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Property Tax and Assessment News from Around the World

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Commercial property rates revaluations are proving controversial

The ongoing revaluation of the rates liability of every commercial property in Ireland is proving controversial in some areas - and presents a fee-earning opportunity for valuers. The purpose of the revaluation is not to increase income for local authorities, but to redistribute the rates burden on a more equitable basis, taking into account changes to properties and infrastructure, for example, road bypasses.

Previously, rates liabilities were based on the Net Annual Value (NAV) of the property as of 1988. That figure was then multiplied by each local authority's annual rateable value (ARV), or what used to be known as 'the rate in the pound'. The ARV is calculated each year, depending on the budget required by the local authority to provide services. Now, under the Valuation Act 2015, rates are being assessed off a rental value as of October 30, 2015.

Before getting into some of the technical issues, I suggest that some of the problems arise from confusion among occupiers over the higher rental values. Values in 2015 are of course higher than in 1988, but they are now multiplied by a lower ARV, to give the appropriate rates liability. The purpose of updating the rental value is to ensure that the overall burden is spread fairly, in the light of changes which affect the property's value. Another factor creating resistance, I think, is an inherent belief that rates aren't good value and that services have been reduced: for example, bin collection.

All the Dublin local authority areas have been revalued, as have Waterford and Limerick city and county. Properties in ten other counties are now being revalued. South Dublin County Council was the first area to be revalued in 2007 and will be the first area revalued for a second time as proposed valuation certificates (PVCs) will be issued to owners before the end of April. This revaluation is also taking place over much larger geographical areas, since the consolidation into ten local authorities.

It's very important that owners and tenants (to whom the rates liability is passed) pay careful attention to the process, as substantial sums of money are involved. If your property is incorrectly assessed and you miss the timescales for appealing, you will be paying excess rates for seven to 10 years. As a rule of thumb, your rates bill should be between 15pc and 20pc of your annual rent.

The procedure is that the Valuation Office (VO) issues a PVC and the owner has 40 days within which to appeal that. A valuation certificate is issued by the VO, followed by a final valuation certificate, and the owner has a further 28 days to appeal. Any further appeal goes to the Valuation Tribunal, who aim to issue a decision within six months. Further appeals can only be made on a point of law, to the High Court or Supreme Court.

According to rating expert Kevin Daly of Colliers, the main controversies have arisen over retail properties, and particularly provincial shopping centres. He told me that while the Valuation Office (VO) have access to more information than agents, notably, letting and turnover details from occupiers, they are under-resourced and are valuing by "sampling" and inspecting approximately 25pc of properties.

He cited the example of the TK Maxx unit at Athlone Town Centre, where the VO assessed the NAV at €668,000 p.a. Colliers assessed same at €160,000 p.a. and have appealed.

Daly told me problems are arising where the VO assess a rental value per square metre, for example in a shopping centre, and can then apply that rate across all units in the scheme, without allowing for location in the centre, the size of the unit, or its shape. He also said that he has seen cases where the VO has "an alternative method of valuing hotels, away from the traditional profits method for trading assets, in that they are applying subjective percentage multipliers to gross receipts from drink sales, food sales and golf courses etc., no matter where the hotel is located in the country".

Industrial revaluations are also producing discrepancies and a Colliers appeal for a global software firm in Dublin 22 produced a saving of €82,000 p.a.

Generally, agents handle rating appeals for a fee of up to 50pc of the first year's savings. Property owners should seek expert advice, bearing in mind that under the 2015 Act, your appeal can also see your rates assessment increase.

Rate collection is at 93% in Fingal region

Rates collection is at 93% in Fingal, making it the highest collection rate in the country but still leaving over €8 million in uncollected arrears from rate payers.

Council officials presented a report of the schedule of Uncollected Rates for year ended 31st December 2016, at this month's meeting of the full council.

The council began 2016 with arrears of €8,272,647.15 in uncollected rates but by the end of the year, that had fallen marginally to €8,035,649.54.

There were write-offs for bad debts amounting to €1,369,629.88 during the year.

In total, the council collected almost €111 million in rates in 2016.

But the pleasing figure for the council was that its percentage collection rate was 93%, leaving it top of the pile among local authorities in the country.

There was a broad welcome for the figures, particularly the collection rate, although Cllr Anthony Lavin (FG) said that €8 million was still a substantial arrears figure and asked if there was any prospect in reducing it.

