



IRELAND – March 2018

DUBLIN'S NEW TRAM HIGHLIGHTS THE UNTAPPED BONANZA OF LAND VALUES 1

60,000 more to pay local property tax bills

But those paying already will escape major hikes in overhaul

Housing Minister Eoghan Murphy intends to prevent massive property tax increases for the majority of households by adding tens of thousands of new homeowners to the scheme, the Sunday Independent can reveal.

The minister's overhaul of the property tax system will include abolishing exemptions for 60,000 homeowners who have avoided paying the tax since it was introduced more than five years ago.

Revenue raised from the additional households will be used to fund a new system of allocating funds to local authorities based on greatest need.

Mr Murphy plans to dramatically change how centralised property tax income is allocated to local authorities to ensure a fairer distribution of the funding to city and county councils.

However, there were concerns within Government that the new system could result in increased charges for those currently paying property tax.

"Some councils are losing out. The minister is intending to design a scheme whereby no council drops its current level of funding but some will get increases," a senior government source said.

"He intends to do this without increasing the burden on local property tax payers - instead he will bring homes currently not registered for the tax into the property tax net," the source said.

The news will be welcomed by hundreds of thousands of homeowners, especially those living in Dublin, who feared massive property tax increases as a result of a more than 70pc average rise in house prices since the introduction of the charge.

However, around 60,000 homeowners now face average annual charges ranging from more than €500 in some parts of Dublin to €130 in Leitrim.

The latest figures show the Government raised €477m from property tax in 2017, and one-third of the total revenue - amounting to €171m - was paid to the four Dublin local authorities.

New homeowners who bought properties in the last five years will receive bills once the property tax freeze ends in 2019.

Any property bought in 2013 is currently exempt from the charge as are all new houses bought from a builder or developer over the past five years.

Houses in ghost estates and unsold properties are not subject to the tax.

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Mr Murphy previously told the Sunday Independent he believed property tax should not be calculated based exclusively on the value of a property.

It is unclear how the tax will be calculated once the freeze ends but the minister will ensure those who currently pay the charge will not shoulder any extra costs.

The minister is also understood to consider that the current regime of how property tax funds are allocated to local authorities is unfair and needs to be reviewed.

Mr Murphy intends to introduce new 'high level indicators' which will determine how much funding each local authority will receive from the central property tax pot.

The indicators will include the level of existing resources, population, length of coastline, size of land territory and the extent of social deprivation in an area.

Councillors from rural local authorities have complained consistently they are not receiving a fair share of the revenue raised from the charge.

Each council is permitted to retain 80pc of revenue it collects from the charge, while 20pc is earmarked for a €140m equalisation fund which is then distributed to less well resourced local authorities.

The minister plans to establish a new review group which will include representation from the Council and City Management Association and Association of Irish Local Government to examine the fund.

There will also be public consultation ahead of the introduction of a new funding system.

Mr Murphy's assessment of the how property tax is allocated is happening in tandem with a review by Minister for Finance Paschal Donohoe examining how the payment is calculated.

Both reviews are expected to be completed by August.

Land or property tax favoured by OECD to address housing supply

Angel Gurría said there are well located pieces of land in Ireland that are underutilised

The Secretary General of the Organisation for Economic Co-operation and Development has said he favours a recurrent land tax, or a property tax, in order to address housing supply.

Speaking on RTÉ's News At One, Angel Gurría said: "I'm talking about a recurrent tax on the value of the assets that you have, which typically have to be updated/upgraded, ideally every year.

"So basically, if you are going for property taxes, do it on the basis of realistic values, and then upgrade those values over time, so that they do not fall behind."

He also said there are well located pieces of land in Ireland that are underutilised and suggested some rezoning of land for residential purposes.

When asked about the Irish courts being too slow at repossessions, Mr Gurría said: "Mortgages are no exception; they are a loan like any other loan.

"On the other side, if in some cases because of the social vulnerability of some groups the State would decide to support some of these groups that has to be specifically addressed; specifically decided - it has to be an expenditure decision by the people who approve the Budget, which are the parliament."

He added this needs to be explained to the taxpayer that they may have to support their fellow country men and woman.

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He said: "Don't try to do social justice in the courts and don't do social justice in the banks. The question is who does what here?"

Mr Gurría also said his organisation is still on track to publish an interim report on taxing the digital economy next month.

He said that taxing the digital economy is not about targeting individual companies such as Apple or Google, but about how an increasing digitised economy will be taxed as the entire world is going digital.

OECD Report: Call for higher tax rate on vacant city properties

The Government should consider introducing a higher property tax rate on properties left vacant in city areas and also ease off on self-certification of developments.

The OECD survey also recommends a land tax levied on site value.

The report outlined the fall in housing supply between 2006 and 2013 and referred to the recovery in supply in recent years as "tepid". With underlying housing demand outpacing supply, it has resulted in rising rents and housing prices, particularly in Dublin.

"This has elevated housing affordability concerns and contributed to the number of homeless people in Ireland doubling between the start of 2015 and mid-2017," it said.

"At the same time, rising housing costs for professionals may have dissuaded further foreign direct investment and return migration of Irish nationals living abroad."

It said Ireland could need as many as 50,000 new dwellings or more per year by 2036, when last year only around 19,000 were added to existing stock.

The report refers to state efforts such as 'Help to Buy' and increased Housing Assistance Payment limits, as well as limits on rent reviews, but said: "While all of these measures may improve affordability in the short-term, they will do little for affordability over a longer horizon if they feed into rising dwelling prices or dissuade investment in rental housing.

"For a longer-term solution, policymakers must focus on measures that encourage greater housing supply."

It said construction costs are "significantly higher" in Ireland than in other European countries, "with stringent regulations on home building likely to be one contributing factor".

It referred to regulations required self-certification of dwellings by a registered architect, which it contrasted with the approach in other countries where local authorities are responsible for inspections and building certification.

It said self-certification requirements inflated the cost of housing developments and added: "The Government should also eliminate the self-certification process for multi-dwelling projects." It said local authorities would need more money so they could undertake more inspections.

The survey also cited regulations "which may have stifled the scale of new home building", such as the allowed minimum dwelling size in Dublin — one of the highest in Europe, at 45sq m for a one bedroom apartment — and a ban on north facing apartments, as well as a height limitation of seven floors in some areas.

"In Dublin, there are multi-acre sites in valuable locations that house army barracks, bus depots and industrial estates that are vacant or no longer used at full capacity," it said.

"Some of these sites could be rezoned by local councils for mixed use, including residential. Coupled with this, there may be scope for a land tax to be introduced in order to promote more efficient land use.

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"While Ireland currently has various taxes on property, such as commercial rates, a local property tax, a vacant site levy and stamp duty (all levied on the market property value), there is no pure land tax levied on site value."

It said there were challenges over resolving the "stubbornly high stock of non-performing loans", which also meant the banking sector was vulnerable to possible shocks in the future.

It said social housing provision was vital along with improving case management of repossession proceedings, which could mean a court-mandated solution at an early stage.

It said Ireland should consider standardising the "suspended" possession order, which would "grant lenders a collateral possession order at a future date with the suspension of possession only conditional on well-defined criteria".

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