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Property Tax and Assessment News from Around the World

IRELAND – September 2017

Dublin councils to lose €30m on property tax loophole

FG councillor says exemptions for new homes are unfair, as high earners escape tax
Dublin local authorities stand to lose in the region of €30 million by 2019 in Local Property Tax (LPT) foregone on new homes, figures compiled by Dublin City Council indicate.

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 introduced when the tax came into effect in July 2013 and 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.

Figures compiled by the city council's finance department show the council has already lost an estimated €5.6 million in potential property tax revenues on exempt new homes.

The figures, which the council's head of finance Kathy Quinn stresses are a rough estimate, are based on approximately 4,800 new homes sold in the city since mid-2013, and use an average valuation of €250,000 per home.

While at the standard LPT rate homeowners would owe the council an average of €405 each, the council applies a 15 per cent discount, resulting in an average annual charge of €344.25. Cumulatively that would amount to €5,594,063 foregone to the city council alone.
Cumulative costs
However, Fine Gael councillor and member of the council's finance committee Paddy McCartan said when the losses of the other three Dublin local authorities are taken into account and the figures are projected to the end of 2019, the cumulative costs are in the region of €30 million.

“The finance department agree with my calculations which show that the city council alone will be facing the potential loss of €15 million to the end of 2019, because the property tax is a cumulative charge,” Mr McCartan said.

“The three other local authorities between them collect approximately the same amount of property tax as the council, so the combined total wouldn’t be far short of €30 million.”

There was a basic unfairness, Mr McCartan said, with the vast majority of homeowners paying a tax that others, some of who would be high earners, were escaping.

“It’s inequitable. New apartments at Lansdowne Place in Ballsbridge have prices ranging from €825,000 to €6.5 million. The property tax on €6.5 million is €16,000 a year.”

The Government could benchmark new homes on what similar housing was valued at in 2013, he said.

“The council can’t afford to be at a loss of revenue of this magnitude and I will be calling on the Government to close this loophole.”

A Government report by Dr Don Thornhill in 2015 recommended the exemption should not be renewed when the revaluation takes place. A spokesman for the Department of Finance yesterday said it would be considering the recommendations of the Thornhill report “in due course in line with the 2019 timeline”.

The property tax time bomb

TICK, tick, tick, tick… That sound you hear is the Local Property Tax time bomb which is due to detonate at the end of 2019 when new home valuations will be set.

It’s a daunting prospect, not only for squeezed homeowners, but for politicians seeking our votes. They will be hoping and praying that the issue of property valuations doesn’t coincide with a general election campaign. Many former TDs are still nursing wounds from the hammering they took over water charges in 2016. If the Government has learned anything from this bruising experience, it will seek to either reform or abolish property tax within the next two years.

I still find it incredible that property tax didn’t rankle with the electorate to the same extent that water charges did. LPT is a manifestly unjust tax, disproportionately punishing people for having the nerve to live close to the capital city. Is it fair that a Dubliner living in a modest apartment should pay the same as somebody who owns a large, detached home in rural Ireland?

LPT is a blunt instrument, taking little account of how financially encumbered householders may be; whether they are trapped by negative equity or drowning in mortgage debt. Unlike water charges, LPT does not allow for mass non-payment campaigns as collection is under the remit of Revenue.

The official spin is that property tax is an essential source of funding for our local authorities, money that previously would have had to come from the Exchequer (our other taxes). The more we buy into this concept, the more difficult it will be avoid massive LPT increases in the future.

It has been within the gift of our councillors to reduce (or increase) LPT rates by a maximum of 15 per cent. Last week, one Dublin local authority voted to reduce it by only 10 per cent for 2018.This extra money, we are told, will be ring-fenced for vital spending by the council in areas such as housing and homelessness.

Don’t be fooled into thinking that our elected representatives have done us any favours by dressing up any reduction as good news. It’s not 10 per cent less than what you paid last year – it’s a reduction of the base rate. In this particular example, it will mean a five per cent increase on what you paid in 2017.