Other councillors, including Cllr Justin Sinnott (NP) asked how active the council is in chasing up debts and how far the local authority is prepared to pursue those who owe rates before writing them off as bad debts.

Council officials assured councillors that the council pursued its debts as vigorously as it could.

A number of councillors raised the backlog in valuations of commercial properties as an issue that was not only stopping the council from collecting revenue but also stopping commercial property owners renting their spaces. The council acknowledged the issue which is said was one for the Valuation Office which was currently recruiting in an effort to address the backlog.

South Dublin Revaluation 2017 Reaches Proposed Valuation Issue Stage

The revaluation of all commercial and industrial properties in the South Dublin County Council rating authority areas has now reached the Proposed Valuation Certificate issue stage.

On the 13th April 2017 Proposed Valuation Certificates were issued to approximately 6,475 ratepayers in this Local Authority area.

Ratepayers who are satisfied with their proposed valuation do not have to respond to the Valuation Office.

Ratepayers who are dissatisfied with any material aspect of the Proposed Valuation Certificate may make representations to the valuation manager up to and including 22nd May 2017.

Final Valuation Certificates will be issued in September 2017 and will take effect from January 2018.

If Ratepayers have any queries in relation to the revaluation process, they should contact the Valuation Office of Ireland directly.

The Valuation Offices web site is www.valoff.ie.

Local authorities to be allowed cut commercial rates

Changes follow reports of businesses facing three- or fourfold increases in recent years

Local authorities are to be given the power to significantly reduce commercial rates for businesses in their areas as part of a move agreed by the Cabinet.

The long-sought measures will allow councils to introduce rate-alleviation schemes and potentially reduce the bills for companies across the State.

The changes follow reports of business owners facing three or fourfold increases in their rates following valuations of their premises in the wake of the crash in property prices and sharp recovery of recent years.

Minister for Housing Simon Coveney last week secured approval to repeal the legislation governing rates and replace it with a more modern system. His proposals include a six-month exemption from rates when a property becomes vacant to allow the owner to seek new tenants.

“We need to also ensure that we remove as many potential disincentives to the use of vacant properties so that they can be put into productive use,” Mr Coveney told The Irish Times. “The lack of any charge on vacant premises may also remove the level of certainty regarding the collectable amount of revenue.”

Commercial rates are paid by the occupiers of commercial premises and are central to the funding of local authorities. Rates accounted for almost €1.5 billion, or 32 per cent, of their total income in 2015.

Mr Coveney is not proposing to change the income stream to councils but insists changes have to be made to ensure business owners are not unfairly penalised.

Stronger enforcement powers

The new measures will enable local authorities to introduce levy rates based on temporary valuations from the Valuation Office. The latest figures showed 6,000 premises were waiting to be assessed, with nearly 3,000 of the cases dating back a year.

The changes will also give local authorities stronger enforcement powers to levy and collect rates. The legislation that governs commercial rates dates from the 1800s and has been amended on several occasions.

Mr Coveney, who is seeking to be the next the Fine Gael leader, said the current legislation was outdated, creaking at the seams and the subject of adverse commentary in a number of court cases. He said the legislation was confusing and needs to be modernised and simplified.

"It is spread over in excess of 20 separate enactments, dating back to 1838. As such, the overall legislative framework is complex and unclear for practitioners and rate payers," he said.

"Many of the provisions of the legislation are also outdated at this stage and are not suitable for business trends in the modern era."

Fianna Fáil also welcomed the measures but said the legislation should be retrospective to assist businesses that have seen huge increases in their rates bills.

The party's housing spokesman, Barry Cowen, said there was a need to meet the modern demands of the commercial sector.

However, he said Mr Coveney should assess if the law can be be backdated to assist business owners who have already been penalised.

Minister told of rates crisis facing Kildare businesses

A group of business people representing Kildare rate payers met Minister Coveney yesterday to highlight their anger at the huge rate hikes enforced on them.

"He took notes and we explained everything. We asked him if he could change the law so that the rates could be based on the profits people made," said delegation member, Simon Cross.

"If you had a good year, you paid more and if you had a bad year, you paid less."

However, Mr Cross said the Minister said that wouldn't work because if there was a slump in the economy, then the rates income would plummet.

The Rathangan business man did say the Minister was not aware of the fact that online businesses were not subject to rates. He was also made aware of other entities, which were allowed to operate without paying rates.

