



## IRELAND – November 2022

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### PROPERTIES TO BE HIT WITH NEW LAND TAX UNVEILED

*Owners have two months to dispute their inclusions on tax register*

Details of properties that can expect to be hit with the new Residential Zoned Land Tax have been published by all local authorities across the State.

Landowners have just two months to challenge the inclusion of their properties on council maps, if they feel they have been listed erroneously.

The new 3 per cent tax, which will come into force from 2024, will apply to sites which have been zoned for housing and are supplied with services, such as water and other utilities, but remain idle.

The tax, which is designed to replace the existing vacant site levy, will target any unused land zoned and serviced for housing, regardless of its size. The existing levy, which came into force in 2018, penalises only the owners of sites bigger than 0.05 of a hectare and the majority of the site must be “vacant or idle” for more than 12 months, be zoned for residential or regeneration purposes and be in an area in need of housing.

The new tax will be based on the market value of the land and the rate will be set at 3 per cent, the same the starting point for the vacant site levy when it was first introduced.

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IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

Maps indicating lands liable for the tax have been published by each local authority. Landowners have until January 1st to make submissions to their council if they wish to dispute the inclusion of their land on the draft map. Landowners or third parties may also seek the inclusion of sites on the map which have not been registered by the council.

Homeowners may find their properties do appear on the maps, but they will not have to pay the new tax if the land is already subject to local property tax (LPT). However, if the property and the land, gardens or yards attached to it are greater than .4047 hectares (one acre) they will have to register for the tax with the Revenue Commissioners, but they will not be liable to pay it. Registration for the tax will start from late 2023 onwards.

A homeowner may have to pay the tax if they own a residential property that appears on the local authorities' maps that is not subject to the LPT.

Dublin City Council, the local authority with the most pressing need for new housing development, urged members of the public to view the maps and make submissions for any amendments required.

“Dublin City Council requires increased housing supply to meet our housing needs and the new tax aims to incentivise landowners to develop housing on serviced lands zoned for housing, both land with existing planning permission and land without,” council chief executive Owen Keegan said.

## THE BEGINNING OF THE ZONED LAND TAX

Amidst the current housing shortage, local authorities have been tasked with charging a vacant site levy on certain lands to encourage housing development. However, this levy will be replaced by the Zoned Land Tax (the “ZLT”) which will be charged in 2024. Unlike the vacant sites levy, the administration of the ZLT will be administered by the Revenue Commissioners and not by local authorities.

Who will be Taxed?

Land that is zoned solely or primarily for residential use or for a mixture of uses including residential use which has access to sufficient services and facilities such as roads, footpaths, public lighting and water supply will be subject to the ZLT.<sup>[1]</sup> Under the Finance Act 2021 (the "Act"), on 1 November 2022 all local authorities in Ireland released various maps identifying lands which will become liable for the ZLT. All lands currently deemed liable for the ZLT can be found [here](#). Whilst residential properties may appear on the map, owners of such properties are not liable for the ZLT if they are already subject to Local Property Tax.

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## The Supplemental and Final Map

Local authorities will publish a supplemental map on 1 May 2023. This map will identify additional lands, which are, in the eyes of the local authority, liable to the ZLT. A final version of the maps will be issued by the local authorities on 1 December 2023. These lands will be subject to this tax unless they fall within one of the exemptions provided for under the Act.

Lands which are zoned for residential or mixed use to include residential use will be exempt from the tax where it is reasonable to consider that the land is integral for social, transport, energy and telecommunications infrastructure and facilities, where the land is subject to a statutory designation that may preclude development or where the land is subject to the derelict sites levy which is payable under the Derelict Sites Act 1990.

## Conclusion

This tax, which is aimed at encouraging use of land will likely affect developers. It is advisable for developers or owners of large-scale developments to consult with the draft map as now published. Submissions can be made from until 1 January 2023 challenging the inclusion of particular lands in the draft map by way of appeal to An Bord Pleanala.

[1] Section 653B(b) of the Finance Act 2021.

## **LOCAL PROPERTY TAX SHOULD BE INCREASED WITH PROTECTIONS FOR ‘ASSET-RICH AND INCOME-POOR’**

*Oireachtas committee hears that ‘well-functioning’ system should be increased*

The Local Property Tax (LPT) should be significantly increased, with a simultaneous adoption of a deferral system for those who are “asset-rich and income-poor”, an Oireachtas committee has heard.

Both the Nevin Economic Research Institute (NERI) and UCD economist Dr Micheál Collins agreed the LPT system should be not just retained, but increased.