In failing to vote for the maximum reduction, councillors have effectively accepted LPT as a legitimate source of funding for local authorities and have let the Government off the hook.

With the initial 2013 valuations still in place (for political reasons) for another two years, it will be interesting to see the public response when property prices are back to boom-time levels.

Property tax risks dying of neglect

The balance of opinion in some councils is that there may be more votes in better services

Your local authority does not want your money. At least it doesn't if you live in Dublin. It is the time of year when local authorities vote on the level of local property tax they want to impose for the year ahead. For the past three years the four big Dublin local authorities have voted to introduce the maximum allowable cut of 15 per cent in household bills.

It is part of a pattern of political reticence towards the tax which could see it collapse entirely over the next years, unless action is taken. The local property tax was introduced in 2013 as part of the troika deal to widen the tax base and provide new funding for local authorities. It is now at risk of dying from neglect.

Even the authorities themselves are ambivalent about taking the cash. Councils can vote each year to increase or decrease the bill by 15 per cent from the base level. Over the past three years, all four Dublin councils opted for the maximum allowed cut of 15 per cent, though the experience across the country was more mixed.

Votes taken so far this year have been interesting – and often close. For example, for 2018 Fingal councillors responded to pleas for more funding from council management, but only by restricting the cut to 10 per cent, while Dún Laoghaire-Rathdown councillors ignored their management's warning completely and again opted for the full 15 per cent reduction. The other two Dublin councils – the City Council and South Dublin – have yet to vote, as has Cork City.

Interestingly Cork County Council, the next biggest collector after the Dublin councils, opted for a 5 per cent reduction in both 2016 and 2017, but voted to implement the base tax level next year, meaning many households will face an increase. In some councils, at least, the balance of opinion is that there may be more votes in better services.

Experience varies

Elsewhere across the country the experience varies, with the vote in Laois for a 10 per cent rise a notable outlier – though as this means a rise of just €9 a year for some 40 per cent of those affected it is unlikely to spark a riot. In many councils many of the parties of the left, including Sinn Féin, are leading the charge calling for the maximum reduction, often, but not always, supported by Fianna Fáil. Labour, in contrast, brokered the move to introduce a smaller cut in Dún Laoghaire-Rathdown.

It seems odd to see Sinn Féin and People Before Profit voting for cuts in the tax on the primary source of wealth held by most people. Their argument is that the tax is unfair, a "Dublin tax" and an unaffordable imposition for many.With Fine Gael councillors often on the other side of the argument, it reflects the strangely confused world of Irish politics, with no one quite certain whether voters put a higher priority on better services or lower taxes and everyone loath to explain to them that they cannot have both.

Next revaluation

Public attention is now turning to the next revaluation, due in 2019, which could, unless the Government decides otherwise, lead to very significant increases for many. The last revaluation, in 2106, was cancelled, so the tax is still based on 2013 values. A house valued at €400,000 in 2013, the last valuation date, would now be likely to be valued at more than €620,000. This would hike the annual bill from €765 to €1,125. Someone with a house valued at €650,000 in 2013 could see their property valued at more than €1 million, with a tax bill rising from €1,215 to more than €2,800 a year. And that is before taking account of further house price rises likely over the next couple of years.

There is no way this is going to happen politically, nor should it. But it is up to the Government to decide what does happen. Dr Don Thornhill, who did a study for the Government in 2015, recommended one way forward, basically re-engineering the tax to provide an agreed sum of revenue to local authorities. The house price bands could also be changed, to ensure people don't face a big hike in 2020, when the 2019 valuations are due to feed through into tax bills.

Thornhill report

But doing nothing is not an option. As the Thornhill report pointed out, the longer revaluations are postponed, the harder it becomes to do them at all. And the tax is already at risk of losing public credibility. There are obvious examples of unfairness – for example, any new house bought from a builder since 2013 is exempt. So is any property at all bought in 2013, provided the purchaser is still living in it as their primary residence.

