



## IRELAND – July 2021

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### ***House prices rise at fastest rate in 2½ years***

*Dublin values rise by 4.9% over 12 months while prices outside capital increase 6.2%*

Annual house price inflation accelerated to 5.5 per cent in May, the fastest level of growth seen in 2½ years.

This was up from 4.6 per cent the previous month and from -0.5 per cent as recently as October.

The latest official figures from the Central Statistics Office (CSO) show the State's property market is continuing to be fuelled by the pandemic-related factors, such as increased savings and lower supply.

Prices in Dublin rose by 4.9 per cent on an annual basis in May, the fastest level of growth seen in the capital since late 2018, while prices outside Dublin rose 6.2 per cent.

Many had predicted property values would decline as a result of the pandemic but a number of factors – increased savings, home working and ex-pats returning from London after Brexit – have led to an acceleration prices.

### ***Construction hiatus***

The hiatus in construction during the first four months of 2021 has also curtailed supply, putting further pressure on prices.

Commercial property websites such as Daft and MyHome have detected an even sharper level of inflation - last month they estimated prices had risen by 13 per cent in the past 12 months - but their statistics are based on asking prices whereas the CSO's Residential Property Price Index is based on actual transactions.

### **International Property Tax Institute**

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The CSO said the number of property transactions in May rose month on month by 2.2 per cent to 3,207. The total value of transactions filed with Revenue in May was €984 million.

Existing dwellings accounted for 84 per cent of the homes purchased, while the balance of 15.6 per cent were new dwellings.

The figures show households paid a median or middle-range price of €265,000 for a home in the Republic over the past year. The Dublin region had the highest median price at €392,500.

The CSO's index suggests prices nationally are 13.5 per cent lower than its highest level in 2007 while Dublin prices are 18.8 per cent lower than their February 2007 peak.

"With strong momentum in monthly changes at present, the annual rate of increase in Irish house prices could continue to move higher through the summer," KBC Bank Ireland chief economist Austin Hughes said.

Ahead of the release of the Government's Summer Economic Statement, which is expected to have significant policy measures on housing, Mr Hughes said there were "four distinct drivers" of house prices at present.

A global trend towards rising asset prices and "hot" house prices, predicated on low borrowing costs and a generally positive economic outlook; a positive outlook for the Irish economy; a blockage in supply; and a "bubble in demand" fuelled by an inadequate level of activity through the past decade.

### ***Fingal and South Dublin councillors vote not to increase local property tax rates***

*Households could still face higher bills following upcoming revaluation of homes*

Two Dublin local authorities have voted not to increase the rate of Local Property Tax (LPT) that will be paid by homeowners in their area next year.

However, households in the Fingal and South Dublin County Council areas could still face higher bills following the upcoming revaluation of their homes.

Homeowners are required to submit a new valuation for their properties in November, in what will be the first revision to valuations since the LPT was introduced in 2013.

Local authorities each year set the rate of the tax homeowners pay and have been asked to set their LPT rate earlier than normal this year due to the revaluation. Fingal and South Dublin are among the first local authorities nationally, and are the first in Dublin, to set their 2022 rate.

Councillors have the power to increase or reduce the rate charged in their area by up to 15 per cent each year from the basic rate, which is calculated based on the value of a property.

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Last year just three local authorities reduced the rate – all in Dublin. South Dublin and Dublin City Council went for the maximum 15 per cent cut, while Fingal went for 10 per cent. Dun Laoghaire Rathdown County Council, for the first time since the tax was introduced, applied no discount meaning all homeowners in the area received higher bills this year.

On Monday South Dublin County Council voted by 28 votes to six to again apply the full 15 per cent discount, with many councillors referencing the effect the Covid-19 pandemic had on people's finances and the uncertainty for residents on the current value of their properties ahead of the November reassessment.

The Department of Finance recently indicated that following the revaluation 36 per cent of homeowners would pay a higher tax than they do at present, some 53 per cent won't see any change, while 11 per cent will see their LPT liability fall.

South Dublin County Council chief executive Daniel McLoughlin had urged councillors not to apply the full 15 per cent reduction.

While the Government had committed "significant resources" to council services during the pandemic, it was likely the burden for maintaining those services would in the future fall on local authority budgets. "It will be very difficult to maintain the same level of service without the council obtaining additional income," he said. The LPT should be gradually increased, but he said: "that's not my call, that's my advice".

Councillors voted by 26 votes to 10 against a Green Party motion to apply a reduction of 10 per cent instead of 15 per cent.

Fingal county councillors voted by 31 votes to eight to again apply a 10 per cent discount on the LPT rate.

Council chief executive Ann Marie Farrelly said it was a "prudent decision" given the "very significant uncertainties" the council faced in forming its 2022 budget. "It does pass on a significant benefit to householders" she said.

Dublin City Council and Dun Laoghaire Rathdown County Council will set their LPT rates next month.

### ***Mica-damaged homes to be exempt from property tax***

Mica-affected homes in Donegal and Mayo are to be exempt from the Local Property Tax (LPT), officials from the Department of Finance will confirm on Tuesday.

The Oireachtas Housing Committee will take evidence from the officials who will explain the basis and the rationale for the review of the tax, as announced by Finance Minister Paschal Donohoe.

In briefing material, presented in advance to the committee and seen by the Irish Examiner, officials confirm that the new amendments to the LPT act will introduce a new exemption "for mica and pyrite damaged homes in Mayo and Donegal."

It is estimated that some 5,000 homes are affected by mica, mostly in Mayo and Donegal. Thousands recently protested in Dublin to draw attention to the issue.

The officials will also confirm that there will be a revised method for calculating LPT liabilities, which will bring certain currently exempted and excluded properties into the reach of the tax.

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The officials will confirm that all new homes built since 2013 will begin to be liable for LPT, thus ending the anomaly which has existed whereby they have remained free of the tax, whereas older homes have been hit.

In the future, property valuations are to be reviewed every four years. TDs will also hear that there will be a modification of the exemption for properties vacated by persons due to illness, as well as an increased income thresholds for deferrals and a reduction in the deferral rate of interest.

The revised bill will mean that the owner/lessor to retain liability for LPT where properties are being leased under long-term leasing arrangements by local authorities and Approved Housing Bodies, the officials will say.

TDs will hear that for liable persons (with property valued at under €1m) that Revenue would accept their self-assessments at 'face value' where they were valued in accordance with Revenue guidance.

In the case of properties valued at over €1million, the actual value is used instead of valuation bands.

Sinn Féin member of the committee, Cork North Central TD Thomas Gould will raise concerns that local authorities have to pay LPT on their social housing stock.

"Local authorities currently have to pay local property tax on their own social housing stock and this is very unfair because local authorities like Cork City Council will lose large sums of money because of this. Cork City Council is paying over €900,000 into the Local Property Tax which is taking away the funding for services that are badly needed in Cork," he said.

"We oppose the local property tax doesn't take into account ability to pay. There are fairer and more progressive ways to tax wealth. Local authorities have been starved of funding since the abolition of the Block Grant and it leaves half the Local Authorities in the state struggling to provide appropriate services," he said.

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