They were commenting on the recently-published Commission on Taxation and Welfare report, aspects of which were under review by the Committee on Budgetary Oversight on Wednesday night.

The report looks at how the Irish taxation and welfare system could be reformed to best support economic activity, covering a broad range of taxation areas. It recommends the “well-functioning” LPT system be increased.

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NERI co-director Dr Tom McDonnell said his organisation agreed with the Commission that taxation should shift towards land and property.

This should include, he said, a significant increase in LPT which should be made progressive and contain surcharges for vacancy and non-principal private residences.

“At the same time, we must be cognisant of asset-rich and income-poor situations,” he said in his submission to the committee.

“The best way to resolve this problem is through a generous deferment system. The deferred amount, along with interest, would only be payable on the sale or transfer of the property. This resolves the hardship issue and simultaneously protects government revenue over the long term.”

Similar views were extended by Dr Collins, an assistant professor of social policy at UCD, who said it should be frequently rebased and increased over time.

Uncomfortable at the prospect, People Before Profit TD Richard Boyd Barrett said that while he supported the notion of taxing owners of multiple properties, he took issue with applying charges to family homes.

“I’m very keen to tax very heavily the 10 per cent who have 50 per cent of the wealth,” he said, drawing on the distribution of wealth in the county and adding that 70 per cent of people in Ireland own their own homes.

“Shouldn’t we be looking more at trying to find out who really has wealth in the proper sense of the term, as opposed to who just has a house?”

Addressing the point, Professor Martina Lawless of the Economic and Social Research Institute (ESRI) said principal private residences makes up about half of total wealth.

“If you’re talking about a wealth tax that excludes principal private residence, you’re taking out a very large part of the base for that tax,” she said. However, she noted a distinction in the concepts of property and wealth taxes.

Local authorities recently voted to reduce or increase LPT rates in their areas, a function they maintain as part of a system designed to bolster local spending.

Dr Collins said this was a valuable aspect of the system. “One of the important roles of the Local Property Tax is to make that link much more explicit, so that councils, councillors and individuals living in areas have a much more collective link to the governance and running of those areas,” he said.

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## **COMMERCIAL RATES HIKES IN GALWAY WILL SEND BUSINESSES ‘TO THE WALL’**

Countless hospitality businesses in Galway City will ‘go to the wall’ due to devastatingly high commercial rates bills.

A meeting of Galway City Council heard that following a review of the rates by the Dublin-based Valuation Office, some businesses were facing up to a seven-fold increase in their bill in January 2024.

At the same time, the City Council is scrambling to prepare for a potential collapse in its rates income – money that funds two-thirds of the local authority’s annual spend.

Despite an increased cost for many businesses, the Council will receive no additional funding as a result – revaluation rules state that the amount collected following the review cannot exceed the previous year’s total, meaning while some business owners will face an increase, others will have a reduced cost.

Mayor Clodagh Higgins (FG) said business owners were in a state of “horrendous anxiety” and warned “there’ll be no business left if we don’t press the brakes”.

Cllr Peter Keane (FF) blasted the review which he said was arbitrarily targeting the hospitality sector.

“One licensed premises in the city is going from €25,000 per year to €167,000. A second premises is going from €14,000 to €69,000.”

## **FARMERS URGED TO CHECK WHETHER LAND FALLS WITHIN NEW TAX ZONES**

*The draft RZLT maps published by local authorities allow landowners, including farmers, to see if their land is within the scope of the tax.*

Landowners near built-up areas have been advised to check new maps published by all 31 local authorities, to see if their land comes within the scope of the new Residential Zoned Land Tax (RZLT).

The RZLT is designed to prompt residential development by landowners, including farmers, of land that is zoned for residential or mixed-use (including residential), and that is serviced.

"Given the housing needs that we have, where land is zoned for new housing, we want to build on it," said Finance Minister Paschal Donohoe.

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Farmland that is zoned for residential use but which is not currently serviced is not within the scope of the tax.

In general, land is considered to be serviced where it has sufficient access to the infrastructure required for residential development. This includes roads, paths, lighting and access to water supply and services, including sewers and drainage.

RZLT will be at 3% per year of the market value of the land. It will be due and payable from 2024 onwards in respect of land which fell within the scope of the tax on or before January 1, 2022. Where land is zoned or serviced after January 1, 2022, the tax will be first due in the third year after the year in which it is zoned or serviced.

The draft RZLT maps published by local authorities allow landowners, including farmers, to see if their land is within the scope of the tax.

