IRELAND – January 2018

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Politicians run for cover over future of property tax

How much local property tax (LPT) will you be paying in two years' time? Quite a lot more, if nothing is done, as bills would rise along with house prices. But in post water charges Ireland, this is not an option. The risk is not of big increases in property tax bills – this will be headed off, as Minister for Finance Paschal Donohoe made clear as he launched a review of the tax on Tuesday. The risk is that the reforms to come will ensure that the tax is allowed to slide away into irrelevance in the years ahead. The LPT could die from neglect.

The house valuations on which the tax is based are due to be updated in November of next year, for the first time since the tax was introduced under the troika programme in 2013. If nothing was done, the rise in house prices in the meantime would lead to increases for the vast majority of households.

Such is the increase in prices since 2013 that pretty much all properties would rise to a higher band and most would jump a few bands higher, if no action was taken. Since 2013, house prices have risen by 71 per cent , according to the latest CSO figures, with Dublin prices up 76 per cent and prices outside the capital up by 63 per cent on average.

What would this mean? A modest property worth €145,000 in 2013 would now, on the basis of the average national increase, be worth €247,000, increasing the annual tax from €225 to €405. A house valued at €470,000 in 2013 would now, on average, be worth €803,000. This would increase the annual bill from €855 to €1,485. A house valued at €630,000 in 2003 would now be worth €1.077 million, increasing the bill from €1,125 to €1,948.

Doubling of bills

And this is all before further price increases likely up to November 2019, when the next valuations are due, which could conceivably lead to a doubling of bills for many. This simply won't be allowed happen.

In launching the review of the LPT, the Minister for Finance, Paschal Donohoe, has said that it "will be informed by the principle of achieving relative stability in the LPT payments of those liable for the tax." But how do you achieve this?

In a 2015 review of the tax, Dr Don Thornhill recommended some reverse engineering. Under his plan,the LPT would still be paid in relation to house prices, as it is now. But the level of the tax would be adjusted each year based on the needs of local authority funding each year – a way to keep payments reasonable stable from year to year. Minister for Housing Eoghan Murphy has suggested it might be based not solely on house prices.

A big increase in the tax liability in 2020 can be avoided by adjusting the bands on which the tax payments are based, or indeed the rates charged. The political issue is that this may create winners and losers, or at least may leave some with the same or similar bills and some facing increases.

Future of the tax

The economic question is what does this mean for the future of the tax. Is it a tax based on property value, a fixed annual charge, or what? And will the tax increase over the years – in line with house price inflation, or local authority funding needs – or be left at current levels and thus gradually become less and less relevant? In the current environment, in the wake of the water charges fiasco, the latter risk is a real one.

Such are the anomalies in the tax that it is arguably already at risk of legal challenge. Look at the exemptions. People who bought in 2013 are exempt, provided the house remains their primary residence. So is anyone who bought a new house after January 1st, 2013. These exemptions are due to run out at the end of October 2019 – in other words these people would be liable to make a return and pay the tax for 2020. More political heat would result from this.

Deep scar

The water charges debate has left a deep scar on our politics and our ability to have any kind of logical discussion on how to raise revenue to pay for essential services and for investment. The local property tax was a good idea, forming a stable source of revenue and a new source of funds for local authorities. The alternative is yet more of other taxes. And we saw from the crash the need to spread the tax base.

The LPT raises less than €500 million a year, less than 1 per cent of total taxation, though it is a useful source of money for local authorities. Yet even such a modest tax is now in danger of being slowly killed off, with signs already of politicians on all sides running for cover.

Revaluation of commercial rates 'painfully slow'

Firms hit with four-fold rates rises after review, says PAC member FF TD Shane Cassells

Revaluations of the commercial rates businesses pay have only been completed by half of local authorities, with progress on a national review criticised as "slow" by the Comptroller and Auditor General.

