



## IRELAND – May 2018

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### DUBLIN AIMS TO KEEP ITS PROPERTY TAX AND AXE €16M RURAL AID ..... 1

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#### Dublin aims to keep its property tax and axe €16m rural aid

The country's largest local authority has said the charge is "not a true local tax" because the capital was forced to give up nearly €16m last year.

A report compiled for the city council and seen by the Herald also argues that a revaluation of the Local Property Tax (LPT) should be brought forward from November 2019.

It calls for an end to exemptions available to around 12,000 households.

#### Importance

It suggests that the capital should receive extra funding because of its importance as "employment centre in Ireland" and the "first port of call for visitors".

The study, compiled by Dr Pat McCloughan, managing director of PMCA Economic Consulting, suggests in particular that Dublin is unfairly subsidising rural parts of the country.

It notes that almost €16m collected through the LPT in the city last year was paid back to the Exchequer so that it could be handed out to councils with "weaker tax bases".

The city council makes the case for keeping 100pc of the money it takes in.

"Householders in the Dublin City Council area understood they would benefit from more local services when the LPT was introduced, but this has not happened because of how the LPT has operated to date," the report states.

"The LPT, as it currently stands, is not a true local tax, even though most people agree with the principle of the LPT; the reality is that people are struggling to see its benefits, even with high compliance."

Dr McCloughan states that "equalisation" should be replaced by a new arrangement in which local authorities with weaker tax bases receive supplementary funding from the Exchequer.

"In addition, such Exchequer funding to local authorities should be reviewed periodically in order to guard against the risk of 'moral hazard', in which the Exchequer funding could create disincentives for local authorities to become fiscally prudent," the report says.

It adds that from the next revaluation, local authorities should be required to provide householders in their respective areas with information on how they spend the LPT funds available to them.

The 27-page report describes Finance and Public Expenditure Minister Paschal Donohoe's proposal to amend property tax rates in order to avoid a massive increase once a revaluation takes place as "understandable".

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The LPT is currently being calculated on the basis of 2013 market value, but house prices have spiralled in the interim.

The report notes "escalation in residential property values being especially rapid in Dublin".

"Under the current system, the higher property values would mean substantial increases in the LPT," it says.

However, while the city council backs a system for maintaining charges at close to their current levels, it adds that the next valuation should be sooner than planned.

Mr Donohoe has set up a working group to review LPT ahead of a reassessment of rates from November 1, 2019.

However, the report says this comes "after the point in the local authority budget cycle when they decide their LPT rates, which does not support sound budgetary planning among local authorities".

### **Sense**

It adds that it would "make sense" to bring this date forward.

Dr McCloughan's report, which will be debated at the Oireachtas Housing Committee today, says the review of LTP "provides an important and unique opportunity to amend and improve the system".

Separately, Dublin City Council is set to redevelop more than 6,000 flats in more than 100 complexes around the city.

The flats are over 40 years old, and some are significantly older.

It is believed to be considering a number of different options for regenerating the properties.

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