Mr Cross said businesses just wanted the rate to be calculated fairly across the county.

His rates have increased by 780% and he said he knows of another business in Rathangan that received an even higher rate hike.

"My place was calculated at a rentable value of €81,000, but Pitts garage was recently sold in the town (Rathangan) for €90,000. It doesn't make sense," said the owner of Cross Agricultural Engineering, which employs 42 people.

Rathangan has been hit hard by the recession with many empty premises in the town centre.

Mr Cross said he was aware of a premises, which was offered for an initial six month rent free period in the town, but had no takers.

Organised by Dep Martin Heydon, the briefing was also attended by Marcella O'Reilly of Buy Design, Adrian Conlan of Athy, and Kill horse trainer, Ted Walsh.

Horse trainers have also been hit with huge demands and are asking the Minister to allow them to be placed back into the farming sector rather than their current categorisation in the leisure sector.

The rate evaluation was carried out by the Rates Valuation Office and is based on a number of factors including rents, square footage and other issues depending on the type of business.

That rateable valuation is then multiplied by .24% – the AVR (Annual Rate on Valuation) rate set out by Kildare County Council.

When the calculations were sent out last month, many businesses were up in arms, while others received cuts.

However, it appears that those who have seen increases, have had huge jumps. So far seven public meetings have been organised across the county.

Mr Cross points out that pressure needs to be put on councillors to lower the AVR rate for businesses in Kildare, which in some parts of Dublin.

He organised a rates meeting in Rathangan Community Centre last Tuesday night April 11. A total of 25 businesses were represented.

His son Jason Cross has also set up an online petition for businesses to register their disapproval at the rate hikes. So far, over 400 businesses have signed up.

“Times are changing. You don’t need to have a shop front now. You could set up a online business in your attic and you wouldn't have to pay rates,” he said.

Mr Cross points out that businesses who are concerned about their rate valuation have to lodge an appeal before April 18. If they are still unhappy with the decision after that, they can go to arbitration, which will cost between €200 and €500.

Sporting clubs or community halls who have bars, run functions, or a shop, have also been charged rates.

He points out the online appeals process is easy to do but, he urged businesses to accompany their appeal with a letter outlining all the details about their enterprise as the valuations office may not have enough information.

“I pay 12.5% corporation tax. When you add in the rates, I will be paying the equivalent of 54% in tax. That won’t allow me to stay in Ireland,” he said.

New property valuations get mixed reactions around county

There is fury and relief in equal measure among the Sligo business community since the proposed new property values were sent out by the Valuation Office last week.

While many businesses in Sligo town have seen their values drop by thousands, other businesses have seen their values rise, which in turn will lead to a rise in commercial rates payable to the County Council.

The Council charges rates on the basis of the new valuations, which currently stands at 0.23.

The Dublin-based Valuation Office came to Sligo in October 2015 to value all commercial property in the county. They based their calculations on the property market values of that month.

If the County Council is serious about saving jobs in rural Sligo they should reduce that rate by 75 per cent.

That's according to Dromore West businessman Blair Feeney, whose commercial rates will quadruple next year as a result of the recent revaluation.

It will mean the loss of one full-time job or two part-time jobs at his filling station in the West Sligo village, he claims.

"I can't understand it. There's no reason why they could quadruple," said Blair Feeney.

"We've nobody to sweep the streets or provide dustbins here in Dromore West. The bins that are there are put there by Blair Feeney at the filling station," he said.

He added that the only thing the Council provides is lighting and pavements.

"The County Council will conveniently say this is nothing to do with them, it's the Valuation Office. It's frustrating to say the least," he said.

Mr Feeney intends appealing his own proposed valuation certificate but also told The Sligo Champion that he intends calling on the County Council to drop their ARV (annual rate on valuation) from 0.23 to 0.06 i.e. by 75 per cent.

"By doing so I will be paying the same amount of rates - that's if they're interested in helping rural businesses," he said.

"Trading conditions are difficult enough out there in rural Ireland. It's very dis-encouraging to young people to stay in rural Ireland with these penalties hitting us on a daily basis," he said.

He also pointed out that the proposed valuations should be contested under the 1970 Valuations Act.

Business owners have until April 24th to appeal their proposed valuations.

In Sligo town, General Manager of Hastings Insurance Enda Mulchrone was happy with his proposed valuation, as they will drop from ¤6,000 a year to ¤2,500.