The Valuation Office was tasked with conducting a national revaluation of commercial properties in 2001. But since then only 16 of the 31 councils have undergone reviews, the Public Accounts Committee (PAC) heard on Thursday.

The long period since the previous valuations means some ratepayers have faced large "spikes" in their bills if the commercial value of the property has increased, the committee heard. Rates are paid on commercial property to local authorities.

Fianna Fáil TD Shane Cassells said he had dealt with many cases where business owners have been "crippled" by four-fold increases in their rates following a revaluation.

"That's the kind of thing that can put a guy out of business fairly quickly," he said, adding that the progress of national revaluation had been "painfully slow".

Mr Cassells said more supports were needed to help businesses struggling with rates increases.

Chief executive of the Valuation Office John O'Sullivan told the committee a lot of the difficulties are being faced for the first time.

He said any dramatic increases in rates would likely be once-off, due to the current long period of time since many properties' last valuation.

Extreme

Mr O'Sullivan said in general more than 60 per cent of ratepayers would "receive a benefit" in their rates bills as a result of revaluation process.

But there would be "extreme" cases of rates hikes during the national review.

He said the Valuation Office plan to have completed the process by 2021 and then commercial properties in local councils would be revalued every 10 years.

The pace of work has picked up since reforms in 2015 streamlined the appeals process for ratepayers, said Mr O'Sullivan.

The national revaluation of rates is separate from local councillors' power to increase or reduce commercial rates by a given percentage each year.

Fine Gael TD Peter Burke criticised the Valuation Office for lengthy delays in assessing new companies, which resulted in many large firms paying no rates.

"You're not going to have huge businesses running to you to get rated. We're pushing the small ones hard, some bigger ones are getting away I feel," he said.

The application of rates only applies from the date of the completed assessments and is not backdated.

Officials from the Department of Housing told the PAC new legislation was being brought forward to give local authorities the power to conduct preliminary valuations of new properties that set up, ahead of a formal assessment by the Valuation Office.

The planned legislation would also give local authorities more power to chase up unpaid rates bills. Currently, 84 per cent of rates are collected by councils, with department officials indicating collection rates would ideally be brought up to 96 per cent under stronger enforcement powers.

Local Property Tax: Change for better or worse?

<u>Introduction</u>

Local Property Tax (LPT) was introduced in 2013 using valuations for May of that year as a base. The tax is due for re-basing on 2019 property values, and this is likely to produce a mixture of political opportunism and panic which may well lead to “reforms” which fundamentally undermine the tax.

Residential property taxation is part of the local or municipal tax base in most countries[1]. The traditional Irish property tax (domestic rates) was so archaic and badly-designed that it easily fell prey to political opportunism and was abolished in 1977. Rates on Commercial and Industrial property remain, and are probably in need of reform, but that is an issue for another day.

The malaise of property taxation is closely linked to the decay of local government in Ireland. Local Authorities have very little truly independent taxing power; the residential LPT operates under national rules and collection is done by a central government agency – the Revenue Commissioners. Local Authorities have lost many of their responsibilities: for water services, many road services, garbage collection, and so forth. Such powers that they have are often tightly circumscribed by central government directives and rules. No wonder local politicians, who have so little real power over local policy issues get involved in the politics of Palestine, Catalonia or Myanmar. Worthy causes maybe, but not local ones.

If we are to have local government which actually works and which is worthwhile and has some real policy discretion, then it will have to have some degree effective control over its tax revenues. This is essential: local government which is almost totally dependent on central government for its revenue, will forever be rattling the begging bowl and will never have to ask how to pay for the local public goods which citizens want. Just pass the buck to central government.

Local Government is often quite rightly regarded as inefficient and ineffective. The LPT provides a good example: the local authorities’ collection of the LPT’s predecessor (the Household Charge) resulted in much lower compliance than that subsequently achieved by Revenue. Local Authorities have also been ineffective in collecting water charges for commercial users, and have had chronic problems with rent and mortgage arrears. The latter problems are undoubtedly explained in part by social factors, but overall the operational efficiency of local authorities has not been impressive, which may explain why they have been stripped of so many functions.

