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PROPERTY TAX ON HOLIDAY HOMES SHOULD BE INCREASED TO BOOST STATE'S FINANCES, EXPERT GROUP SAYS

Commission on Taxation and Welfare urges Government to widen tax net by imposing a site-value tax on non-residential property

Property tax on tens of thousands of holiday homes should be increased to boost the State's finances, an expert group has told the Government after a year-long review of tax policy.

In recommendations to Minister for Finance Paschal Donohoe, the Commission on Taxation and Welfare has also urged the Government to widen the tax net by imposing a site-value tax on non-residential property.

The recommendations are not in play for Budget 2023 in September but the group's 300-page report will guide talks on how tax will be increased to meet the future cost of an ageing society.

The commission's work comes amid anxiety about age-related pressures on the public finances, with the annual cost of pensions, health and long-term elder care will rise €7 billion by 2030. Another concern is to develop alternatives to the State's increasing dependence on corporate taxes, which have risen sharply but are volatile.

The findings on the taxation of property are among 100 recommendations that are said to cover all tax brackets, including VAT, PAYE and PRSI. A traffic congestion charge was also discussed.

The group has said the local property tax (LPT) should be retained and called for a LPT "surcharge" to be levied on non-principal private residences.

The latest CSO data shows there were 66,135 unoccupied holiday homes on census night in April so any move to adopt that proposal would have implications for large numbers of homeowners.

They would be liable for a LPT payment greater than the rate on their main place of residence, although the Commission did not specify the amount. Referring to multiple property owners, the report said a surcharge should apply. The surcharge would not be imposed on homes leased to tenants.

The Government asked the Commission to consider a new site-value tax, generally described as a charge on the value of land without taking account of the buildings on it.

The group has now recommended that such a tax be imposed non-residential property, a move that would lead to new charges on commercial real estate such as offices, shops, industrial and other business premises.

'Mad tax'

The group's views on the potential revenues from such a tax remain unclear but it would be very wide in its scope, meaning many thousands of business owners would be liable for the charge.

"This is very firmly in the medium- to long-term space and the report is very firmly in the business of raising new revenues. We're all going to have to pay more," said a person familiar with the Commission's work.

The group, chaired by Professor Niamh Moloney of the London School of Economics and Political Science, sent its report to Mr Donohoe last month.

"The report will be brought to Cabinet in coming weeks and subsequently published," said the Department of Finance, without discussing any recommendations.

"The contents of the Commission's report will be considered by the Minister and colleagues in Government in the context of future budget decisions.

The Commission unanimously backed most recommendations, but two members dissented from certain conclusions.

Dr Tom McDonnell of the Nevin Economic Research Institute, nominee of the Irish Congress of Trade Unions, declined to endorse a chapter in the report on enterprise. He had no comment when asked.

Rena Maycock of Cilter Technologies declined to endorse some measures because of concern about financial strain on small- and medium-sized business.. She also had no comment.

After discussing a new bank levy, the Commission held off recommending such a charge because bank policy is subject to a separate Government review.

Internal notes, published with Commission minutes on its website, show some members saying banks would pass on any levy to customers while others expressed concern about the declining number of lenders in the market.

One member described a bank levy as a “bizarre tax almost random in nature”. Another said it was a “mad tax”.