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Varadkar says 'vast majority' will enjoy property tax freeze in Fine Gael election ploy

The first shots of the local and European elections were fired by Taoiseach Leo Varadkar in a Dublin hotel last night.

His speech announcing former Tánaiste Frances Fitzgerald and ex-SDLP leader Mark Durkan as candidates was peppered with political swings.

But buried in the contribution was a promise that is likely to be more significant than any of his attacks on Fianna Fáil and Sinn Féin. It was a classic 'money in my pocket' gambit that he hopes will win Fine Gael votes.

It's more than a year now since Finance Minister Paschal Donohoe commissioned a review of the Local Property Tax (LPT) with the stated aim of achieving "relative stability" in the annual bills issued to 1.9 million householders.

That implied there would be some controlled increase on the back of the surge in property values - but now Mr Varadkar is promising the "vast majority of homeowners won't see any increase at all".

The findings of that review were due to be published last August. Then there was an expectation of some clarity on Budget Day. Now we're being told it's nearly ready. A cynic would suggest there are active efforts to have it completed just in time for the local elections.

As taxes go, the LPT is hugely successful. There was a compliance rate of 97pc last year and preliminary figures show it raised €482m for the Local Government Fund in 2018.

However, the current self-assessment regime is outdated. Homeowners are expected to pay based on the market value of their property in 2013. Since then, prices have risen dramatically in most of the country, particularly the capital.

Mr Varadkar said last night: "If we in Fine Gael have anything to do with it, nobody will see dramatic increase in their property tax."

The statement sits funny. Fine Gael have everything "to do with it". As the main party in Government, it will be their ministers who decide how to proceed.

But the Taoiseach was clearly issuing a wider rallying call to his candidates. He was giving them a positive message to spread on the doorsteps in the coming months.

The local elections are usually seen as a mid-term review for the Government - but on this occasion they are far more significant.

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All parties are looking at them as a dress rehearsal for the real contest which is increasingly likely to be later this year - and housing is a difficult subject for Fine Gael.

Only yesterday, Housing Minister Eoghan Murphy was struggling to turn a story about a home loan scheme that proved more successful than anyone predicted into good news.

The initial fund ran out and they didn't top it up before Opposition TDs were able to regale the media with tales of hapless house hunters being abandoned by Government.

Naturally a freeze on property taxes will be popular but the debate around it won't be straightforward.

Hard questions will have to be asked about the funding of local government in the absence of deeper pockets.

And almost 12,000 people who bought homes in 2013 will be kissing goodbye their exemption.

The election starts here.

The Times view on local property tax in Ireland

Successive governments have fetishised home ownership and lavished tax breaks on those with properties — helping nobody but the developers

Nothing touches the nerves of homeowners, and politicians looking for their votes, like a property tax. Successive governments have made a fetish of home ownership, lavishing tax breaks on mortgage holders, first-time buyers and owners. This is a socially regressive policy that contributes to inequality and the entrenchment of class divisions. The only winners are developers.

It is time for change, and the way to bring it about is to tax property fairly, transparently and consistently. Governments pay lip service to the principle, but they have been cowards when it comes to implementing measures that would bring it about. The latest political leader to dodge the issue has been Leo Varadkar.

The local property tax (LPT) is based on house values set in 2013. Since then, by many estimates, the average price has risen by 80 per cent. A revision of the value base for the LPT is due this year, but at a selection convention last week the taoiseach said that “the vast majority” of homeowners would not see any rise in their property tax despite the increased value of their homes.

Fianna Fáil accused him of “playing with people” when they needed certainty and said the review should have been published months ago. It also accused the government of withholding the review back until April to win votes in the local elections. Mr Varadkar denied this, but his comments were irresponsible. He cannot know what the new base value level will be from November, when it is due to be set, or how big the rise in the tax will be for individual homeowners. But he must be aware that the tax base on which the government relies to pay for public services has been distorted since the Irish economy began to recover from the crash.

Last year Revenue collected €54.5 billion in taxes, including €10 billion from companies that operate in Ireland. A new global slowdown looms, threatening to bring with it a fall in corporate tax revenue. That could leave a sizeable hole in the Irish exchequer. One way to insure against this is through higher property taxes.

Homeowners paid €482 million through the LPT last year, less than 1 per cent of the total tax take. All of Ireland's homes combined are valued at €420 billion, according to Ronan Lyons, the Trinity College Dublin economist. In his latest survey for the property advisers Daft.ie, Dr Lyons estimated that the value of the residential property market is rising by €150 million every day in the present cycle.

The wealth locked up in Ireland's property market is roughly twice the size of the economy, but successive governments have refused to tax it. Around the world there is an important debate on what should be taxed and who should pay it. The trend is towards taxing assets and unproductive wealth rather than, as is the case today, incomes and productivity.

