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Property Tax and Assessment News from Around the World

IRELAND – April 2019

Confusion reigns over new rates bills

Several business owners in New Ross feared they were facing having to close their doors last week after a confusing and poorly worded rates valuation letter was sent to them.

New Ross & District Chamber of Commerce had to send a warning letter to its 200 members on Thursday after discovering that some details were incorrectly recorded in a "Proposed Valuation Certificates" issued to a member on the March 15 from the Valuation Office

A Chamber spokesperson urged all members to check their certificates carefully.

'If you are dissatisfied or unsure with any of the particulars contained in your Proposed Valuation Certificate and wish to discuss with the Valuation Office there is a walk in clinic available today at the Tholsel on Quay Street. If you need clarification on any aspect of your notice you may e-mail Reval2019@valoff.ie or contact their Helpline by telephoning 01 817 1033 between 9.30 a.m. and 5.30 p.m. Monday to Friday, excluding public holidays.'

Cllr Anthony Connick said he has been inundated with calls from business people in New Ross about the issue.

He said contrary to what appears to be said in the letters, most New Ross business owners will have their rates reduced under the new valuation system.

Cllr Connick said he went to one of the two information sessions held in New Ross last week to complain about the wording of the letter. 'I went in to air that I was disappointed. It's not fair.'

He said people thought they were to multiply their rates rent valuation total by 73 per cent to determine how much rates they owe, when in fact they are to multiply it by .257.

'There should have been a better explanation letter (of how it works). People think there has been a 300 per cent increase in their rates bill. They should have been given an example and told "this is the charge for your rates". Also it's only an indicative value, which can be subject to change. They can go up or down.'

Cllr Connick said the 73 per cent rate was the old system but since then a new system has been introduced. 'Under the new system the rates valuer has measured all of the buildings per square foot and different rates apply for different types of businesses, as in a garage or workshop is rated differently to a cafe.'

Cllr Connick was one of four county councillors to vote against the rates increases. 'The other 30 were for them. Now I know a lot of people are angry.'

He said some business owners are falling between 'two stools' as they are being told to contact the valuation office, which is a national body, and yet if they want to get an exemption they have to go through their local authority.

He said the number of people attending the rates clinics has been very big. 'I'm telling every owner that they can appeal until April 23. Afterwards you'll incur a penalty. I'd encourage people to attend the walk in clinics and talk to valuers.'

Cllr Michael Sheehan called on the council to strike the same rates for the next three years to ease the burden on the county's hard pressed businesspeople. He said a rebate system introduced last year to help businesses with the rates harmonisation increases has worked well, while acknowledging that there are huge fears among businesspeople in New Ross about rates increases.

'The letter sent out could have been far clearer. It's life or death for a lot of businesses in town where we have six premises empty in the last six months. If some place's rates go up they'll say they'll have to shut their doors. The letter does state that it is not a rates bill. I've had conversations with about a dozen people and most say their rates bill has gone down by around €100 or more.'

Cllr Sheehan urged people to appeal the rates bill anyway.

'I want everyone to be sure that any information in terms of rental, footfall etc is taken into account.'

He said a second round of clinics are being held in New Ross for hotel and catering business owners shortly. 'I have asked them to come back down and they will see what they can do.'

The Times Ireland view on property tax: Outdated Values

The deferral of changes is dangerous economics and indicates that our politicians have learnt little from the downfall of the Celtic Tiger

The government’s decision to defer changes to the local property tax for a year might be good politics for the coalition, but it is bad, and dangerous, economics.

Fine Gael likes to portray itself as the party of sound fiscal habits but, coming after the stinging criticism of last year’s budget by the Irish Fiscal Advisory Council (Ifac), this is yet another sign it has slipped into the sort of approach that did so much damage in the Celtic Tiger years.

There has been a significant ramping up of government spending over the past few years. This has been funded by surging corporation tax receipts. Ifac, among others, has warned that these should be treated as windfall revenues because there is no definitive explanation why they have risen from €4.6 billion in 2014 to €10.4 billion last year.

If corporation taxes were to drop back towards the levels of previous years, the government would either have to slam the breaks on spending and/or introduce emergency tax increases elsewhere. Let’s not forget, this is essentially what happened a decade ago when the property sector collapse obliterated revenues from stamp duty and VAT, leaving a massive budget deficit.

The local property tax was introduced as part of the bailout programme as a means of providing a steady stream of tax revenue, less influenced by the economic cycle. The intention was to broaden the tax base, reducing the dependency on income tax. LPT raises just under €500 million a year. A form of wealth tax, it is one of the most equitable taxes at the disposal of any government. This makes it all the more surprising — risible even — that left-wing parties in Leinster House want it scrapped.

Fine Gael insists that it is committed to maintaining the property tax. Yet under its watch there has been no adjustment in property valuations or the amount collected since its introduction in 2013, when prices were at a post-crash low. House prices have risen by 84 per cent nationwide since then.

On two occasions, in 2016 and now this week, the government has opted to defer any adjustment. Levying a tax based on 2013 valuations risks bringing it into disrepute and will at some point raise questions about its constitutionality and sustainability.