The Thornhill report warned that all this, unless tackled, could undermine the credibility of the tax, as happened to the old domestic rates system abolished in 1979. It could also leave it open to legal challenge on fairness grounds. As Thornhill pointed out, the old system of agricultural rates was successfully overturned in the mid-1980s.

The property tax is only 1 per cent of tax revenue. The economic argument would be to let it drift up over the years and use the cash to cut income tax, or fund key projects. Taxing property is seen as more work friendly than taxing income, and also spreads the tax base and gives it a new stability. The tax could also underpin local authority funding – provided the councillors would actually take the money. But in post-water-charge Ireland, the risk now is that the tax is left to wither completely, throwing yet more reliance back on the old favourite – income tax.

Property tax: populism trumps public interest

Millions of euros that might be used for housing adaptation grants, public facilities or homeless services voted away

The concepts of solidarity and social justice receive only lip service in this State. A person's wealth, housing and income tend to influence their treatment by both politicians and officials. The homeless and those in need of social housing rarely vote and are pushed to the back of the queue. People seeking affordable homes do better. But committed voters who live in private accommodation receive maximum political attention.

In the teeth of social hardship and a growing housing shortage, councillors in all four Dublin districts have voted since 2013 to cut property taxes by the limit of 15 per cent. They did this in spite of warnings by local managers that the loss of income would damage services for the general public. Millions of euro that might otherwise have been used for housing adaptation grants, public facilities or homeless services were voted away.

It continues to happen. Elected representatives in Dún Laoghaire Rathdown voted this week to cut the property tax by 15 per cent for 2018, in spite of official warnings that this may lead to increases in council rents, commercial rates, other fees and reductions in services. Fingal councillors were more restrained. Following similar warnings, they decided to cut charges by 10, rather than 15 per cent. Dublin City and Dublin South councillors will vote in the coming weeks. Councillors complain regularly about inadequate government funding for special projects, even as they curry favour with homeowners by cutting charges. The populist nature of the exercise is evident when parties that might be expected to favour taxes on wealth and property – such as Solidarity and Sinn Féin – lead the charge in favour of maximum tax concessions.

We have become a highly stratified society. A fierce determination exists among the residents of leafy suburbs to protect their status and property values. The provision of Traveller accommodation nearby is often regarded with hostility. The housing of homeless families is resisted. And the social mix in planned housing estates, involving social, affordable and private homes, generates such friction that the local authority element can shrink to 10 per cent. With a social housing waiting list of more than 10 years in Dún Laoghaire Rathdown, the wealthiest Dublin council, that is an untenable situation.

Since domestic rates were abolished almost 40 years ago, councillors have had little say on fundraising. The property tax has changed that. But some councillors have yet to accept that this is not a mechanism for securing their re-election but an invitation to provide better community services. House values will be revised after 2019 and Taoiseach Leo Varadkar has suggested local authorities might be given greater flexibility in varying the property tax. Councillors should first begin to take their responsibility seriously.

Leitrim GAA is hit with rates bill of €18,000

Croke Park has been asked to intervene after Leitrim County Board discovered they were being hit with an €18,000 rates bill for Pairc Sean MacDiarmada following the revaluation of commercial rates in Co Leitrim.

Leitrim County Board Chairman, Terence Boyle, told the Leitrim Observer "that money isn't to spare in Leitrim" and says Croke Park have been asked to intervene in a bid to find a workable solution.

Co Leitrim is one of 10 counties which underwent a revaluation of commercial rates over the last two years and the final valuation certificates are due to be sent to out this week.

Previously significant sporting facilities such as County GAA Grounds paid a relatively small rates bill.

However following the revaluation process this bill is set to soar and the initial estimated bill for Pairc Sean MacDiarmada, came in at an astonishing €28,000.

