IPTI Xtracts

Property Tax and Assessment News from Around the World

IRELAND - October 2022

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LOCAL PROPERTY TAX VALUATION CONCERNS ARE FLAGGED TO REVENUE OFFICIALS

Homeowners who buy or build over the next three years could end up paying higher LPT

A slowdown in property price inflation means homeowners who buy or build a house over the next three years could end up paying a higher local property tax (LPT) than what their property justifies – because the Revenue Commissioners set the valuation date for LPT during last year's frenzied property market.

Under the first overhaul of property tax in eight years, homeowners were asked to assess the value of their home – using both Revenue's online valuation tool and market values – on November 1, 2021.

This determined the rate of property tax households would pay annually for four years. Until last year, property owners had been paying the tax based on valuations made in 2013, when the market was just starting to recover from a crash.

Patrick O'Rourke, an audit and tax partner at O'Kelly Sutton accountants, said a Revenue official on a recent webinar with tax advisers was "very clear" that anyone who buys a property in 2023 or 2024 will use November 2021 values when they start paying LPT.

All owners of habitable properties bought, occupied or built between November 1, 2021, and November 1, 2022, will be liable for LPT next year. This includes properties renovated during that time period that are now suitable to be lived in.

Bríd Heffernan from Chartered Accountants Ireland said: "If a person buys a house in 2023 and pays less than what it was valued at on November 1, 2021, it will still be the valuation used on November 1, 2021 that will determine the LPT charge for 2023, 2024 and 2025.

"It's important to note that property prices might stabilise. Until the supply side increases, prices are unlikely to actually fall."

Modelling by the Economic and Social Research Institute (ESRI) published earlier this month indicated that property prices are overvalued by at least 7pc.

RELIEF AS RATES INCENTIVE SCHEME IS FINALLY INTRODUCED AS SLIGO'S VACANCY RATES CONTINUE TO STAY HIGH

The introduction of the Commercial Rates Incentive Scheme by Sligo County Council has been warmly welcomed by Cllr Declan Bree.

This scheme will encourage and assist people setting up new businesses in vacant shops by providing grants or rate remissions for using retail premises that have been vacant for a year or more.

Cllr Bree stated that an incentive should have been introduced many years ago, however he highlighted that every time he previously proposed such a scheme it was voted down.

"Time and time again I said the successful implementation of the scheme would help reduce the negative visual impact of empty commercial properties in Sligo and I said it would also help generate and support new business outlets to attract increased footfall and benefit the town," he said.

"I highlighted the fact that Sligo has one of the highest levels of vacant retail and commercial properties in the country. Many of the properties are owned by banks, by speculators and by developers who had no interest in renting them out and were happy in the knowledge that they did not have to pay rates on them.

"However, the record will show that each year when I proposed that the council collect rates in respect of vacant commercial property and introduce a refund scheme in addition to the Rates Incentive Scheme, my proposal was voted down by the combined votes of Fine Gael and Fianna Fáil members and Cllr Joseph Queenan and Cllr Marie Casserly. Thankfully attitudes appear to have changed."

DRAFT MAPS FOR USE IN CALCULATING NEW TAX ON RESIDENTIALLY ZONED LAND TO BE PUBLISHED SOON

Minister says draft Bill proposing 'biggest change and modernisation' of planning legislation in decades to be published by year end

Draft maps which the Revenue will use to calculate a new tax on residentially zoned land are due to be published within weeks, the autumn conference of the Irish Planning Institute has been told.

The tax, to be levied annually and calculated at 3 per cent of the market value of rezoned land, will then be subject to consultation with elected councillors and the public through much of next year, with final maps to be drawn by the end of that year.

Landowners affected by the change may appeal the inclusion of their properties to An Bord Pleanála, with the payments to the Revenue falling due from February 1st, 2024.

Paul Hogan, chief planner at the Department of Housing, told the conference that the change was designed to encourage timely development of zoned land. It would, he said, be central to moving the planning system "from decision led or developer led" to "plan-led development".

Mr Hogan also said that a review of the planning system proposed moving from six-year local authority development plans to 10-year plans, with a small review at the mid-point and a more significant review every decade. He said such changes would introduce more certainty and a put "more strategic framework" in the planning process.

He warned that the move to plan-led development would require many more professional planners and said consideration was being given to "earn while you learn" apprenticeships. While planners would be still required to attend a college for four or five years, he said thought has been given to how best to engage in working as an undergraduate, and how staff would mentor beginners.

Modernisation

Minister for Housing Darragh O'Brien told the conference that a Planning Bill would be published in draft form before Christmas. He said it "will be the single biggest change and modernisation of planning legislation since the year 2000" with a primary focus on "the delivery of housing".