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Other countries raise more money than Ireland from taxing property. In Belgium, the revenue from property tax amounts to 3.6 per cent of the country's economic output; in France it is 4.9 per cent, according to the European Commission. Ireland could do much better, but the debate here is riven by political interest and class overtones. Josepha Madigan, the culture minister, said recently that the owners of the most valuable homes should pay at a lower rate than other homeowners. But why? Two fifths of the value of Irish homes is in Dublin, and Eglinton Road in Donnybrook is the country's most expensive street. In the interests of elementary fairness, Dublin and its wealthiest districts should bear a greater proportion of the burden.

A universal property tax that rises and falls with the value of the market is not only fair; it is easy to collect. Mr Varadkar must not duck the issue when it arises for real later this year.

Varadkar accused of stunt over property tax delay

Taoiseach Leo Varadkar has backtracked on his claim that ensuring property taxes remain stable will be "simply a case of adjusting the bands".

Amid accusations that he has withheld a long-awaited review of the local property tax (LPT) to coincide with the local elections, Mr Varadkar has now said it is a complicated process because "house prices haven't risen by the same percentage in every part of the country".

Householders currently pay the LPT based on the value of their property in 2013, but this is due to change from November.

At a Dublin selection convention on Wednesday night, the Taoiseach promised the "vast majority" of bill-payers would see no increase even though house prices have gone up 80pc in parts of the capital since the economic crash.

Fianna Fáil's housing spokesman Darragh O'Brien accused the Fine Gael leader of "playing with people" when they need certainty.

He told the Irish Independent a review established by the Government should have been published months ago.

"They are holding it back so that it can be released in April as part of an attempt to gain votes for Fine Gael in the local elections," he said.

Mr Varadkar denied this was the case, saying he doesn't have a date for the publication of the review yet "but obviously the re-valuations are due to happen in November 2019 so we'd have to have it well before that".

Around 1.9 million householders paid the LPT last year, raising €482m for local authorities.

Currently a householder whose property is worth between €150,000 and €200,000 must pay a standard annual rate of €315.

The bill rises to €405 for a property valued between €200,000 and €250,000.

Mr Varadkar announced the plan to ensure most homes attract no increase at the Fine Gael's selection convention for the Dublin constituency in the European elections.

He said "nobody will see a dramatic increase" in property tax next year.

Review of Local Property Tax necessary, says economist

A review of the Local Property Tax is necessary because property values have not been adjusted gradually, a leading economist has said.

Edgar Morgenroth, professor of Economics at Dublin City University told Newstalk Breakfast "unfortunately it is necessary, we do need taxes to deal with all sorts of crises such as health and housing, so there is a need for a tax review."

He said that the Local Property Tax should have allowed for change all along, instead it had "stored up a large increase".

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Prof Morgenroth explained that the tax had been brought in to broaden the tax base, but by not indexing it the share of tax revenue has been declining. “Rather than broadening it, it has narrowed it. That’s not a good idea.”

Increases in the LPT had originally been due this year, but the government instead sent the tax for review amid fears that householders – especially in Dublin – would be hit with sharp increases driven by rising property values in the capital and other urban centres.

The tax is charged on market values, but the amount levied when calculating the value of a house has been frozen since 2013. Last week the government said that the review of the tax was to be published shortly.

He recommended that the percentages should remain the same, but that the values increase. He acknowledged that this “will hit places like Dublin more”, but that the Government “could give some of it back” by other allowances and means.

If the issue is trying to raise local taxes then perhaps there should be a system to pay for local services, he suggested. Maybe there is a need to change the way local government is run, he added.

However, Dublin Fine Gael councillor Paddy Smyth said that the Local Property Tax should not be based on “the capricious values” of the property market. “The effects on Dublin would be disproportionate.”

He said that Dublin pays “a huge amount” of tax compared with the rest of the country which is not fair on his constituents. Several Fine Gael and Independent ministers have expressed concern about the prospect of re-indexing the tax to current property values, including Josepha Madigan, Mary Mitchell-O’Connor and Shane Ross.

Fianna Fáil has put forward a bill that would grant householders a reduction in their property tax worth a third of their management fee, if they are paying one, one third off the LPT, or €300 - whatever is the lowest amount. The government asked to defer the bill for six months to allow Minister for Finance Paschal Donohoe to consider the review of the LPT and any new charging system that is proposed.

Mr Donohoe has said that any changes will be “affordable and predictable”.

The LPT is based on valuation bands. From 2015, local authorities have been allowed vary the rate levied on residential properties. Some properties are exempt from the tax – for example, properties bought in 2013 which are used as principal private residences are exempt until the end of this year, as are properties built between January and May of 2013.

There are also exemptions for properties with a significant level of pyrite damage, or those owned by a charity or public body, among others.

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