



## IRELAND – November 2017

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### **Everything you need to know about your property tax bill as the deadline approaches**

The deadline for arranging to spread payments is just days away, with 52 or 122 days left to settle with a once-off lump sum

Property tax bills are now arriving in the post and many of those who pay their bill in a one-off lump sum now have 52 days to do so. With Christmas fast approaching, it's worth settling your property tax bill this month if you can - or making the arrangements to do so in the New Year.

Here are five things worth knowing about your property tax bill for 2018.

#### The higher bills

Homeowners in seven local authority areas will have more expensive property tax bills for 2018 than they did in 2017. This is because their councils decided to increase the 2018 property tax rate from the rate charged in 2017.

Some homeowners will see their property tax bills jump by a tenth as a result. The seven local authorities which increased the 2018 rate from last year's rate are Laois County Council (up 10pc on 2017), Tipperary County Council (up 10pc), Longford County Council (up 8pc), Fingal County Council (up 5pc), Kerry County Council (up 5pc), Wexford County Council (up 5pc), and Waterford City and County Council (up 2.5pc).

Local authorities have the power to either increase or decrease the property tax rates in their areas by up to 15pc (from the rate applied in 2014).

Only two councils have reduced the property tax rate from that which applied in 2017: Galway Council (by 10pc), and Limerick City and County Council (by 2.5pc).

The other 22 local authorities have left their rate unchanged on last year.

#### The deadlines

You have until January 10, 2018 to pay your property tax in one lump sum - if paying by debit card, credit card, cheque or in a single cash payment (through An Post, Omnivend or your credit union).

You have until March 21, 2018 to pay if you wish to have Revenue take the full amount you owe from your bank account - in a once-off deduction. This is known as an annual debit instruction.

Should this be the first time that you wish to pay your property tax through annual debit instruction, you must fill out an online mandate (where you instruct Revenue to take the money out of your bank account) by January 10, 2018.

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However, if you have already been paying your tax through an annual debit instruction, you don't need to fill out the mandate as Revenue will roll over your existing method of payment each year.

Should you have paid the tax in a one-off lump sum before and now wish to spread the payment over a year, you have less than a week to tell Revenue that you wish to do so. The date you must confirm how you now wish to spread your bill out (such as by monthly direct debits, deductions from your salary or pension, or regular cash payments) is November 25, 2017.

#### Coming clean

Since the property tax was introduced, the owners of more than 11,900 homes have paid extra property tax after they either corrected their original valuation themselves - or did so after Revenue challenged the valuation put on a property. Should you have deliberately undervalued your home in 2013 so that you would pay a lower property tax, you should correct the original valuation and pay the tax owed.

"It is better to go to Revenue if you have not paid the correct property tax, than to have Revenue come to you," said Norah Collender, tax technical manager at Chartered Accountants Ireland. "Contact your local tax office, explain the basis for which you underdeclared the tax - and try to reach a settlement."

You can expect to be hit with penalties and interest if you did not pay the correct property tax on time. Revenue charges interest at a rate of 8pc a year. By self-correcting the valuation, you may be able to avoid penalties - but interest must still be paid. "Penalties are applied where a liable person knowingly delivers an incorrect return or makes any false statement in respect of property tax," said a spokeswoman for Revenue. "The maximum penalty is €3,000 per offence but this may be mitigated to an amount equal to the actual property tax liability - on foot of the property owners quickly getting their property tax affairs in order."

Self-employed people who do not pay the correct property tax for a particular year will be hit with a 10pc surcharge on their income tax bill for that year.

#### Buying and selling

Property tax can become tricky if you are selling property - particularly if there is a big difference between the value which you declared for your home in May 2013 (for the purpose of the property tax) and the sale price which you have secured for your property.

The difference between the declared value and the sale price must fall within specific limits set by the Revenue. Otherwise, you may need to pay additional property tax before you can sell your home.

Last September, Revenue increased the allowable margins by which the sales price of a property can exceed the upper limit of the valuation band that was declared for the property (for the purpose of property tax) in May 2013.

