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Property Tax and Assessment News from Around the World

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Raising the rates on empty buildings 'will not fill them'

A third of all vacant commercial properties in Dublin have been empty since 2012

Forcing owners of vacant commercial properties in Dublin to pay higher rates would have little effect on bringing the buildings back into use, according to a new study.

The research, by Anthony Foley, an economics lecturer at Dublin City University, also showed that the amount of money that Dublin city council could make through the rate rise was "relatively small".

The research found that 40 per cent of all vacant commercial properties in the city last year had not been in use since 2013 and a third had been empty since 2012.

Owners of vacant commercial properties are required to pay rates at the standard level and are then entitled to a refund. Last year the council voted to reduce the level of refund from 50 per cent to 45 per cent.
The Local Government Reform Act 2014 allows local authorities to vary the refund rate.

The report found a strong pattern of "ongoing or recurring vacancy as opposed to substantial movement of different premises between vacancy and occupation".

Mr Foley, who was commissioned by the council, said the comparatively low refund rate of 50 per cent in Dublin had not resulted in a lower proportion of vacant premises even though it had operated for decades.

"A reduction in the vacancy refund will not have a significant impact on reducing the vacancy rate but would contribute a little," Mr Foley said.

The latest figures show that about one in ten of all commercial buildings in Dublin were vacant last year.

How a land value tax could solve many economic headaches

"LVT would have no impact on most people, but would ensure land is employed for its best use"

Opinion: the introduction of a Land Value Tax would force people to be efficient with their use and ownership of land and help alleviate many of the Irish economy's current woes

How do we solve the housing crisis? Ask the average person and they'll say 'build, build, build'. Urban planners are saying we need higher density and they argue this can be achieved without towers in the sky.
They detest urban sprawl, describing it as a cancer on communities, identities, and the liveability of urban areas. They point to the plentiful areas of unused and vacant brownfield sites and are protesting to government to sort out land hoarders.

The Minister for Housing says we need to build upwards and remove height restrictions in Dublin. The millennial generation are looking for assistance on rent and housing affordability associated with the rise of expensive cities. The suburbanites suffering from the leapfrogging planning policies between cities and counties of the Celtic Tiger era are shouting for transport improvements and greater connectivity. And, with the rise of urbanisation, rural areas are saying do not let rural Ireland die.

It really is a problematic time and a period of roundabout policy-making. With population increases forecast for the next 30 years and the overwhelming importance of cities in driving future growth, these problems will get bigger. But no one person is responsible and the underlying incentive model is broken.

The problems being created in our modern economy due to the misalignment in our underlying tax system need not continue

Taxes act as disincentives to productive activities. Income tax is a disincentive to be productive, VAT is a disincentive to sell and buy and stamp duty is a disincentive to buy assets. Capital gains tax is a disincentive to sell assets, while property tax is a disincentive to make home improvements.

But a tax which has been introduced in a small number of countries which does not tax productive acts fails to get a look in. Milton Friedman referred to land value tax (LVT) as the least bad tax and the tax is one which most economists favour in sorting many of our problems.

The benefits from rising land values are currently being captured by land monopolists that arise primarily from the community development around them. For instance, there are stark differences between location costs for individuals and firms in Dublin, Waterford, and Kerry. The most expensive house last year sold for €8.4 million on Shrewsbury Road in Dublin 4. Purchased in 1987, it was reported that this eight bedroom property with an outdoor swimming pool required a lot of investment to bring it up to the standards of other properties in the area.

The bricks and mortar of that house would not have changed considerably in that period. It does not cost millions to maintain a house like this over a thirty year period so most of the cost to the new owners is the land value of its location (in 2007, Shrewsbury Road was the sixth most expensive street in the world).

Most of this is down to speculation, the investment by taxpayers in local transport and amenities, the general community development in Ballsbridge and the agglomeration effects of firms and populations to Dublin, which makes the central location of Ballsbridge highly sought after. Hence, everyone should benefit from this value capture and not just the owners. This is the principle of land value tax.

Consider the 0.9 acre plot on on Shrewsbury Road that went on sale this year for reportedly €10 million, with planning for seven houses. To date, this would have escaped property tax.

But LVT would cover every piece of land that has productive potential on the island of Ireland (including agriculture) and would replace the present property tax. It would have no impact on most people, but would bring unused and under-utilised land, such as the Shrewsbury Road plot and other inefficient land uses, into the net and ensure land is employed for its best use.