Putting this right will not be easy. The culture of local politics has been degraded by its unhealthy relationship with the centre. Local councillors become adept at rattling the begging bowl. Given that getting elected to a local council is the main route to an eventual career in national politics, this is the worst possible apprenticeship for national politicians, who often tend to have the same attitude to financing national public expenditure: a total disconnect between spending money on something and having to solve the problem of how to pay for it.

A report[2] by Dr Don Thornhill prepared as part of the 2016 Budget documentation contains many proposals aimed at preventing the tax from being degraded in various respects and also at improving its structure. Dr Thornhill estimated that substituting 2016 for 2013 property valuations would produce a revenue increase of about 29%, so we could say that making a “big bang” change and using 2019 valuations would probably produce an increase in LPT charges of at least 50%. I do not intend to look at details of yield estimates or how this might vary from area to area. For the purposes of a very general discussion I will take a 50% increase as a reasonable first approximation if there were to be a “big bang” in 2019. Clearly this sort of increase is what scares politicians to death, and scared politicians are liable to propose measures which are both unfair and inefficient.

Looking at Don Thornhill’s proposals for changes to LPT, I quickly became aware of the similarities between his ideas and mine. Maybe this is not surprising: familiarity with the same fundamental concepts in public finance and the political economy of taxation might be expected to lead to a convergence of views. Don Thornhill’s proposals are worked out in much greater detail than anything I attempt to outline here, but getting the big picture right seems to me to be an essential first step.

Some proposals:

(i) Have a full property revaluation in 2019. The impact of this can be drastically reduced, but allowing valuations to become hopelessly out of date runs the danger of LPT valuations becoming like the old rateable valuations: works of fiction bearing no relation to reality. Ultimately doing nothing would undermine the LPT completely (something that some politicians[3] want, of course).

(ii) Avoid a "revaluation shock"by adjusting the tax rates (at present 0.18% up to €1m and 0.25% for that part of values in excess of €1m) so that the yield increase is relatively modest (say 10%). On a simple back-of-the envelope calculation, rates of 0.12% and 0.20% with a threshold of €1.5m might come close to achieving this.

(iii) At present, some of the LPT revenues arising in a local authority area are redistributed from high to low income areas via a centrally-administered fund. This has the effect of weakening the net local revenue effect of any decision the local authority makes (such as the discount or premium to apply in any year), Effectively any increase in revenue may be diluted by having to pay some into a central fund. The solution (also recommended by Don Thornhill) is to leave local authorities with 100% of the LPT revenues from their area and thus 100% of the revenue consequences of any decisions they take. This implies a separate central government grant mechanism to give local authorities an acceptable degree of resource equalisation, It is essential however that this is based on relevant structural factors such as demography, population density, estimates of local income levels etc.

(iv) Consider adjusting the amount of discretion available to a local authority to something in excess of the present " 15%. This might slowly educate local authorities and councillors in exercising greater fiscal responsibilities[4].

(v) As Don Thornhill recommends, re-title the tax as a Local Council Tax. A minor point maybe, but in an era of spin getting the title right and emphasising the responsibilities of the local council would be worthwhile.

Mistakes to avoid

In any discussion of reform it is important to avoid making things worse, especially as some really bad ideas have been aired.

- Earlier this month (Jan 15th, 2018) the Sunday Times in an editorial seemed to favour the idea of basing the LPT on house size[5]. Why should someone in 4-bedroom semi in Dublin 4 pay several times what a person in a similar house in Leitrim or Roscommon pays? Consider a household with a total income of, say, €60.000. A four-bedroom house in Dublin 4 will probably cost over €800,000 and will be way beyond the what is affordable to buy for most €60,000 income households. The house of similar size in Leitrim or Roscommon might be bought for €200,000 to €300,000, and be within the budget and borrowing power of a €60,000 income household. So for this reason alone (there are others), it is a fair bet that the incomes of people living in similar-sized houses will be higher in areas with higher property values. Sure, high property values may imply high mortgage debt, but in the long term when retirement beckons the Dublin 4 household will have much better options for downsizing and equity-release than the someone with an asset worth less than €300,000. High value areas have in general residents with higher income and wealth.