Should you be selling a Dublin property, as long as the sale price is no more than 80pc higher than the upper limit of the valuation band, you should be able to get clearance from Revenue that the correct property tax was paid - and so no extra tax should be due. Previously, the allowable margin for Dublin properties was 50pc.

Should you be selling a property outside Dublin, as long as the sale price is no more than 50pc higher than the upper limit of the valuation band, you should be able to get Revenue clearance. Previously, the allowable margin for properties outside Dublin was 25pc.

Another question which often arises is who is liable for the property tax - if the seller will no longer own the property for the year that the property tax applies to.

"If you were the owner of the property on November 1, 2017, you have to pay the 2018 property tax," said Collender.

Anyone buying a property should be sure to get the right property tax paperwork in order - such as a clearance cert (if required) and the property's ID number (for the purpose of the property tax). "Make sure you have details of the valuation band which the original owner of the property used when paying the property tax," said Collender.

#### Changes

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Next year, the Government will consider a number of recommendations made by Dr Don Thornhill in his review of property tax in 2015 and there could be changes in the amount of tax you pay after 2019 as a result.

However, for the moment, you do not need to pay more property tax if your home is more valuable than it was in May 2013 - as long as your original valuation (for the purpose of the property tax) was honest.

May 1, 2013 was the date when you would have valued your property for the purpose of the tax and this valuation can be used for the tax until late 2019.

Taoiseach Leo Varadkar has suggested that he's willing to freeze property tax beyond 2019 so it could well be after that (if ever) when you need to revalue your home for property tax purposes.

Sadly there seems to be no sign of the property tax getting the boot though.

### Property tax unfair on Dublin householders and council, city chief says

Tax exemption for new homes needs attention 'to remove inequity', says Owen Keegan

Government must "remove the inequity" which allows owners of new homes to escape paying Local Property Tax (LPT), Dublin city chief executive Owen Keegan has said.

Dublin City Council faces losses of €15 million as a result of a loophole which exempts homes built since 2013 from the tax.

The rate of property tax paid by homeowners is based on the value of the property in May 2013. Houses and apartments bought from a builder since 2013 are exempt from property tax. The exemption was due to last until October 2016.

However, in 2015 the then minister for finance Michael Noonan announced the valuation thresholds for LPT would be frozen until October 2019, meaning households paying the tax will not see an increase in their bill until then.

This extension was also applied to the exemption on homes sold by builders after the 2013 valuation date, giving new-home owners an extra three LPT-free years.

In a report to councillors on the city's budget for 2018 Mr Keegan said the exemption "requires prompt attention to remove the inequity among householders and address the loss of funds".

Mr Keegan also described the treatment of the city council by the Department of Housing in relation to the allocation and retention of the tax as "disappointing".

#### Equalisation fund

The Revenue Commissioners estimates that Dublin city householders will owe just under €80 million in property tax next year. The council gets to keep 80 per cent of the LPT fund with 20 per cent of the money shared out among poorer, largely rural local authorities through the "central equalisation fund".

The city council gives a 15 per cent discount to householders on the Revenue's headline rate. However, the discount is applied only to the city council's portion of the receipts, and not to the 20 per cent doled out to the rural councils.

From 2015 to 2018 almost €64 million paid by Dublin city householders has been "ring-fenced to fund local services outside Dublin city," Mr Keegan said.

"The LPT has been heralded as the commencement of a stable source of funding for local government. Through the manner in which it has been applied it provides marginal additional funding, unrelated and well below the cost of services demanded."

Councillors will tonight be asked to approve a total budget of €917 million for running the city's services next year, its largest budget since 2009 and €54 million higher than in 2017.

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However, most of the budget increases next year will be absorbed by the homelessness crisis. More than €142 million is to be spent providing homeless services in 2018. In 2017 the council budgeted just over €119 million for this cost but this has been revised upwards to €134 million.

Left-wing councillors are to seek a deferment of the budget meeting until “sufficient resources to build public housing on publicly-owned are obtained”. The councillors want the Government to fund the construction of 12,000 additional homes.

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