LVT's introduction and application to all activities on land would shift the underlying incentives of the system and help solve many of our present problems. Each site would be taxed on a proportion of the current annual rental value of the land. Obviously, this would be low for agriculture and higher for businesses and residents. With an effective rate, less tax would need to be collected on the productive improvements made upon sites in terms of labour, VAT, corporation tax, and so on. This shifts resources from unproductive to productive activities.

People will be forced to be efficient with their use and ownership of land. Marginalised, more rural areas would benefit as the value of land in rural areas is much lower and residents here would benefit by reductions in other taxes. In effect, it would stimulate economic activity away from the centre and provide natural subsidies to those in rural areas and where it is needed most - farmers and people dependent on rural communities should certainly not fear the LVT.

The Land Value Tax is one which most economists favour in sorting many of our problems.

Over time, a gradually increased LVT rate would replace the need for stamp duty, capital gains taxes, property taxes and business rates. This would reduce the bureaucracy associated with tax collection, with the added bonus of less evasion in our tax system. Remember that it is not possible to hide land.

There are also many other benefits. Urban planners will not be able to point to vacant brownfield sites as they should disappear so urban sprawl will be reduced.

Most importantly, it is also fairer. Our current system enables land monopolists the opportunity to capture enormous rental value from the productive activities of others, particularly in cities with the competing demands of land for living, working and leisure. The problems being created in our modern economy due to the misalignment in our underlying tax system need not continue. Time for change?

Taoiseach rules out sharp increase in property tax

Despite increase in house prices, Varadkar does not envisage hike in property taxes
Taoiseach Leo Varadkar has said he does not want to see sharp increases in property tax on the back of rising house prices which have increased 60 per cent since 2013.
“There has been a very significant increase in property values, particularly in the greater Dublin area, but I certainly don’t envisage, nor do I want to see, a sudden dramatic hike in property tax so we will be working hard to avoid that,” he said.

Mr Varadkar added he would “move might and main” to avoid any sudden hike in property taxes for people in 2019.

Each local authority has the power to alter the rates set up by Government up or down by 15 per cent.

“My own local authority in Fingal has voted to alter it downwards, but only by 10 per cent instead of 15 per cent thus freeing up I think about €2 million for housing and homelessness.

“Those are the kind of decisions that councils are free to make and individual councils have to make those decisions for themselves at a local level,” added Mr Varadkar.

The Taoiseach’s comments in London on Monday come as local authorities are voting on whether to change the tax rate.

Many councils have said they would like to reduce the local property tax (LPT) but said they could not as a cut in income would result in a reduction of local services.

Former minister for finance Michael Noonan postponed the revaluation date for the property tax until 2019, thereby freezing the rate paid by homeowners.

At the moment the local property tax is charged at 0.18 per cent of the price of a house up to €1 million and 0.25 per cent on the amount over €1 million.

For houses valued up to €1 million, there are a range of valuation bands and households had to choose in 2013 which band they were in.

Housing Minister Eoghan Murphy admits it is likely house prices will continue to increase until supply increases.

The property tax is collected by the Revenue and has compliance rates above 90 per cent.

Fine Gael backbencher Josepha Madigan maintains local property tax should be calculated in another way.

She said the Government cannot justify a calculation based on a fluctuating market.

Ms Madigan told RTÉ's *Today with Sean O'Rourke* show she hoped the Taoiseach would look at the issue.

"Nobody is disputing that there should be a property tax, but it is disproportionate and unfair to those who live in Dublin" she said.

She added that there were a lot of people in the middle ground, where their income has not matched the increase in value of their property.

"They are at the mercy of the market. There is too much volatility," she said.

Leading economist Prof John Fitzgerald of Trinity College Dublin is urging the Government to raise taxes not cut them in the forthcoming Budget.

Prof Fitzgerald told RTE's News at One that there is a need to "slow things down" andpostpone enjoyment of the current boom "for a year or two."

He added that property owners should pay Local Property Tax, which can be used to tackle the issue of homelessness.

"They can give it back then when things slow down" he said. The economic lesson was "be prudent."

On the same programme Fianna Fáil's finance spokesperson Michael McGrath said that his party had advocated for a "rainy day fund".

Mr McGrath said that Fianna Fáil has not heard from Fine Gael and as far as they were concerned they expected Fine Gael to honour the confidence and supply agreement.

The confidence and supply agreement between the two parties stipulated reductions in the Universal Social Charge (USC).

If Fine Gael wants to go beyond that (reduction in USC and mortgage interest relief) then they will have to raise the money to do so, he said.

"They will have to spell out where the money will come from." Mr McGrath added.

He also called on the Government to "go back" to the Thornhill report on Local Property Tax and for the remainder of its recommendations to be implemented.