- Landlords would no doubt argue that it is inequitable that their tenants do not have to pay LPT whereas owner-occupiers do. (They really mean that it is unfair that *they* have to pay, but leave that aside). This raises interesting questions about the incidence of LPT. One might argue that in the long-term rentals have to cover the full economic cost to landlords, and that otherwise they will exit the market. In that case (barring distortions such as rent controls) the long-run incidence of LPT would be on tenants.

However in the current state of the housing market, landlords as owners of a relatively fixed-supply of properties are likely to be making economic rents[6] and the incidence of the tax would be on them. Also in the long run we would expect LPT to capitalised into (slightly lower) house valuations so its incidence would be on property owners in general, whether owner-occupiers or landlords[7]. Overall I see little merit in changing the current arrangement for landlords – and fortunately unlike other not-so-good ideas there is little political momentum behind such a proposal.

Some more general conclusions

- There is a real need to reform local government and to gradually give it more real powers. This is now a well-worn cliche, but one seldom hears any substantive discussion of the issues involved.
- I say gradually give local authorities more powers because the present culture of local politics does not lend itself to fiscally responsible behaviour, so local councillors face a steep learning curve. Fiscal responsibility is an essential part of political and policy responsibility. Giving local authorities power without (fiscal) responsibility reminds me of Stanley Baldwin's remark on the subject. A properly adjusted LPT is an obvious route to greater local fiscal responsibility.
- We should not get too hung up on questions of progressivity or fairness. Overall the LPT may not be quite as progressive[8] as Don Thornhill suggests, but it only accounts for about 1% of all tax revenues and there are other larger taxes in the system which are decidedly more regressive. In any event it is the overall progressivity of the combined tax and benefit system which really matters and in this respect Ireland scores very highly.
- It has been argued that higher LPT could be traded off against lower income tax rates. While this is in principle a valid proposition, especially as property taxes are held to be less distortionary, in practice it is a difficult argument to sustain. A doubling of LPT revenues would fund a very small cut in Income Tax or USC rates. LPT reform should be done on its own merits as a mainly a local authority issue. While a relatively minor tax in relation to the total national tax take, LPT could and should be central to the operation of effective and responsible local government.

[1] The obvious reason being that taxation specific to a local area which is part of a single national economy is best based on relatively immobile assets.
[2] *Review of the Local Property Tax (LPT):*
http://www.budget.gov.ie/Budgets/2016/Documents/Review_of_Local_Property_Tax_pub.pdf

[3] Somewhat bizarrely, politicians on the extreme left.
[4] Don Thornhill advocates authorities being able to vary the rate of tax and perhaps the size of the bands. This seems to me an un-necessary complication. One can achieve much the same effect on tax bills by using the " 15% instrument. Keep it simple should be the watchword.
[5] Quite predictably, that reservoir of bad economic ideas (the Irish Times letters page) recently published a plea for a floor area-based tax. Also quite predictably, it was from that well-known deprived area, Dublin 6.
[6] i.e. rents in the classic economic definition considered as a surplus over and above the supply price.
[7] The question of incidence can get quite complicated. If I own a house I have to pay LPT whether I occupy it or rent it out. In that case how does it enter into my decision? If I sell it, and if LPT is capitalised into the price, how does that effect my decision?
[8] While LPT may take absolutely more money from those with higher incomes, it does not follow that it takes a greater *proportion* of income from those with higher incomes, which is the classical definition of the concept of progressivity.