If it is, and a landowner believes it should not be, there are two separate courses of action open.

The landowner can make a submission to the local authority by January 1, 2023, seeking to have their land removed from the map. The local authority responds with a written determination. If landowners disagree with the determination, they can appeal to An Bord Pleanála.

Or landowners can request to the local authority to have their land rezoned.

Supplemental and final maps will be published in 2023. Local authorities will update these maps annually from 2025 onwards for changes in the zoning and servicing status of land.

Residential property liable for Local Property Tax is exempt from RZLT. However, if your garden or yard is greater than 0.4047 hectares (one acre), you must register for RZLT (from late 2023 onwards). No RZLT is payable by owners of these properties.

You may have to pay the tax if you own a dwelling that appears on the local authorities' Residential Zoned Land Tax maps, that is not subject to the LPT.

It is proposed in the Finance Bill 2022 to exempt land that is within the scope of the RZLT, but is subject to contractual arrangements that preclude the landowner from developing it. For example, where a farmer leased land prior to January 1, 2022, and the requisite conditions are met, the farmer may be able to claim an exemption from the tax for the period of the lease.

Draft RZLT maps can be found at [gov.ie/rzlt](https://gov.ie/rzlt) or on the websites of each local authority, and in their public offices.

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Besides landowners, other interested parties may make submissions on the inclusion of land which they consider falls in the RZLT scope, but was not included.

RZLT will operate on a self-assessment basis, administered by the Revenue Commissioners, which recently published a webpage guide on RZLT.

Minister Donohoe has said he engaged with Agriculture Minister Charlie McConalogue on the RZLT, and Minister McConalogue raised the issue of land in smaller towns that could be owned by farmers and is zoned for residential use.

However, there is a process for landowners to ask for land to have non-residential status.

## **CORK COUNTY COUNCIL SET TO CONSIDER A 3.5% RATES HIKE TODAY TO PROTECT SERVICES**

*The local authority faces a choice between cutting services and raising the fees it charges ratepayers*

Thousands of ratepayers in County Cork could face a 3.5% increase in their bills after a meeting today, at which county councillors will discuss how to stave off cuts to services.

Councillors will gather in County Hall to try and hammer out a budget for 2023. If they don't find extra revenue, the eight municipal districts in the region face a 14% cut to a number of their services.

The proposed cuts would mean less money for repairs to rural roads, many of which are already badly potholed due to recent wet weather.

There will also be fewer litter clean-ups in towns and villages and a reduction in the maintenance of graveyards and cemeteries.

The shortage of outdoor workers in the council is already hampering the delivery of such services.

Councillors have already rejected their officials' proposals for such cuts, which County Hall bosses previously maintained were necessary to balance their budget.

The local authority is having to finance an extra 4% pay increase to its 2,000-plus staff in 2023 under the terms of the National Pay Agreement.

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The council is also being hit with huge rises in the cost of construction materials required for roads and housing projects, and also the additional labour costs for contracted workers involved in these schemes.

Councillors will either have to accept the proposed cuts to services, or hit businesses with rates rises in order to balance the books.

Cork City Council was recently able to balance its books by increasing rates, causing a huge outcry from businesses, which maintain that they are already struggling to make ends meet because of the huge rises in their energy bills and having to pay more for labour costs.

The Irish Examiner understands that a proposal will be put forward to county councillors to increase rates by 3.5% for businesses which are paying more than €2,000 per year. Those under that threshold will not have to pay any additional money.

It is understood that these increases will help in part to bridge the gap required to stave off the cuts to services that had initially been planned.

The Government has stepped in to help defray some other council costs incurred by rising energy prices, which is also sapping local authority resources.

The council's overall budget for 2023 will be around €400m.

The Irish Examiner also understands that for the first time in its history Cork County Council bosses will announce a three-year programme for capital works, estimated to be worth €1.3bn.

This will involve a schedule of planned infrastructure projects which will include housing developments, road improvements, etc, which will be outlined at the meeting.

The council debate on the 2023 budget "is likely to be lengthy and challenging" according to a number of sources within the local authority.

"The budget is going to be extremely challenging given the increasing costs the council is facing," said Seamus McGrath, the Fianna Fáil leader on the council.

"Earlier budget proposals of a 14% cut in basic services are totally unacceptable. These frontline services need to be fully protected and even improved upon."

Mr McGrath added that "there is no easy way" to balance the books and to do so requires additional revenue to be raised, wherever it comes from.

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