IPTI Xtracts

Property Tax and Assessment News from Around the World

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Re-evaluating the Local Property Tax: Here's what you need to know

Around 1.4 million homeowners will have to re-evaluate their properties by early November, as part of Local Property Tax changes.

This is to update a database that was last reviewed back in 2013.

Plans to re-evaluate the property tax have previously been delayed three times.

Norah Collender is a professional tax leader with Chartered Accountants Ireland.

She told The Hard Shoulder the changes also apply to those with second, or vacant, properties.

"It doesn't actually have to be occupied, so you could have property that's vacant - that still comes in to the LPT net.

"Second houses or investment properties also come within the charge."

She says the changes should not see many people paying a larger bill.

"The rates were introduced in 2013, so there were 20 bands of various rates of actual valuations.

"What the Government has done is they've actually increased the valuation bands by 75%.

"So the over-riding message is the actual liability shouldn't change that significantly for the majority of people.

"It will change for some individuals whose houses are really after going up in value - you're into the millions.

"But for the majority of homeowners, the actual valuation bands have gone up by 75% and the rate itself has reduced."

What do I need to do?

Norah says a tool from Revenue should help people get started.

"The 1st of November... the value of your property on that particular date, and submit an LPT return on the 7th of November.

"And you'll then go about paying your Local Property Tax.

"Revenue have provided a valuation tool on their website: the valuation tool has the 20 bands, and each band is 87,500 wide.

"So you pick a valuation within that band - but there is a disclaimer with that tool, saying 'you have to self-assess'.

"You have to estimate, or put a valuation, based on your best estimate of what your house is".

However if homeowners find the bands do not work for them, Norah says they have to go further.

"If the valuation tool doesn't look right, then you're required to go about establishing the market value of your house.

"You do that by looking at all other resources: such as what's the property market in your locality, based on local estate agents.

"MyHome.ie, paper adverts, the Property Price Register... and you can also avail of a professional valuation on your property".

And she says gardens and other amenities also have to be taken into account.

"You also have to take in the value of up to an acre of a garden around your house.

"And then any amenity building - like a home office, a garden room - and a lot of garden rooms and home offices have been put in over the last 18 months.

"So they also have to be factored into the valuation along with sheds and greenhouses - but not farm property, not farm sheds".

Exemptions

Norah adds that while there are exemptions, evaluations still need to be submitted.

"There are exemptions for homes that have been impacted by pyrite, the mica exemption for building block issues.

"There's also exemptions for charities that would provide residential property as part of their charitable purpose.

"The key factor is: even if the property's exempt, you have to get a valuation and you still have to submit a Local Property Tax return - and you have to apply for the exemption".

Google searches for cut on Dublin rates

It has been criticised for using loopholes such as the “double Irish” to avoid paying tax in Ireland. Now it has emerged that Google is unhappy about the commercial rates it pays at one of its Dublin offices.

The tech giant has won an appeal at the Valuation Tribunal, an independent state body that decides on rates disputes, over an “inequitable” €363,140-a-year bill for the Velasco building in Dublin’s docklands. Google, whose international market value is more than €850 billion, leases the building from Irish Life.

It has succeeded in reducing the annual rates bill on the six-storey office block to €346,390, down by €16,750 a year. The decision was made by the tribunal in June and published last week. Google had claimed the original bill was “excessive and inequitable” and argued that it should be reduced to €309,540.

It first complained over the rates in 2018 after the Commissioner of Valuation gave the office a net annual value (NAV) of €1,355,000, a figure used to calculate a building’s commercial rates. All councils use a multiplier to assess rates, and Dublin city council multiplies each building’s NAV by 0.268.

Google made representations to the commissioner during 2018 but these were rejected. The company requested a formal appeal, which was held remotely in September 2020. It hired Martin O’Donnell, CBRE’s head of rating, to make its case. At the hearing he claimed the basement of the building should have been valued less than the rest, as it was not in office use.

O’Donnell cited several examples where this was also the case, including another Google building at Grand Canal Plaza and a building in the heart of Georgian Dublin at 1 Warrington Place.

In response the commissioner of valuation cited several broadly similar buildings to support its calculation, including the Montevetro building on Barrow Street in Dublin, owned by Google. He said the Velasco building was a “high quality, fourth generation” office block with a building energy rating of A3. It had luxuries such as air-cooled chillers which generate drinking water for the open-plan offices and reception area. The commissioner conceded that part of the basement was used as stores rather than offices.

The Valuation Tribunal adjusted the building’s rates to reflect the use of its basement as a store but was “not convinced” there was a case for a lower overall rate. It settled on annual rates of €346,390, less than the €363,140 Google was originally charged but more than the €309,540 it said was fair.

Last year it emerged that Google had used the “double Irish” method in 2019 to move €75 billion in profits through an Irish subsidiary that was domiciled for tax purposes in Bermuda, where the standard rate of tax is 0 per cent. The tax loophole has since been closed.

The tech giant, which declined to comment on the rates appeal this weekend, owns several office buildings in Dublin and leases others. In total it has more than 90,000 sq m of office space in the capital, mostly in the docklands. These include offices in Gordon House, the Montevetro, the Watermarque, the Bolands Mill campus, the Treasury Building, the Grand Mill Quay building and One Grand Canal Quay. It also has an office in EastPoint Business Park and two in Sandyford.