Voter backlash prompts Government rethink on property tax

Homeowners will be spared massive increases in their local property tax (LPT) bills after 2019 under plans being devised by the Government.

Allowing each local authority to set a different rate of LPT to avoid large increases in bills for homeowners is the preferred choice to avoid a voter backlash.

Finance Minister Paschal Donohoe has announced a review of the property tax to conclude in time for October’s budget to determine the system of charging post 2019.

Because rates are currently based on the market value of the property, homeowners are facing massive rises in property tax given the sharp rise in house prices, if the policy is not changed.

The LPT will raise €462m this year despite 62,000 households deferring payment due to an inability to pay.

Politically, such a move is not considered tenable and a report compiled by the Oireachtas Parliamentary Budget Office, suggests amending the rates at local level is the way to go.

The report, outlines four options including doing nothing, but said such a policy “could damage the legitimacy of the LPT with the public”.

The second option is to extend the freeze on 2013 levels but warns that this would give rise to inequalities as properties that were of similar value in 2013 have changed since.

It also expressed concern that “a further freeze would give rise to the expectation that any future revaluations would also be postponed”.

The report also warned that “precedent suggests that if the taxable value diverges significantly from the market value that constitutional issues could arise”.

The third option is to undergo a process of re-evaluation of properties and adjust the rate at a national level to maintain the overall amount of money raised.

“Average payments would be similar but properties that have increased [particularly in Dublin and other urban areas] will see increases in their LPT charge,” the report said.

The fourth option, argues for a re-evaluation of homes but allows local authorities to ensure the amount of money raised is maintained.

“The 2015 Thornhill Review of the LPT recommended that this approach be adopted,” the report states.

Fianna Fáil finance spokesman and Michael McGrath told the Irish Examiner dramatic increases in bills have to be avoided.

“The priority has to be to avoid the dramatic increase in LPT bills that households will face if the current system is not reformed,” he said.

“The changes to the LPT regime need to bring about greater certainty for households and local authorities and avoid further wild fluctuations in the future. This will have to be dealt with by Budget 2019 so that people can plan for the future with a degree of certainty.”

At the Oireachtas Budget oversight committee, finance officials appeared to rule out moving to a site- valuation tax model.

Minister for Finance rules out significant property-tax rise

A review of the local property tax (LPT) will focus on keeping bills for households roughly in line with current levels in the years ahead, Minister for Finance Paschal Donohoe has said.

This will mean significant changes in the tax, as revaluations next year would otherwise lead to big increases in property tax bills from 2020 onwards.

The review, which will begin next month, will look at the entire basis on which the tax is collected. It will re-examine the recommendations of a 2015 report by Dr Don Thornhill, which said the level of tax charged each year should be based on agreed funding needs for local authorities, thus leading to some stability in household bills from year to year.

The Thornhill report also recommended the ending of an exemption for new houses bought from builders and developers. If this is accepted, it would mean thousands who purchased new houses since 2013 would be brought into the net for the first time.

The review will also look at the deferral options open to those in financial difficulty or on very low incomes.

Launching the review, the Minister said it would be “informed by the principle of achieving relative stability in the LPT payments of those liable for the tax”. The house prices on which the tax is based are due to be revalued in November 2019 for the first time since it was introduced in 2013.

An average rise of 71 per cent in house prices in the meantime – and likely further increases up to November 2019 – mean most households would face a significant increase in their payments in 2020, unless the Government acts to avoid this.

“The review will be informed by the desirability of achieving relative stability, both over the short and longer terms, in LPT payments,” the announcement said. It is due to make recommendations to Government by August.

Public consultation

The tax raised €477 million last year, according to figures recently published by the Revenue Commissioners, less that 1 per cent of total tax revenue. Officials from the Department of Finance told the Oireachtas Committee on Budgetary Oversight on Tuesday the review will include a public consultation process.