In a 2015 report, Dr Don Thornhill, outlined a number of options for the future of the tax. His favoured one was to recast it as a local authority charge, raising funding each year based on the need of the local council. In this scenario annual increases could be tied, for example, to general inflation, rather than house prices which tend to be volatile.

There is a need to deal with reform of the growing anomalies, Mr McGrath said.

Overall, the average house price across the country has risen by 11.2 per cent in the past 12 months.

In Dublin, the average price of a three-bed semi-detached home has risen in value by €17,000 in the three months to the end of September and now costs an average of €431,500.

Government to review property tax after budget

A comprehensive review of the Local Property Tax will commence after the budget to avoid dramatic hikes in charges when the six-year freeze on valuations ends in 2019.

Government sources said Minister for Finance Paschal Donohoe might signal an intention to review the arrangement of the tax in next week's Budget, but any change in the tax will not occur until next year's budget.

The all-party Budgetary Oversight Committee, chaired by Fine Gael TD Josepha Madigan, will begin a review during this Dáil session. A number of experts on property law, tax matters and property economics will make contributions between now and Christmas. It is also expected that officials from the Department of Finance will participate.

At present, the LPT is levied on values calculated in 2013 when property prices were close to the lowest point reached after the economic crash.

Since then property values have been subject to a sharp increase, particularly in Dublin, where they have climbed more than 60 per cent above their lowest point.

It's all about fairness and proportionality. Nobody could have foreseen there could be such a stark increase in property prices

A house valued at €230,000 in 2013 was liable to LPT of €405 per annum. If that price has doubled in the interim, the household will be liable for a hike to €855 in 2019.

The difficulties have been compounded by the fact that outside Leinster, price rises have been more modest. In Donegal, for example, values have increased by only 10 to 15 per cent in some areas.

Ms Madigan, alongside Dublin colleagues Kate O'Connell and Maria Bailey, have all raised the issue within Fine Gael.

"It's all about fairness and proportionality. Nobody could have foreseen there could be such a stark increase in property prices," said Ms Madigan. "We want to evaluate and recalculate. The Taoiseach said he does not want a sudden hike."

Mr Donohoe told Ms Madigan's committee that he believed in progressive base-widening taxes such as property tax, and confirmed the freeze on valuations would come to an end in 2019. However, he added he will look at changes to the tax.

"I am very conscious of the concerns to the effect that there may be sudden large shifts in the tax bills people may face. As the Taoiseach has articulated, we will certainly take that into account in trying to avoid such a scenario."

Potential rises

Ms O'Connell said that she had lobbied on this issue on behalf of constituents who are concerned about potential rises. "People are already overstretched. We have had no sign in private or public sectors, or big increases in salaries."

Trinity College Dublin economist Ronan Lyons, author of the Daft.ie report on property prices, said the increases would be most stark in parts of the capital where property prices fell very low. They included Dublin 1, 10, 12, 7 and 8.

He said property tax was by its nature a progressive tax, where wealthiest pay more. One option open to the Minister was to lower the tax form from 0.18 per cent of the property value to 0.12 per cent.

However, Dr Lyons pointed out that Ireland already paid one of the lowest property tax rates in the OECD.

Dr Lyons said the tax should be revalued every three years. He also said that the review could look at systems for paying in other countries.

Call For Govt To Extend Deadline For Appealing Property Valuation

The government is being urged to extend the deadline for appealing the valuation of property.

The Valuation Appeals Tribunal website has been down for a number of days due to a suspected malware attack.

Ratepayers in Carlow, Kildare, Kilkenny, Leitrim, Longford, Offaly, Roscommon, Sligo, South Dublin and Westmeath have all been revalued and face new bills in 2018. They are entitled to appeal their valuation to the Valuation Tribunal before Thursday, 12 October.

Fianna Fáil Spokesperson on Housing, Planning and Local Government Barry Cowen TD said: "Rate paying businesses are the back bone of the local economy. Under the valuation process that has just finished many of them are facing rates increases of between 50 -100%. This is clearly unsustainable for a small business. It also risks penalising shops on main streets in towns.

"This problem has been compounded by the fact that many businesses are now unable to appeal the valuation. The Valuation Tribunal Office website has been inaccessible for a number of days and is deemed a security risk to anyone trying to access it on their computer. This has meant that many businesses are unable to access relevant information for their appeal.

"I am calling on the Government to extend the deadline to give time to fix the website and allow businesses make a comprehensive appeal. The Government has been promising Commercial Rates reforms for years and taken no action. Fianna Fáil has published our Bill on the matter to reduce the impact of increases. However this needs urgent action. It is completely unfair for business to be effectively denied the ability to appeal a decision that may cost them tens of thousands over the coming year."