significant portion of the population acquired property rights in the 1990s to real estate that, over the following decades and up to the present, has experienced significant appreciation in value on the real estate market.

Specifically, we are referring to the former tenants of numerous properties nationalized by the former communist regime, which was overthrown by the Romanian Revolution of 1989; these tenants, pursuant to a special law, i.e., Law No. 112/1995 regulating the legal status of certain residential properties transferred to state ownership, were able to purchase the properties they had rented from the Romanian State at very low prices. Thus, the special provisions of Law No. 112/1995 benefited even Romanian citizens with modest financial means (workers, low-level civil servants, etc.) who, in the absence of the atypical system established by this law (which had not the slightest connection to the system of a free-market economy), would not have been able to transition, under normal market conditions, from tenants to property owners. However, these citizens, who used the properties acquired under Law No. 112/1995 primarily for their own housing needs and who, in most cases, retained them in their personal estates in the hope of passing them on to their descendants through inheritance, did not earn significant incomes during their working lives, so that at present, when the vast majority of them have become beneficiaries of the public pension system, they do not receive substantial pensions and continue to have a modest standard of living.

Consequently, there is a large segment of the population that, although it came to hold, thanks to the particular social and historical context created with the adoption of Law No. 112/1995, economically valuable real estate property rights – given that many prime properties in major Romanian urban centers were abusively seized and then leased by the communist state, only to be sold at modest prices by the democratic state to the tenants – have

had modest financial means throughout their working lives and continue to do so, and which today faces increasing difficulty in coping with the challenges of a rapidly rising cost of living.

Moreover, it should be noted that citizens who, without having distinguished themselves through high financial means, have managed to regain ownership of valuable properties that rightfully belonged to their ancestors under Romanian legislation specific to restitution (Laws No. 18/1991, 10/2001, 165/2013, etc.).

However, a fair tax system genuinely grounded in the principle of equitable distribution of the tax burden could not ignore such realities; for this reason, it can be argued that individuals who find themselves in the situation of owning properties with high market value but low income should benefit from certain relief measures to prevent their exposure to financial shocks: e.g., reductions in the amount resulting from the application of the tax rate to the new tax base, payment plans, and deferrals until the property is transferred through inheritance (in the case of owners who are over a certain age and do not have substantial pensions) or, as the case may be, until it is sold.

c) Encouraging the purchase of a first home and alleviating overcrowding

Another characteristic of Romanian housing is its generally high level of overcrowding compared to European standards: according to Eurostat, in 2024, Romania recorded the highest level of housing overcrowding in the entire European Union, based on the criteria by which the EU statistical office defines overcrowding. Specifically, it was established that approximately 40.7% of Romania's population was living in overcrowded conditions in that reference year³, a situation that is clearly prone to negative health, social, and family consequences.

Consequently, the Romanian government's public policy in response to this negative situation should aim to encourage the population to acquire property rights to housing, so that the average square footage of housing per resident shows an upward trend. In this regard, adjustments to the new tax system could be proposed to lead to more lenient tax treatment, by taxing the first home acquired by each citizen at a rate below what would normally result from the market value of the acquired home (possibly by capping the tax base). A fair distinction must therefore be made between properties acquired to meet a basic human need, such as decent housing (that is, the first property a taxpayer acquires), and those purchased for the purpose of making investments and hoarding personal surplus resources.

Thus, tax policy should encourage taxpayers to move beyond overcrowded living conditions, given that the purchase of property in Romania has been hampered in recent years both by a crisis in the supply of affordable housing, particularly in the markets of major cities, as well as by the increase in the value-added tax rate on the purchase of a home from developers who are liable for this tax (in the 2024–2026 period alone, the VAT rate on the purchase of a new home rose from 5% to 9% and, subsequently, from 9% to 21%). Consequently, as long as buying a first home is not only the most effective solution for reducing overcrowding but also, unfortunately, an increasingly acute challenge for a growing number of citizens, as the housing market and transaction taxes become visibly more discouraging, the Romanian government could offer, as a counterbalance to these circumstances, a more “friendly” tax system for first-time homebuyers.