"The initial bill was €28,000 but our Treasurer, Martin McCartin, had been talking to them and they cut it back a bit, they were talking about taking ten off it, down to €18,000 but that is still a big, big hit," said Mr Boyle.

"We were paying a minimal amount and in fairness, the Council have been very good to us, half of them (rates) used to be written off but when it comes to this sort of value, they can't be writing them off."

Cllr Enda Stenson raised the matter with the Head of Valuation Services, Declan Lavelle, during his presentation to Leitrim County Council members on Monday.

Mr Lavelle was asked what the justification could possibly be to penalise a sporting ground "with no real income like this" to which he responded that Pairc Sean was considered a 'significant sporting ground' and "properties of that type are rateable and (the charge) hasn't been looked at in decades."

Mr Lavelle said that there is a period of 28 days from when Final Valuation Certificates are issued, for an appeal to be made to the Valuation Tribunal, however he said this process was "adversarial" and there was a cost involved.

Leitrim County Board representatives met with staff from the Leitrim County Council finance department a few weeks ago but as the Council is simply a collection agency for the Valuations Office, little can be done to help.

"We met Leitrim County Council a couple of weeks ago to see what their view was on it but it is actually the Valuation Office who have revalued the place. They have reclassified (county GAA grounds) but our problem is that they hadn't looked at Leitrim County grounds for 70, 80 years," said County Board Chairman, Terence Boyle.

The County Board have since highlighted the problem with Croke Park as this revaluation of county grounds is affecting the GAA nationally and "a lot of people haven't realised this".

While other counties could potentially raise funds through hosting bigger games or via leasing meeting rooms or gym memberships, there is no such potential in the case of Pairc Sean MacDiarmada.

"We have to find the money somewhere, whether it is an extra levy on clubs, but we don't want to go down that route," said Mr Boyle.

"Leitrim County Council absolutely are sympathetic but their hands are tied. They had no input into the Valuation at all, the Valuation office does it and they send on the bill and tell the Council to collect it. In fairness to the Council, they would have been good enough to Leitrim over the years, they wouldn't have been crucifying us with rates."

Asked if this might also be applied to club grounds, Mr Boyle replied: "No, clubs are exempt but you wouldn't know what they'd (the Valuation Office) do down the road if they got away with this. They are reclassifying the main county grounds as stadiums.

Longford is in a similar position, a lot of the smaller counties are being hit more than the bigger ones."

Dublin councillors urged to raise property tax

Fingal council head warns services may have to be cut at risk as parties ponder increase

Chief executives of Fingal and Dún Laoghaire-Rathdown county councils will on Monday ask councillors to increase the rate of local property tax paid by householders.

The Fingal council chief executive Paul Reid has warned the local authority will have to cut services if councillors vote to leave property tax rates unchanged this year.

Mr Reid said Fingal council “can’t sustain the level of services that we are providing right now” if the percentage of tax paid by homeowners is not increased this year. The local authority’s upcoming budget for 2018 is set to run a deficit of approximately €8 million, according to one source in the council’s management, if the property tax take is not increased.

In Dún Laoghaire-Rathdown chief executive Philomena Poole has told councillors the alternatives are to increase commercial rates, or to increase discretionary charges such as housing rents, parking or cemetery fees or gate fees at Ballyogan recycling centre.

Councillors can vote to vary property tax rates by a maximum of 15 per cent each year. If they vote to reduce it by the maximum rate of 15 per cent it effectively means homeowners bills remain the same (at 85 per cent of what they would otherwise be).

Budget pressure

The four Dublin local authorities are the only councils in the State that voted to keep property tax on homes reduced by the maximum 15 per cent for the past three years.

The changes are not cumulative, so the starting rate is the same each year.

Ms Poole is requesting Dún Laoghaire-Rathdown council members to reduce local property tax by just by 5 per cent this year, instead of the 15 per cent voted through by councillors last year. In a briefing note for councillors she said the variation would raise just over €5 million, and it would effectively mean property tax in the area would rise by 10 per cent.