"We're happy with it. It's bringing the rates in line with other locations around Connacht," he told this newspaper. His office is based in the Adelaide Building in Wine Street Car Park.

"It's definitely a benefit. It's a good thing that the cost of doing business is reducing somewhat," he added.

Chairman of Sligo's Business Improvement District (BID) and businessman Finbarr Filan said the majority of retail businesses he had spoken to in the town had seen their rates come down.

However he said people who were in older buildings who hadn't had a rates valuation done in a long time had seen rates increases. "Most of them are happy with what they've got," he said.

The Centra businessman said people should make sure and check that they've the right rates for the zone of the shop and that they have provided the Valuation Office with the correct information.

"If you don't talk to them they estimate upwards," he said.

He also warned against any raising of the ARV to 0.24 next year which he said would result in a "huge jump" in 2018 rates.

A spokesperson for Sligo County Council said the change in the Net Annual Value for properties would bring no gain or loss to the Council.

"For every ¤1 reduction in rates, it equals ¤1 increase in rates elsewhere. The process is revenue neutral. It's a redistribution of rates. For every drop and total fall in rates there is a corresponding total increase among others," they said.

The Council will finalise the 2018 ARV after the Final Valuations are issued in September.

Opposition TD for Sligo/Leitrim Marc MacSharry is calling for reform of the way the Valuation Office calculates their rates and wants an exemption from the new rates for businesses in the meantime.

He said the criteria of basing calculations on the rental income that a property could command in October 2015 was flawed.

"Since then Ireland is faced with Brexit, the implications of the Apple tax ruling and the continuing exclusivity of a recovery based in Dublin alone," he said.

Granard meeting hears of fresh calls to scrap rates revaluation

There are fresh calls this week for government officials to scrap recent commercial rate revaluations carried out on hundreds of businesses across Co Longford.

It comes following a fervent, and at times heated public meeting on the issue in Granard last Thursday evening.

Longford-Westmeath TDs Kevin ‘Boxer’ Moran and Robert Troy were joined by local councillors and around 25 business owners inside the north Longford town’s Greville Arms Hotel.

The former, who is scheduled to take over from Sean Canney as OPW Minister of State sometime between now and August, revealed new legislation is due to come before the Dáil shortly.

“There will be introductions of different levels depending on the differing functions of a business,” he said.

“The question that people are asking is will this bill be introduced? Yes it will because we know what’s facing the small shop and we know if things keep going the way they are there will be curtains up on every shop.

“In the meetings we have had in the last 24 hours we have made massive progress in getting this in front of the Dáil.

“Having a rates alleviation scheme is good news for local businesses as it will give powers to councillors to lower bills for certain categories of ratepayers,” he said.

The former taximan and Westmeath county councillor stopped short of questions from one anxious sounding ratepayer who asked if businesses could effectively ignore recent revaluations which had been sent to them.

Mr Moran said he intended raising the topic with Local Government Minister Simon Coveney as soon as possible, admitting however the present Fine Gael led administration faced “big, big pressure” to do just that.

His constituency colleague, Deputy Troy attempted to turn the tables on Mr Moran by claiming hard pressed local firms required immediate action on the matter.

Mr Troy said it was puzzling why reassessments were continuing to be carried out when new legislation was currently being devised.

“I will be pushing for that until such time as the new system is introduced that a pause button is placed on the existing revaluation process because it beggars belief that money has been wasted revaluing all of Longford, all of Westmeath, all of Roscommon and they're now in other counties continuing a revaluation process while at the same time the Department of the Environment is looking at introducing legislation that is not going to take any account on the revaluation process.

“I think that shouldn't happen. Why are we progressing with the old system when a new system is coming in?

“It doesn’t make any sense good, bad or indifferent.”

Local Cllr Micheál Carrigy said he would be seeking a freezing of the current revaluation process, citing any new laws needed to take account of a business’ profit levels.

Many of those watching on from the floor were keen to vent their angst at the increases some businesses have been hit with.

“We feel in our local towns we are not even getting basic services to the value of the rates we are currently paying,” said Patrick Durkin.

“Our main streets in particular are in rag order, the footpaths are in a very bad state.”

Mr Durkin continued, “The rate increase is massive to most of the businesses and yet the council keeps telling us that it is rate neutral and that they won’t get any more money from it which screams to me that they are just asking the people who are currently paying to compensate for the people who are not paying.”