The impact of such a policy would be most readily apparent in the country's major urban, economic, and university centers (Bucharest, Cluj, Iași, Timișoara, Brașov, Constanța, etc.), where, in recent years, the trend in housing market values has been one of clear growth but which, at the same time and not at all surprisingly, attract the largest portion of the young population seeking professional fulfillment and the chance to start a new family, that is, precisely the segment of the population naturally most at risk of living in overcrowded conditions and of depending on the goodwill of their family of origin for housing.

d) The broad impact of the transition to the new tax system on the population and the prevention of shocks

Another characteristic of the Romanian housing market is that a very large proportion of the population lives in homes where the individuals or their family hold a property title; the share of homeowners among the population is the highest in the European Union (according to Eurostat, 94% in the reference year 2024⁴), yet a significant portion of the population lives in conditions of poverty and at risk of social exclusion (according to Eurostat, in the same year 2024, approximately 27.9% of the population found themselves in this unfortunate

³Source: <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20251222-1>

⁴Source: <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20260205-1>

situation, with our country being “surpassed” in this regard only by Bulgaria⁵). Under the conditions described above, we arrive at the paradoxical situation in which the Romanian Nation, although it can rightly be described as a “nation of homeowners”, is a nation that still faces, on a significant scale, material hardships and the various challenges stemming from them.

The consequence of this fact is that the transition to the new system will directly affect the majority of the country’s population, including its vulnerable segments. However, this consequence will translate into a twofold challenge for the Romanian Government: on the one hand, the transition will not be inconsequential for the overwhelming majority of Romanians, who will be directly affected by the anticipated change, so a formula must be found to ensure it enjoys sufficient public support, and, on the other hand, it must be accompanied by social protection measures and mechanisms to prevent a shock effect, particularly for low-income property owners.

To legitimize the transition to the new tax system in the eyes of the Romanian people, it is recommended that policymakers widely explain the international context in which Romania is opting for this new system, citing examples from other EU member states that employ the same property tax philosophy and have achieved positive results without overburdening taxpayers. It should also be explained that the new system reflects a new approach by Romania to property taxation, representing a reorganization of an already traditional tax rather than a new tax added to existing ones. In other words, the Romanian Government’s public communication must emphasize the concepts of reform, fairness, and alignment with a practice widely adopted in developed nations.

To protect its citizens from the shock caused by the change in the tax approach, particularly those in vulnerable situations, the Romanian Government could consider at least the following three measures:

- adjusting the applicable rate on the tax base so that, with the anticipated increase in the tax base, the amount payable resulting from applying the rate to the base (and making other adjustments provided by law in various cases) does not have a much greater impact on taxpayers’ budgets than that prior to the transition to the new system for determining the tax base (the legitimate objective of the Romanian State cannot be conceived as a sudden and sharp increase in the tax burden, especially given the difficult economic context that Romania is currently forced to navigate);
- establishing a maximum percentage of the taxpayer’s declared income or, as the case may be, of the household’s declared income, which may be levied as tax due on the basis of the properties held, in order to maintain a balance between taxation on wealth accumulated and held as real estate and taxpayers’ current income; and
- introducing special protective measures for the most vulnerable property owners, such as reductions on the resulting amount, payment plans, grace periods, etc.

e) **Encouraging works that increase the market value of properties found to be in poor condition**

On another note, as indicated in the study titled “The Exploitation of Unused and Poorly Exploited Land”, authored by Dr. Aurel Florentin Badiu, an engineer at the Gheorghe Ionescu-Sisești Academy of Agricultural and Forestry Sciences in Bucharest, a significant portion of Romania’s agricultural land (totaling approx. 12.5 million hectares) consists of land with unfavorable environmental conditions, which is not suitable for high productivity (approx. 6.25 million hectares), while half a million hectares have permanently lost their productive capacity due to the negative influence of natural or anthropogenic factors. Equally well known is the fact that numerous buildings, found mainly in rural areas or small towns, are in advanced states of disrepair and unsanitary conditions, a situation that can also be found in large cities (the historic center of Bucharest being a widely known negative example in this regard).

Thus, given the need to encourage land improvement works or, where appropriate, the renovation of buildings, which should represent not only a local priority but also a public policy encouraged at the national level, the deduction of the reasonable costs of such works, incurred by owners in the year for which the tax is calculated and due, from the new tax base, could be considered when designing the new property tax system. It is important to note regarding this proposal that local budgets would benefit in the medium and long term, given that the works carried out would lead to an appreciation in the value of real estate assets and, if performed by multiple owners within a given geographic area over a relatively consistent period of time, they could even

⁵Source: <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20250430-2>

contribute to the consolidation of the real estate market in that area.

f) Protecting tenants, especially those affected by the opacity of the local rental market

Last but not least, Romania will also need to take into account the particularities of its rental market, given the easily foreseeable tendency of landlords of rental properties to try to pass on any property-related tax increases to tenants.