Sinn Féin finance spokesman Pearse Doherty asked whether the review would look at the fact the tax was levied on those in mortgage arrears and those in negative equity.

Assistant secretary of the department John Hogan said he did not want to comment other than to state that there were particular recommendations in the Thornhill report for those who were in mortgage distress. The review would be conscious of those who were in difficulty, he said.

Ireland To Review Local Property Tax

The Irish Finance Department is to begin a review of the Local Property Tax (LPT) next month, which will consider the impact on property tax bills of increases in house prices since its introduction in July 2013.

The Irish Government was compelled to introduce a comprehensive property tax regime under the terms of its bailout with international creditors. An initial revaluation of properties for LPT purposes was undertaken in May 2013.

The aim of the review is to provide the Finance Minister with information on any possible measures he might recommend to the Government regarding the revenue yield from LPT and the LPT's contribution to the total tax take. The Finance Department has made clear that it wants revenue from the property tax to be relatively stable, both over the short and long term.

The review will include a consultation process and is expected to conclude in August 2018, when the group charged with undertaking the review will put forward a range of policy options for government consideration.

The LPT is charged at 0.18 percent on the market value of properties worth up to EUR1m (USD1.2m), and at 0.25 percent on any excess value over EUR1m. Property values are organized into a number of bands, and the tax liability is calculated by applying the LPT rate to the midpoint of the relevant band. A "local decision factor" allows local authorities to vary the rate by up to 15 percent.

A previous review of the LPT was carried out by Dr Don Thornhill in 2015. Thornhill recommended that the Government postpone the planned revaluation of properties from 2016 to 2019, which it did.

If no further changes are made to the LPT legislation, property values as at November 1, 2019, will be used to calculate LPT liabilities from 2020.

The latest review will also consider the outstanding recommendations from the Thornhill review. These were that a revised system of assessing LPT liabilities should be introduced, and that the Government should switch from a three-year to a five-year valuation period. He also suggested that the Government should consider moving to a system under which local authorities retain 100 percent of the LPT revenues raised in their areas, and that LPT be re-designated as a local council tax.

Finance Minister Paschal Donohoe said: "Even though it would be 2020 before LPT liabilities would be affected by any property revaluations, it is important that the Government is able to make it its position clear in relation to LPT in a timely way so that households will be aware of its plans for the tax in advance of the November 2019 revaluation date and the associated 2020 and beyond LPT liabilities."

"The current review of the LPT will be informed by the principle of achieving relative stability in the LPT payments of those liable for the tax and provide clear direction on the likely payments faced by households in 2020."

Property tax overhaul could be fairer on hard-hit Dubliners

A complete overhaul of property tax has moved significantly closer after a dramatic intervention by the Minister for Housing, who says bills should no longer be solely based on the value of homes and the annual charge needs reform.

Minister Eoghan Murphy said the current property tax system is unfair on homeowners and needs to be significantly changed in the coming months.

"I would like to see a more fundamental change to how the local property tax is calculated, to one that isn't linked exclusively to the perceived market value of a home," he told the Sunday Independent.

At the same time, Minister for Transport Shane Ross also weighed into the debate by calling for waivers to be introduced for older people who live in expensive homes but could have a fixed source of income and may be "pension poor".

Property tax will move centre stage this week, when Mr Murphy holds his first meeting with Minister for Finance Paschal Donohoe to review the controversial charge, which is seen as deeply unfair on Dublin homeowners.

Property tax bills are four times higher in parts of Dublin than in more rural parts of the country.

One in every three euro in property tax raised last year was paid to the four Dublin local authorities.

It is understood one of the new models being actively considered is the introduction of a nationwide property tax "banding" system, whereby factors such as location and local authority services would be taken into account when calculating how much homeowners should pay, rather than just the market price of property in the area.

Mr Murphy said he "would not make any assumptions" about property tax and insisted a number of proposals will be considered before a final decision is reached.