He told the planners he would welcome their input, and that of the institute, when the Bill is undergoing pre-legislative scrutiny.

Mr O'Brien also said he intends to appoint a number of temporary members to the board of An Bord Pleanála in coming weeks. He said he would change the appointment process and increase the number of board members to 50. He said he would be allocating more resources to help the board to carry out its work.

"If we're honest with each other right now, it is not seen as efficient in relation to delivery of timelines a lot of additional work was created within the board, as a result of dealing directly with Strategic Housing Developments" he said.

Mary McMahon, president of the Irish Planning Institute, said planners wanted to see the detail of the forthcoming Bill and that staffing was "a huge issue" for planning authorities. She said appropriate environmental assessments needed to be fully integrated into all aspects of planning applications and this was a complex process and heavily reliant on professional expertise.

She said some of the changes being talked about offered more certainty for planners, who were keen to see the full measures in detail.

"We are able and ready to respond," she added.

COMMERCIAL RATES

Written answers
Tuesday, 4 October 2022
Department of Housing, Planning, and Local Government

Brendan Griffin (Kerry, Fine Gael)

262. To ask the Minister for Housing, Planning, and Local Government if he will postpone the rate review for businesses given the significant increase in the cost of living (details supplied); and if he will make a statement on the matter. [48464/22]

Darragh O'Brien (Dublin Fingal, Fianna Fail)

The Commissioner of Valuation is independent in the exercise of his functions under the Valuation Act 2001, as amended, and the making of valuations for rating purposes is his sole responsibility. I, as Minister, have no function in decisions in this regard.

The Valuation Office is currently engaged in a national revaluation programme, which is to ensure that the first revaluation of commercial and industrial properties in all rating authority areas in over 160 years is conducted across the country, as soon as possible, and on a phased basis. This is a welcome and positive development which is long overdue.

The latest phase of the programme is comprised of the revaluation of rateable properties in the rating authority areas of Clare, Donegal, Dún Laoghaire-Rathdown (second revaluation), Galway, Kerry and Mayo County Councils and Galway City Council. This phase has already been postponed due to the Covid 19 pandemic.

The purpose of revaluation is to bring more equity, fairness and transparency into the local authority rating system and to distribute the commercial rates liability across ratepayers based on modern valuations and economic circumstances. In local authorities that have not yet been revalued, their valuations and, by extension, their rates liabilities are based on economic circumstances and property values that pertained in 1988.

Revaluation ensures equity and fairness in the rateable valuation system. Following revaluation there is a much closer and uniform relationship between contemporary rental values and the commercial rates liability of properties. In essence, the exercise aims to ensure that each ratepayer bears a fair share of the business rates burden relative to the modern rental value of the property that they occupy.

While an individual occupier's rates liability may increase or decrease, the revaluation will not increase the overall commercial rates income of the Local Authority as the rates income of each Local Authority is capped in the year following a revaluation.

In those local authority areas revalued to date, most ratepayers post revaluation have seen their rates liability reduce. The last completed phase of revaluation comprised the revaluation of more than 30,000 rateable properties in the local authority areas of Cavan, Fingal, Louth, Meath, Monaghan, Tipperary, Wexford and Wicklow County Councils. The revaluation resulted in reduced rates for some 67% of ratepayers.

DUBLIN CITY COUNCILLORS REJECT KEEGAN'S CALL TO INCREASE PROPERTY TAX

City councillors vote to retain 2022 rates despite warnings of €50 million funding gap

Dublin city homeowners will face no change to their property tax bills next year, despite warnings from council chief executive Owen Keegan of a €46-€50 million hole in the authority's finances.

Mr Keegan had asked councillors to increase the amount of local property tax (LPT) Dublin city homeowners pay by 30 per cent to plug a funding gap of up to €50 million which he said was due to increasing demands for services, pay inflation, energy and general inflation, and "the primary objective of continuing with the current level of service provision".

The increase proposed by Mr Keegan would have seen three-quarters of Dublin homeowners paying up to €122 more a year, with the remaining households, whose homes are worth more than €437,500, paying more.

He said he fully acknowledged the impact of historically high inflation.

"However, the need for additional resources has never been more pertinent in terms of the absolute requirement for additional funding to support services, in contrast to the recognised small but real impact on householders of the change."

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.

Since the introduction of the tax in 2013, Dublin city councillors have always voted for the maximum 15 per cent discount, with many arguing the tax was "unfair" on Dubliners because of an equalisation measure which saw 20 per cent of the tax collected in the city reallocated to poorer, largely rural local authorities.

However, next year, for the first time, 100 per cent of the tax will be retained in the local authority area where it is collected.