Unfortunately, a distinctive feature of the Romanian rental market is that a large portion of it is not “visible”, meaning that many of the rented properties, especially residential units, are rented based on informal agreements between landlords and tenants that are not recorded in either tax records or land registries. This exposes tenants to precarious situations regarding their right of use and constitutes a significant form of tax evasion. According to information held by the Ministry of Development, Public Works, and Administration, as reflected in the National Housing Strategy 2022–2050⁶, the rental housing stock accounts for 3% of the country’s total housing stock; however, authorities unofficially estimate this range to be between 7% and 15%.

However, even if unscrupulous landlords, who perpetuate the informal rental system, manage to continue evading taxation on rental income in defiance of tax regulations, it will be nearly impossible for them to avoid potential increases in the amounts owed resulting from the transition to the new property tax system. Therefore, in order to protect tenants involved in such opaque lease agreements, one solution could be to apply a tax reduction for dwellings declared as rented to the tax authorities, so that the landlords, by balancing the tax paid on rental income against the property tax reduction in question, would find themselves in a personal financial situation at least as favorable as that prior to the transition to the new tax system and the tax declaration of the lease agreement. Proceeding in this manner would, on the one hand, encourage the legalization of such rental situations and eliminate the incentive for landlords to suddenly and significantly raise rents, thereby mitigating the negative impact on tenants.

It is worth noting that such an approach would not necessarily lead to a decrease in the final revenues of local budgets, given that, once previously hidden lease agreements are brought to the attention of tax authorities, the revenues associated with them will be taxed, with the amounts thus paid becoming revenue for the state budget, from which further allocations to local budgets may be made.

3. CONCLUSIONS

The detailed analysis presented in this paper allows for the formulation of a sufficiently clear central conclusion: from the perspective of economic logic, tax equity, budget efficiency, and alignment with market realities, a real estate property tax system based on market value could be, in principle, superior to a system built predominantly around area and rigid administrative coefficients. This superiority is not, however, absolute and unconditional, but rather depends on the quality of the institutional design, the robustness of the data used for valuation, the existence of mechanisms to protect vulnerable taxpayers, and the state’s ability to implement the reform in a coherent, gradual, and credible manner.

In this regard, the present study shows that the area-based model, although simpler and, at first glance, easier to administer, has serious structural limitations. It tends to quickly become inadequate in an economy where real estate asset prices change rapidly and unevenly, results in unequal tax treatment between properties with very different economic values, and reduces the system’s ability to track actual market developments. In contrast, market-value-based taxation has the potential to align the tax burden with the actual economic value of the property, increase the “buoyancy” of budget revenues, and support a fairer distribution of the tax burden. However, the same system can generate, in the absence of adequate adjustments, inherent inequities, excessive tax burdens, and intense social backlash – especially when valuations are imperfect, data is incomplete, and the reform is perceived by taxpayers as a mere tax increase.

When applied to Romania, this general conclusion must be qualified based on the identified national characteristics. Romanians are clearly a “nation of homeowners”, but one in which home ownership is very often disconnected from a high level of current income. Furthermore, the real estate market is highly heterogeneous, the property stock is uneven in terms of quality and location, part of the cadastral records remains incomplete, and the rental market continues to be, to a far from negligible extent, opaque and partially informal. In such a context, a mechanical shift to ad valorem taxation, without transitional policies and without

⁶Source: https://sgglegis.gov.ro/legislativ/docs/2022/05/4_cq06fz23gjvw8tmpx5.pdf

calibrated safeguards, would risk turning a reform justified in theory into a source of social tension, civic distrust, and delegitimization of fiscal policy, in practice.

Therefore, the real challenge of the Romanian reform is not merely the choice of a new tax base, but the construction of an entire regulatory and administrative ecosystem that would make this new tax base bearable, intelligible, and acceptable. In this regard, the study highlighted that the success of a transition to market-value taxation depends, at a minimum, on the cumulative fulfillment of several conditions: accelerating systematic cadastral registration and strengthening the discipline of market reporting, the development of mass appraisal mechanisms that are sufficiently precise and transparent (and also the implementation of effective and accessible procedures for challenging appraisals), the recalibration of tax rates so that the expansion of the tax base does not automatically translate into a sharp increase in the tax burden, and the establishment of protective mechanisms for the social groups most at risk of experiencing a shock.

