IPTI Xtracts

Property Tax and Assessment News from Around the World

IRELAND – October 2018

Property Tax 2019

The Property Tax **2019** liability date is **November 1st 2018**.

If you own a residential property on that date – then you will be liable for the Property Tax on it for the whole of 2019.

If you are planning on paying your 2019 Local Property Tax in full by cash, cheque, postal order, credit card or debit card. – the payment deadline is the **11th January 2019**

If you want to **change** your payment method for 2019, you will need to amend your LPT record online and confirm the new payment method by **23rd November 2018.**

If you wish to pay the tax in full, in a single payment **–** you should confirm that by the **11th January 2019.**

Note: Single Debit Authority payments will be deducted from bank accounts on or around 20th March 2019:

For all of the 700,000 or so owners that paid the 2018 LPT by **Direct Debit** or by **deduction at source** – that method of payment will continue automatically for **2019**. There will be no need for these people to complete any forms etc. (Unless they want to change their method of payment).

If owners were exempt in 2018 – and nothing has changed – then the exemption carries on through 2019.

If you are one of the people (about 1million) who paid the 2018 LPT in a lump sum from your bank account or by credit card or debit card , or by cheque or cash or by installments in the Post Office etc – **you will need to confirm your payment method again for 2019.**

Revenue will be sending out letters during **October 2018** to those people who paid by lump sum – to ask them to confirm their payment option again for the 2019 Property Tax .

A payment instruction form (LPT1a) will be included with this letter only for about 300,000 people (i.e. those who filed by paper last year) . The rest of the owners will be expected to confirm payment methods for 2019 **online**.

About 30,000 notifications will also issue to Revenue Online mail boxes.

The good news is – that the original LPT valuations that were filed back in 2013 are still valid for 2019 – so you don't have to go through the valuation process again. The LPT valuation band you selected for 2013 stays the same until November **2019**

(Unless you think it was wrong.).

If you live in an area where the Property Tax for 2019 is different to the 2018 rate – you will get a letter confirming the new rate if you pay by deduction at source or direct debit .

Note that if you bought your home in 2013 you are still **exempt** from the Property Tax until the end of 2019.

Property Tax 2019 Lump Sum Payment Dates

Credit/Debit Card payments: (online only): The full amount will be charged to your card on the day you select this payment method for paying your 2019 LPT .

11th January 2019: If you are paying your LPT in full by cash, cheque, postal order, credit card or debit card. – payment must be made by the latest 11th January 2019

14th January 2019 – This is the date of the first LPT monthly **direct debit.**

20th March 2019: Single Debit Authority payments will be deducted from bank accounts on or around this date.

The Local Property Tax is being slowly choked to death

The Government seems to be on a course that will stunt the usefulness of the tax

The Local Property Tax dates from mid-2013. In terms of yield and compliance it has been a success, generating revenue of almost €500 million per annum and achieving compliance rates of 96-97 per cent.

However, the tax can only be regarded as a provisional success. It has yet to pass an important test, namely adaptability in the face of strongly rising house prices. This test has already been side-stepped once, in 2016, when the first scheduled revaluation of residential property was postponed until 2019. As the new revaluation date approaches, options as to how such a politically hazardous process might be handled are receiving urgent attention. The outcome of the review of the tax, announced in January – the second review in three years – will be revealed soon.

By the time the revaluation falls due, liability will have been fixed for six years despite continuously rising property values

The problem is clear. Residential property values are much higher now than when the tax was introduced. The latest CSO data indicate that average prices nationwide in July this year were 80 per cent above their level in May 2013, the date the valuations determining current liability relate to. Revalued accordingly, liability for the tax would rise sharply, all other things being equal.

Average liability would increase by about 80 per cent. However, there would be a very wide dispersion around the average. Significant numbers of properties in the €0-€100,000 band (which, surprisingly, accounts for 27 per cent of all properties registered in 2013), would face no increase in liability. In contrast, properties valued at more than €600,000 in 2013 (just 1.4 per cent of the total) would typically face well above average increases in liability because they would now be valued in the €1 million-plus range where the marginal rate of tax is 0.25 per cent (the standard rate is 0.18 per cent). For example, a house valued at €925,000 in 2013 and now valued at €1.665 million would attract a prospective liability of €3,463, an increase of 108 per cent.

One of the objections to revaluation is that it would be unfair to Dublin property-owners. But how unfair? Here we need to distinguish between between the effect of differential price increases and the effect of differences in initial price levels. Regarding the former, there's not much of an issue: between May 2013 and July 2018 average prices in Dublin rose 81 per cent, only marginally faster than the 77 per cent recorded in the rest of the country. There was a much more marked differential at an earlier stage of the house price cycle, but areas outside the capital have since caught up.

As far as differences in levels are concerned, it is true that the more expensive properties tend to be located in Dublin and the cheapest in isolated rural areas. Thus the properties facing the biggest percentage increases in liability are concentrated in Dublin and those facing no increase are concentrated deep in rural Ireland. But there is a simple way of correcting for this: raise the threshold at which the 0.25 per cent rate kicks in. To correct completely would require raising it by 80 per cent, to €1.8 million.