"I think solely having a tax that is linked to a perceived market value of a home isn't going to be fair on the homeowner in terms of their ability to pay, but neither will it necessarily meet the needs of the local authority in terms of its funding.

"So we are looking at new ways of potentially funding the local authorities using the property tax," the minister said.

Mr Ross is understood to have sought property tax waivers for pensioners in last year's budget negotiations but his proposal was shot down by Minister Donohoe.

However, waivers are expected to be considered as part of the forthcoming review.

The Minister for Transport told the Sunday Independent he considered the property tax a form of "double taxation" as in most cases homeowners had already paid stamp duty on their property.

"I think it is a tax which is very unfair in its implementation and very unfair to people living in Dublin," Minister Ross told the Sunday Independent.

This coming Wednesday is the deadline for homeowners to notify the Revenue Commissioner of their intention to pay the charge by credit card, debit card or cheque.

This is the last year of property tax payments before the freeze on rates expires in 2019.

Mr Murphy and Mr Donohoe's meeting this week will focus on establishing a cross-departmental review group, whose task will be reform of the property tax system.

TDs and senators, along with interest groups, will be invited to make submissions ahead of the final report.

A senior Fianna Fail source said the party would use its influence to prevent "massive increases" in property tax bills and seek to ensure charges are "as near as possible" to the current rates.

The source said property tax will be a "big issue" for the local elections in 2019, once the freeze on charges has expired.

"The main principle of property taxes - to allow for reinvestment into local services - is our policy, so once the tax is not exorbitant there will be room to manoeuvre," the source added.

There is great concern among homeowners whose properties have rocketed in value since the crash, who will face massive property tax bills once the freeze ends in 2019.

The Government is also anxious to break the link between property tax and house prices - not least because of concerns that if the property market crashed again, the revenue raised by the tax would plummet.

The property tax review is also set to spark another rural-vs-urban debate, as the vast majority of the €477m raised by the charge is received from Dublin householders.

Revenue Commission figures released last week show a third of the entire property tax raised last year was paid to the four Dublin local authorities. Homeowners in Dun Laoghaire-Rathdown pay an average of €524, while the average in Donegal was €160 and in Leitrim only €130.

Government sources said the current system is unfair because it means the owner of a small apartment in Dublin will pay significantly more property tax than the owner of a large house in rural Ireland.

The current property tax system also sees revenue raised by Dublin local authorities redistributed to rural councils in which less money is raised.

Revenue sends one million letters over property tax

Only 12,500 homeowners have adjusted their Local Property Tax (LPT) valuation in the past three years, after being contacted by Revenue. This includes 1,500 in 2017.

In many cases, this was done before putting a home on the market. If a taxpayer sells their property at substantially above the rateable value they put on it back in May 2013 when the tax was introduced, they must get clearance from the Revenue. If the sale price is more than 50 per cent above the rateable valuation outside Dublin and 80 per cent in the capital, they require formal Revenue clearance.

The Revenue's compliance programme has also been targeting those who assessed the price of their property at a far lower level than guide values issued when the tax was introduced in May 2013.

Revenue has sent nearly a million letters to homeowners over the past three years regarding their LPT. However, around 95 per cent of those letters related to actual payment of the LPT, for example if you forgot to make the annual payment or a direct debit failed to go through.

"The compliance programme considers all risk, including comparative valuations of similar properties," a Revenue spokeswoman said.

"Where this analysis identifies unexplained anomalies or 'outliers', the property owner may be asked to clarify how the 2013 valuation was arrived at, and to provide supporting documentation," she said.

The LPT is based on property values from May 2013. Property tax bills will remain frozen until 2019, when the tax is expected to be recalculated based on property prices at that time, although Taoiseach Leo Varadkar has indicated this deadline might be extended on account of the rapid rise in values in some areas.

The Revenue's latest LPT statistics, published on Friday, show it took €477 million in LPT last year, a compliance rate of 97 per cent, in line with other years.