Among these protective mechanisms, particular attention must be paid to taxpayers who are “asset-rich and cash-poor” – that is, those who own valuable real estate but do not have current income commensurate with the value of their assets. In the Romanian context, this category is not marginal but reflects a social reality shaped historically by post-1990 housing privatizations, property restitutions, and the massive appreciation of certain urban areas. Ignoring this reality would transform the new system into a mechanism that is formally equitable but materially disproportionate. Therefore, targeted reductions, installment plans, payment deferrals, and income-based caps appear not as tax privileges, but as instruments of tax justice and social stabilization.

Equally, the research has shown that the future system should not treat all asset situations uniformly, but should distinguish between property acquired to meet the fundamental housing need and property accumulated for investment or speculative purposes. From this perspective, a more lenient regime for the primary residence, aligned with the goal of reducing housing overcrowding and facilitating access to decent housing, would be not only socially legitimate but also appropriate from a public policy standpoint. Similarly, the deduction or partial offset of certain reasonable expenses incurred for the renovation of buildings or the rehabilitation of degraded land would allow property taxation to be transformed into an instrument capable of stimulating not only revenue collection but also the healthy, sustainable, and responsible development of the real estate stock.

Nor should it be overlooked that the reform has a clear political economy dimension. In Romania, private property is perceived to a significant extent as a form of existential security, and any fiscal intervention regarding it is easily susceptible to being perceived as aggressive or confiscatory. For this reason, the reform’s success will depend not only on the technical performance of the new system but also on how it is explained to the public. The government will need to convince the general public that the reform does not aim to introduce a new tax or simply to abruptly maximize budget revenues, but rather to correct long-standing imbalances, increase equity, and bring the tax system closer to the real values of the economy. In other words, public communication must accompany the reform not as a propaganda exercise, but as an expression of an obligation of institutional loyalty toward the taxpayer.

In light of all these considerations, it can be concluded that Romania’s transition to property taxation at market value, scheduled for January 1, 2027, is justifiable and, in principle, timely, but only on the condition that it is treated as a complex structural reform, rather than a mere change in the calculation formula. If accompanied by data-driven governance, prudent rate adjustments, targeted social protections, methodological transparency, and a reasonable phased implementation, this reform can contribute to the modernization of local taxation, to increasing public revenues in a less distorting manner, and to reducing certain inequities of the current system. In the absence of these conditions, however, the same reform risks becoming a source of social disruption, public backlash, and the undermining of an idea that, in itself, is sound and legitimate.

Consequently, the real challenge for the Romanian State is not to decide whether taxation at market value is, in theory, preferable, but to prove that it can, in practice, transform it into a balanced, intelligent, and fair tax system.

REFERENCES

1. International Monetary Fund (2022). Romania. Technical Assistance Report on Improving Revenues from the Recurrent Property Tax: <https://www.imf.org/-/media/files/publications/cr/2022/english/1rouea2022001.pdf>

2. Organisation for Economic Co-operation and Development (2010). Tax Policy Reform and Economic Growth, OECD Publishing: <http://dx.doi.org/10.1787/9789264091085-en>
3. Leodolter, A., Princen, S., Rutkowski, A. (2022). Taxation of residential property in the euro area with a view to growth, equality and environmental sustainability: https://economy-finance.ec.europa.eu/document/download/be9b6902-0863-4337-9cfe-eb76129e6dca_en?filename=ip168_en_chapter_iii.pdf&prefLang=ga
4. Kiss, Á., Leodolter, A., Turrini, A., & Ványolós, I. (2024). Growth-Friendly Taxation in a High-Inflation Environment (No. 079). Directorate General Economic and Financial Affairs (DG ECFIN), European Commission. https://economyfinance.ec.europa.eu/document/download/fc25f279-bcbb-4701-a9c3-7d0fe5c9dca0_en?filename=eb079_en.pdf
5. International Association of Assessing Officers (2025). Standard on Mass Appraisal of Real Property. A criterion for measuring fairness, quality, equity and accuracy: <https://www.iaao.org/wp-content/uploads/Standard on Mass Appraisal.pdf>
6. Badiu, A.F. (2024). Exploitation of Unused and Poorly Exploited Land: <https://www.asas.ro/PNS/Prezentari/Exploatare.pdf>