This would ameliorate the Dublin bias, but the challenge of reconciling the great majority of taxpayers to a very substantial increase in their liability would remain. An obvious argument here is this: by the time the revaluation falls due, liability will have been fixed for six years despite continuously rising property values in the intervening period. If revaluation had taken place on an annual basis, liability for the tax would also have been rising continuously. The fact that taxpayers are now faced with a sharp increase in liability is a reflection of how much less they have been paying since the inception of the tax than they would have paid under a continuously updated valuation system.

Small increases

It's unlikely that any politician will make this argument. The Government in particular seems determined to ensure that any increases in liability will be small. Hence, in launching the latest review of the tax, Minister for Finance Paschal Donohoe said it would be "informed by the principle of achieving relative stability in the tax payments of those liable to the tax". This sounds like a recipe for maintaining the yield from the tax at or around its present level of €470 million, implying a gradual decline in the relative importance of the tax. The share of total tax receipts accounted for by the property tax has already fallen, from 1.2 per cent to 0.9 per cent. Continuing this trend would inevitably culminate in the tax dying of neglect.

This would be a tremendous pity. Instead of presiding over a declining share of the total tax take, the Government should consider adopting a strategy whereby the share of property tax in the total is increased significantly, and where the additional receipts from local property tax are used to reduce other taxes critical to the maintenance of our competitiveness.

Consider this, for example. Increasing the share of the property tax in the total to 2 per cent, implying an increase in yield of about €600 million, would finance a 1 per cent point cut in the standard income tax rate or a 2 per cent point cut in the higher rate. Increasing the property tax's share (including perhaps a new site value tax on commercial property), to 4 per cent of the total, would imply an increase in yield of about €1.6 billion, enough to fund a programme of transformational reform of income-related taxes.

I'm not suggesting that this be done overnight, but it could be adopted as a medium-term strategy to be achieved over, say, a five- to seven-year time frame. A small, and perhaps temporary reduction in the local property tax rates, designed to partially offset the effect of the sharp increase in property prices on liability, would not be inconsistent with such a strategy.

A report by Jim O'Leary, How (Not) To Do Public Policy: Water Charges and Local Property Tax, published by the Whitaker Institute at NUI-Galway in September, can be downloaded at whitakerinstitute.ie

Rates appeal by private care homes

Operators mount landmark challenge over commercial rates charged to elderly residents

A landmark case could see residents in private nursing homes receive a significant windfall as part of an appeal over the charging of commercial rates on care facilities and buildings.

Private nursing home operators are appealing to the Valuations Office. They say their facilities are residential units and commercial rates currently charged on them should not apply.

Industry representatives estimate up to €100m in repayments dating back over the past five years would be made available if the legal action is successful.

This would see money returned to private residents and the Fair Deal system.

The case is set to start in November, and, if successful, will increase pressure on local authorities and the Government to reimburse elderly residents and their families who have been made responsible for paying sizeable portions of the rates applied to their nursing homes.

HSE homes are exempt from commercial rates. Disability and other healthcare services are also exempt from paying commercial rates.

Nursing Homes Ireland (NHI) CEO Tadhg Daly called for equality in the valuations system, saying residents should not be expected to pay commercial rates for the place they live in.

"NHI can confirm that member nursing homes are appealing to the Valuation Tribunal this coming November," he told the Sunday Independent.

"The imposition of commercial rates upon residents in private nursing homes is discriminatory and requires redress. The nursing home is the residents' home."

The Valuations Office, a central body established to give valuations of commercial and industrial properties to ratepayers and rating authorities, declined to comment on the appeal. However, a spokesman said commercial rates are paid to local authorities based on how a property is used.

"One of the key principles underpinning the rateable valuation system is that properties of occupiers operated with the intention of making a profit are rateable," he said.

Rates are calculated by assessing the rent a property may receive for one year and the expenses a tenant may be liable for.

Irish Patients' Association chairman Stephen McMahon said many families would not realise tenants were being made liable for commercial rates charged on nursing homes. "If they were in their family home they would not pay rates. If they were in a home operated by HSE or charity they would not pay rates," he said.

"For fairness and equity is to be restored, either commercial rates are not charged to voiceless nursing home residents or all households pay rates. If they are exempted then the cost of refunds to residents or their estates for previous years could amount to €100m."

A spokesman for the Valuation Office said there were a number of avenues for redress when the occupier of a rateable property was dissatisfied with rates paid. If an appeal to the Valuation Tribunal is unsuccessful there were avenues for appeals to be made through the courts.

Many residents cover the cost of commercial rates in their monthly nursing home bills. If the appeal rules in favour of the nursing homes, private residents paying for their care could be in line to be reimbursed these charges. In the case of Fair Deal recipients, the money would have to be returned to the HSE.

Mr Daly said it was unfair that private homes faced these charges: "HSE nursing homes, those in receipt of fees that are a national average 60pc above those payable to private and voluntary counterparts, are exempt from commercial rates. Furthermore, disability and other healthcare services are exempt. Equality must be applied for all residents in nursing home care."