Fine Gael councillor James Geoghegan said this decision was "not being honoured" by Minister for Housing Darragh O'Brien, who was reducing other funds allocated to the city.

"What the Government promised to give back to our capital city with their left hand, the Minister has taken with his right."

Fianna Fáil councillor Deirdre Heney said the LPT remained an "unfair tax on Dubliners who have to pay more in property tax than other counties because of where we live".

She said Fianna Fáil councillors were "disappointed" by the decision of their party colleague Mr O'Brien to cut grants to the council by "an equivalent amount as that which is being accrued by the abolition of the LPT equalisation fund".

Sinn Féin, People Before Profit and Independent councillors also voted to retain the 15 per cent cut, with the Green Party, Labour and Social Democrats supporting a return to the national base rate.

Green Party councillor Janet Horner noted that Fine Gael Minister of State Peter Burke had urged city councillors to increase the rate of the tax to improve the lives of Dubliners. It was, she said, "reckless" to be heading into a city budgetary process with reduced funding in the light of inflationary pressures and that there was a "tough winter ahead".

Labour councillor Dermot Lacey said the Fine Gael position was "quite extraordinary" and that Fine Gael and Fianna Fáil were "playing games" with Dubliners. Councillors voted by a margin of 38 to 23 to retain the 15 per cent cut.

CLINICS IN KERRY THIS WEEK TO DISCUSS REVALUATION OF PROPERTIES FOR COMMERCIAL RATES

Starting today, clinics are being held all over Kerry to deal with queries on the revaluation of properties for commercial rates.

Last week, occupiers of commercially-rateable properties in Kerry began receiving Proposed Valuation Certificates, stating the property's suggested new valuation.

They have until November 1st to make an appeal for the amount to be lowered, and the Valuation Office is calling on businesses to engage now about appeals during this early stage of the process.

Officers from the Valuation Office are holding walk-in clinics in Kerry this week for commercial ratepayers to attend, to discuss the Proposed Valuation Certificates they received last week.

Today from 10am to 4.30pm and tomorrow from 9.30am to 4.30pm – there will be clinics in the Killarney Municipal Area Office (V93 KH5V) and at the Education Centre Tralee in Dromtacker (V92 HK52).

On Wednesday between 9.30am and 4.30pm officers from the Valuation Office will be at Cahersiveen Library (V23 H523) and the Kerry Writers Museum, Listowel (V31 RD93).

On Thursday from 9.30am to 4.30pm there will be clinics at the Dingle Creativity & Innovation Hub (V92 P9NX) and the Kenmare Adult Education Centre (V93 K5CV).

On Friday between 9.30am and 4.30pm officers from the Valuation Office will be at An Riocht in Castleisland (V92XV82) and Killorglin Area Services Office (V93 E221).

A dedicated customer support team is also available to deal with revaluation queries and can be contacted by email at reval2023@valoff.ie or by phone at 01 584 6753 from 9am to 1pm and 2pm to 5pm weekdays.

DERELICT HOMES WON'T BE INCLUDED IN VACANT PROPERTY TAX

A vacancy tax aimed at tackling the homelessness crisis announced last week will not include an estimated 22,000 derelict homes across the country.

There are a reported 166,752 vacant homes across Ireland, according to the 2022 Census.

The Sunday Times reports that 21,897 addresses were classified as "derelict" in June, according to the GeoDirectory Residential Buildings Report.

However, the new tax will only apply to buildings designated as "residential" for the purposes of local property tax, which only applies to habitable residential properties.

Under these measures, a property will only be considered vacant if it is occupied for less than 30 days per year, while the Department of Finance has announced several exceptions to ensure property owners are not unfairly charged for genuine reasons.

RATES REVALUATION INCREASES MUST NOT KILL OFF STRUGGLING BUSINESSES

Clare Fianna Fáil Senator Timmy Dooley has said commercial rate revaluation increases cannot be allowed to put small firms out of business.

Senator Dooley raised the large increase in revaluations ratepayers are experiencing in the Seanad.

The Clare Senator said: "Properties that are subject to commercial rates across County Clare and other counties are receiving their revaluation certificates. This is resulting in large increases in the level of rates they are liable to pay.

"I was with one small business in the Ennis area that has seen an increase in their rate bill from around €9,000 in 2019 to €50,000.

"This is an incredible increase that will all but put this firm out of business. This is one of the more extreme increases however large increases are being replicated in other businesses I have spoken to across Clare.

"It costs a lot of money to create a job and in a time of slow-down in economic activity we can't afford to put small businesses out of business with rate increases like these."

IS THE NEW VACANT HOMES TAX DESIGNED TO FAIL?