Perhaps not yet, but a worrying precedent was set in 2016 when the can was kicked down the road. That precedent has now been reinforced. How can we be confident that there won't be a repeat in advance of the next date for valuation? The government insists the deferral was necessary to allow time for the Oireachtas to come up with a fair way of developing the tax to ensure that homeowners were not unduly penalised by a sharp increase in house prices.

Paschal Donohoe said that a revaluation, based on market prices today and using the current system, would have involved 58 per cent of homeowners paying an increase of €200 or more next year. It would take time, the finance minister said, to come up with a new model — involving recalibrating the valuation bands and changing the rate levied — to ensure that people will face little or no increase in their bills.

That would be fair enough if this was the first time reform had been deferred, but why was this work not done since the last deferral in 2016? Many will see it is as more than a coincidence that the latest postponement of the valuation date to November 2020 will take us past the forthcoming local and European elections and almost certainly beyond the next general election.

The suspicion is that the government has more than one eye on the ballot box and a likely general election later this year. If that is the case, then what lessons have been learnt from our recent and disastrous past?

Local property tax languishes in eight-year limbo

When it was first introduced, in 2013, the local property tax was that fairly unusual feature of the Irish exchequer funding reform – a sensible tax, structured transparently and with an efficient system of collection.

Since the abolition of rates as an election gimmick in 1977, there had been only sporadic efforts to introduce taxation on property and, in general, they were criticised as being either unfair, ridden with loopholes or too much trouble to collect.

The genius of the local property charge was to have Revenue doing the collecting, providing a range of lump sum or instalment payment options and establishing the general principle that there should be a charge on property broadly in line with its market value.

It's not perfect but, in general, it was well-designed.

All the more mystery then that the Government seems determined to undermine its integrity.

Market revaluations

House prices change all the time and the tax was introduced when the property market was still feeling the effect of the crash. The original plan was to allow for regular revaluations of the market value of the property to ensure the tax's continued fairness – the first being due in 2016.

It would have been timely with prices generally having risen noticeably in the three years. But politics intervened: 2016 was a general election year and the prospect of significantly higher property tax bills looming was not palatable. So it was put off. And not to 2017 but for a full three years, to 2019.

Now, the prospect of another election is in the air and, having ducked the decision in 2016, any increase in the tax would only be more dramatic. So now, the Minister has put off revaluation to 2020. That means new bills kicking in in 2021 – a full eight years after the original valuation. Either the rate will have to be reduced or bills will soar.

Meanwhile, those paying the tax increasingly look enviously at those who have bought newly built homes since 2013 and have yet to pay the tax at all.

Fairness is becoming the issue, along with good sense. For a State still struggling to deliver consistent budget surpluses, can we really afford to discredit one of the few generally accepted new taxes?

Ireland defers property tax review

IRELAND will defer a revaluation of its national property tax by a year and extend controls on residential rents in areas where they are growing rapidly until 2021 in a bid to keep a lid on rising housing costs.

Irish house prices have almost doubled since the government introduced a tax based on the market value of residential properties in 2013, and it postponed an initial revaluation by three years in 2016 to ensure bills remained frozen.

By opting to move that date out further to November 2020, the government likely pushed it beyond the next parliamentary election, with an agreement keeping the minority administration in power due to expire early next year.

But Irish Finance Minister Paschal Donohoe said he was determined to retain and reform the tax, and that following consultation with parliament hoped the changes in its application would result in manageable increases, for a minority of taxpayers.

"It's here, it's here to stay, but moments of change like this have been difficult elsewhere and I want to be sure we get this change right," Mr Donohoe told reporters on Wednesday, referencing a property tax in the UK which is still based on values in 1990s.

While house prices are 18 per cent below the peak hit at the height of a property bubble just over a decade ago, rents have long surpassed their previous high and in Dublin are 25 per cent up on levels seen in the Celtic Tiger boom years of the 2000s.

Ireland imposed temporary controls in 2016 to limit annual rent increases to 4 per cent, initially in the two largest cities of Dublin and Cork before other major cities. Areas surrounding the capital later qualified.

Deputy Prime Minister Simon Coveney said on Tuesday that the government had decided to extend the so-called rent pressure zones until 2021 and would outline changes to the qualification criteria outside Dublin in coming days.

Average rents still rose by 6.9 per cent year-on-year in the final three months of 2018, a similar rate to when the controls were introduced three years earlier.

Major local property tax hike would be toxic

When the local property tax was introduced in the midst of a deep fiscal crisis in 2013, the valuation of properties on which the tax was based was fixed until 2016.

In 2016, in an act of political cowardice or perhaps political pragmatism, a decision was taken to defer any changes to those valuations until November 2019.

From the perspective of the Government, a revaluation of property prices — in order to determine the property tax liability — has represented an incendiary device that would have elicited a very strong and negative popular response.

Hence, it comes as no surprise that a decision has now been taken to defer any changes to the tax out to November 2020, at which stage the general election and local elections will be out of the way.

Whenever it happens, the implications of a realistic revaluation would impose a considerable increase in the tax burden on property owners and would be incredibly unpopular.