The 13 types of homeowner who won't have to pay property tax this year

There are still a number of people who will be exempt from the payment, depending on the type of property they own

Earlier this week it was confirmed that more than 100,000 new and previously exempt properties - most of which were built after May 2013 - will become liable for Local Property Tax from November 1.

Irish homeowners now have until this date to revalue their homes as Revenue sends out over 1.4 million notices over the next three weeks alerting homeowners of the need to file an LPT return.

Despite the impending changes, there are still a number of people who will be exempt from the payment, depending on the type of property they own.

According to the latest advice, here are all of the circumstances where a person will be exempt from November 1, 2021:

Property purchased in 2013

Properties purchased in 2013 will remain exempt until the end of 2021 if the building is used as a sole or main residence.

If the property is subsequently sold or is no longer your main residence between 2013 and 2020, the exemption no longer applies.

Self-built properties

Self-built properties that were completed between January 1, and May 1, 2013 are exempt until the end of 2021 if used as your sole or main residence.

Similarly, if the property is subsequently sold, the exemption no longer applies, and properties that were self-built after May 1, 2013 and before November 1, 2021 are not liable for LPT until 2021 - even if sold again in that period.

New and unused properties

New and previously unused properties purchased from a builder or developer between January 1, 2013 and before November 1, 2021 are exempt until the end of 2021 - even if sold again in that period.

Residential properties that were constructed and owned by a builder or developer that remain unsold and have not yet been used as dwellings won't have to pay.

Certain properties situated in unfinished housing estates or "ghost estates" specified in the Finance (Local Property Tax) Regulations 2013 are exempt.

Pyritic damage

An exemption is also in place for properties that have significant pyritic damage was extended by the Finance (Local Property Tax) (Amendment) Act 2015.

This applies to residential properties that have been shown to have a significant level of pyrite damage.

In these cases, the properties will be exempt for approximately 6 years.

Owned by a charity or public body

Residential properties owned by a charity or a public body and used to provide accommodation and support for people who are in need, for example, sheltered housing for the elderly or people with disabilities.

Properties vacated by their owners due to illness.

This exemption applies to a property which was occupied by a person as his or her sole or main residence and has been vacated by the person for 12 months or more due to long-term mental or physical infirmity.

An exemption may be available in situations where the property has been empty for less than 12 months, if a doctor (registered practitioner) is satisfied that the person is unlikely to return to the property.

In both cases, the exemption only applies where the property is not being lived in by another person.

Nursing home exemption

If a person qualifies for the nursing home exemption on May 1 2013, the property remains exempt until the next valuation date, November 1 2021.

Even if the person dies and the property is sold, the exemption stays with the property.

However, if a person qualifies for the exemption after the original valuation date, May 1 2013, then the exemption only lasts as long as the conditions under which the exemption was granted.

Other properties that will not be liable for the payment are:

- Mobile homes, vehicles or vessels
- Property fully subject to commercial rates
- Diplomatic property
- Registered nursing homes
- Properties used by charitable bodies as residential accommodation
- Property purchased, built or adapted to make it suitable for occupation by a permanently and totally incapacitated individual as their sole or main residence

Revenue will not contest lower self-assessed values for property tax

Online valuation tool showing discrepancies in localities 'should not be used in isolation'

The Revenue Commissioners has said it will not challenge people valuing properties lower than its own guidance in an online valuation tool to be used for calculating local property tax.

Homeowners must resubmit valuations on their properties by the start of next month as part of the first revision of the local property tax regime since it was introduced eight years ago.

There is a online tool on Revenue's website showing suggested guidance for different valuation bands that homes fall into. However, it features a number of discrepancies, including valuation differences of up to €87,000 applying to similar houses in some Dublin neighbourhoods, in some cases on the same street.

A Revenue official said it was only intended to be used by homeowners as "guidance" for the self-assessment tax and that Revenue would not challenge a valuation if they picked one valuation band lower than that assigned to their area.

Keith Walsh, principal officer in the Revenue's statistics and economic research section, said there would be "no penalties or extra suspicion" of people picking one valuation band lower.

"Just because you go down a valuation band doesn't mean we're going to be on to you justifying your valuation," he said.

Revenue would only challenge individuals where the valuation was considerably out of line with valuations in their area – for example, a smaller mews house in an area with mostly higher value properties – and only then ask to show how they reached that particular value.

Mr Walsh said the online tool was prepared "as an anchor or frame" based on the best available data to Revenue and reflected property price developments since 2013 so that it does not rely solely on recent transactions.

He said that when the bands were introduced in 2013, about 80 per cent of property owners either stayed within the valuation guidance or went up or down just one band on the Revenue's guidance .

The fact that just 15,000 properties out of two million had been revalued in the last eight years showed that property owners "have done a good job valuing their properties, he said.

"Use the map to help you determine the value of your property but don't use the map in isolation," he said. "Look at other sources like the property price register or your local estate agents and then use your judgment: you know your house better than your neighbour's."