When it comes to housing in our Republic there's no doubt that these are extremely stressful times for many, with estimates of 10,500 homeless and 290,000 classified as hidden homeless.

Yet we have 255,000 under-used houses that are either vacant, derelict, or holiday homes. After years of toing and froing, the Irish Government has finally decided to discourage under-use and vacancy through a Vacant Home Tax (VHT).

On face value, this is good news. Tax schemes for vacant homes have worked well in other countries, bringing homes back into use and generating revenue to re-invest in tackling vacancy and dereliction.

However, on closer examination, the introduction of a VHT seems to have been significantly compromised, to the point it could be considered virtue-signalling.

In doing so, the Irish government has failed to grab a wonderful opportunity to provide much-needed homes by disrupting the scourge of vacancy that has been impacting the economy, communities, heritage, and environment for decades.

The harsh reality is the VHT may have been designed to fail. In essence, the VHT is a 0.3% tax on the value of a vacant home — triple the Local Property Tax, currently set at 0.1029%. This is not an insignificant amount, but in comparison to the previously suggested 3% tax, it is much lower.

Taking average house prices of €320,000 the resulting mean VHT will be only €945 per year. You could argue that for many people who can afford a second home this is not a serious deterrent and for investors, it could be well viewed as insignificant given the rising rents and sales prices.

Through this VHT, Revenue is expected to raise €3m to €4m a year. This would indicate they expect to apply the tax to just over 4,000 homes, roughly 1.7% of the 255,000 homes that are not primary residents.

Incidentally, the local authorities alone could fulfill this low ambition as there are estimates of 4,000 vacant council homes across the country. It is unclear why the ambitions are so low, as according to Revenue's own records, the VHT should be applied to 30,000 vacant homes, which would net over €29m.

Maybe one reason why the VHT expectations are so low is that it might be relatively easy for owners of vacant homes to avoid the tax.

Self-reporting

Firstly, owners self-report if they have used a home for less than 30 days within a set 12-month period. This raises questions around why they would self-report and what proof might they need that their home has been used for more than 30 days.

There are insufficient details available at this stage to confirm if Revenue will be cross-referencing homes identified by Geodirectory (90,000) or the Local Property Tax survey

(57,000) or will they be asking utility companies to share information on connections and usage?

There is also no mention that there will be a penalty for failure to report. This has been a strong deterrent elsewhere.

For instance, in Amsterdam, owners who fail to report homes empty for longer than six months are fined €9,000. It is also not clear what type of occupancy is required for 30 days. For example, does it need to be 30 consecutive days, or can short-term rentals be considered an occupation?

For the VHT to be effective, 'selling a home' should give the owner an exemption for the first year only. Yet it does not seem like Revenue is placing any time limits on this or on those homes requiring ‘significant refurbishment work’. ‘For Sale’ signs are very easy to make, as are claims of never-ending refurbishments.

Derelict homes

Owners of the 22,000 derelict homes need not fear. Derelict properties are already exempt from the Local Property Tax and will also be exempt from the Vacant Homes Tax.

Even though there is a law in place they are also highly unlikely to be subject to the 7% dereliction levy as most local authorities only apply this to a minuscule fraction of derelict properties in their region.

In fact, a consequence of the VHT could be that owners are encouraged to make their vacant homes uninhabitable to avoid paying any tax. In essence, giving dereliction a turbo boost. All things considered, we might end up in a situation where the VHT is not applied to any homes.

Yet, in theory, it should be quick and easy to apply. The Department of Housing should have up-to-date data on vacant homes, as they have been promising to establish robust data collection methods since 2018.

Shockingly this has not been forthcoming. At a local authority level, many are yet to appoint a vacant homes officer and the Department of Housing’s Vacant Homes Unit only employs one person. This suggests that adequate resources are not in place from the outset to ensure this is a success.

Alternatives

The strategy of taxing a few homes a small amount is questionable. So, what could be done differently?

You can tax a lot of homes a little amount, like in parts of Canada where the Speculation and Vacancy Tax is between 0.05% and 2% (depending on ownership) and has resulted in 20,000 homes coming onto the market over four years while raising $231m.

France takes a different approach and has a 12.5% tax for the first year of vacancy which is raised to 25% in the second year targeted at a narrower definition of vacant homes.

In Scotland, Compulsory Sales Orders enable communities to buy properties that are long-term vacant while Barcelona and Amsterdam authorities use Compulsory Rental Orders to place tenants in homes that have been empty for longer than six months.

Ireland's housing crisis is not unique, nor is our high levels of vacancy. What is unusual is that we have both at the same time. The government has an ethical responsibility to exhaust all pathways so that everyone has a home.