Mr Reid said the council’s budget this year was facing significant upward pressures, due to the new Government public service pay deal, and other costs.

The local property tax was introduced in 2013, and the tax is paid based on a valuation of a person’s home. Shortly after the tax was introduced it was decided homeowners would pay rates based on 2013 valuations of their properties, until 2019.

Maximum reduction

Last year Fingal voted overwhelmingly to reduce the tax by 15 per cent for the year, by a vote of 28 councillors to nine. Fine Gael, Fianna Fáil, Sinn Féin, Solidarity and People Before Profit all sided together, and only Labour, the Greens and three Independent councillors voted against reducing the property tax by the maximum amount.

Labour councillor in Fingal Brian McDonagh said councillors calling for an increase in expenditure on things such as housing “need to be prepared to take responsibility for raising revenue” as well.

Cllr Paul Donnelly said Sinn Féin would be voting to keep the rate of tax reduced at 15 per cent again this year. “We made a very clear commitment in 2014 local elections to the people that we would reduce the tax,” he said. Solidarity Cllr Matt Waine also said his party had “every intention” of voting to reduce the property tax by 15 per cent.

Fianna Fáil and Fine Gael councillors are considering their stance on the upcoming vote, in light of the budget deficit for 2018. Fine Gael councillor Anthony Lavin said “you have to live in the real world and consider things like budget pressures. Homeowners ability to pay is also a little bit better than two years ago”.

Fianna Fáil councillor Darragh Butler said his party’s “default position” would be in favour of reducing the tax by 15 per cent again. “We haven’t made a full decision yet, and we’re still listening to the arguments being put forward,” he said.

Dublin City Council will hold their vote on the property tax rates for the coming year on September 19th, with most other local authorities voting on the issue in September. South Dublin County Council and Cork City Council are voting on September 25th.

Valuation Certificates posted today to Commercial and Industrial ratepayers in Kildare

The Valuation Office, the State property valuation organisation, has completed revaluation of an additional 10 local authorities.

Commencing of the process of posting approximately 30,000 Valuation Certificates to commercial and industrial ratepayers across the country, including Kildare, has started today (September 7).

The Valuation Certificates posted to ratepayers will state the valuation that will be entered onto the new Valuation List for the relevant Local Authority which will be published on September 15 2017.

The valuations will be used to calculate the rates charged in 2018 and subsequent years.

It is important to note that the valuation entered on the Valuation Certificate is not a bill for rates but is a statement of the valuation on which rates will be levied from January 1 2018.

If a ratepayer accepts that the valuation set out in the Valuation Certificate is correct, they do not need to do anything further. If a ratepayer is dissatisfied he or she can appeal to the independent Valuation Tribunal on or before October 12.

Provision for a revaluation of all non-domestic property in Ireland was made under the Valuation Act 2001 as amended by the Valuation (Amendment) Act 2015. Neither residential property nor agricultural lands are rateable and consequently are not affected by the revaluation.

The valuation of each rateable property in the above counties has been arrived at by reference to relevant local market information and trading data at the specified valuation date of October 30, 2015, collected and analysed by the Valuation Office.

A revaluation is necessary to bring more equity and transparency into the local authority rating system and to ensure that all ratepayers pay a fair share of the commercial rates to be raised.

Following revaluation, there is a much closer and more uniform relationship between modern rental values of property and their commercial rates liability.

The revaluation will result in a redistribution of the commercial rates liability between ratepayers depending on the relative shift in the rental values of their properties in relation to each other.

A revaluation is a revenue neutral exercise for local authorities. While an individual occupier's rates liability may increase or decrease, the revaluation will not increase the overall commercial rates income of any of the County Councils.

The commercial rates income of each local authority is capped in the year following a revaluation.

The Valuation Office website, www.valoff.ie, sets out detailed information about the revaluation.