While the introduction of a property tax made sense in terms of broadening the tax base and creating more certainty for tax receipts, the problem is that it comes on top of an already very heavy personal tax burden.

Despite what those on the left continuously argue, Ireland has an incredibly progressive income tax system and the burden of tax on workers with modest levels of income is very onerous.

The introduction of the Universal Social Charge (USC) back in 2009 represented a step change in the personal tax burden and this has subsequently endured.

The financial reality for those who pay employee taxes in Ireland is a very harsh one, but there are many who believe that it should be a lot harsher. Thankfully, the current Taoiseach does not subscribe to that view of the world.

The Taoiseach has committed to lifting the income level at which one pays the top rate of tax to around €50,000 over the coming years, but the reality is that the pressure to increase spending on public sector pay and public services will only intensify over the coming years and the personal tax burden will have to remain very onerous one way or the other.

A significant increase in the property tax in the current environment would be toxic.

The reality is that while on the surface, the Irish economy appears to be firing on all cylinders, the truth is that the personal sector is still seriously stretched and financially pressurised. This is demonstrated by most consumer data.

For example, the latest registration data from the Society of the Irish Motor Industry (SIMI) show that new car registrations experienced an annual decline of 10.7% in the first quarter.

On the other hand, used imports, mainly from the UK, were 2.7% ahead of the first quarter of last year. Used imports are quite simply displacing new car sales.

From the perspective of the Revenue Commissioners, the downside is that in 2018, the average VRT and Vat take on every new car sold was €9,355, whereas the average take from a used import is just €3,233.

The other downside is that from an environmental perspective, older used cars, many of which are diesel, are less desirable than new cars. The continued strong growth in used imports reflects a number of factors, but — first and foremost — it shows the extent to which the Irish car buyer is seeking value for money.

On the retail sales front, the latest data show that in the first two months of the year the volume of sales was 2.3% ahead of the same period in 2018 and the value of sales was 1.2% higher.

This subdued retail sales performance is not exactly indicative of a consumer on a spending binge, and the gap between the value and volume metrics shows the ongoing difficulty for retailers to turn volume growth into monetary value.

Despite this caution on the part of the personal sector, one of the important underlying fundamentals continues to improve.

The number of people unemployed fell by 3,400 during March and the unemployment rate declined to just 5.4% of the labour force.

The economy continues to move towards full employment and this will improve the wage outlook for workers but will exacerbate the recruitment and retention challenge for employers.

Some elements of the personal sector balance sheet look set to gradually improve, but not by enough to justify a significant increase in the property tax bill anytime soon.

A fifth of homes could face higher property tax - new report

Changes to Local Property Tax have been deferred for one year

Almost a fifth of people could see an increase in their Local Property Tax (LPT) under one option in a report on the levy being considered by Cabinet today.

However, it is expected to be decided by Cabinet that any changes to the LPT will be deferred for another year.

The report on the future of the LPT was commissioned by the Department of Finance and is being brought before Ministers today.

The decision to postpone any decision on property tax kicks the politically contentious question past the local elections and also probably past the next general election.

Sources said, however, that the report for Minister for Finance Paschal Donohoe will identify a number of scenarios on how to deal with the future reform of the tax. All scenarios are said to involve an increase in tax for at least some homeowners.

According to sources, one of these would see 18 per cent of people hit with an increase in their LPT. The report is said to outline a number of proposed options for dealing with the tax, from cutting the rate to widening the bands.

However, the Government is not expected to make any decision other than deferring changes for another year.

Property tax rates have been frozen since 2013 and a decision was made in 2016 to keep them at current levels until November 2019.

The findings of the report are likely to be referred to an Oireachtas committee in an attempt to find an all party solution, although this suggestion will be met with hostility from the Opposition.

Fianna Fáil's Michael McGrath said that if changes are delayed it would be "a classic example for the government running scared" and "kicking the can down the road".

Local Property Tax changes to be deferred by one year

Finance Minister Paschal Donohoe made the announcement after a late night Cabinet meeting.

THE LOCAL PROPERTY Tax is to be deferred by one year, Finance and Public Expenditure Minister Paschal Donohoe announced this evening.

Having discussed the Local Property Tax (LPT) review report with Cabinet this evening, which examined the impact on LPT bills and considered a number of possible changes to the tax such as different rate and tax band structures, the minister has decided to push out the house valuation date.

Donohoe has decided to defer the valuation date from 1 November 2019 to 1 November 2020.

With this new valuation date, there will be no change in LPT bills sent out by government until 2021.

There have been concerns in recent months about changes to the property tax.

Amid speculation about revised property tax rates, Donohoe said in January that any changes will be "affordable and predictable".

Currently, property tax is based on the market value of a house, but due to the rapid increase in house prices, there have been concerns about the massive leap in tax homeowners will have to pay.

Frozen

In 2015, the LPT being paid by homeowners was frozen until 2019, meaning that people whose properties had increased in price still only had to pay the same rate of tax they have since the original LPT valuations in 2013.

Another round of valuations were due this year, but because house prices have been rising in the past several years, politicians were concerned that the LPT would rise dramatically when the valuation date of March 2013 was updated.

In a statement tonight, the department said the deferral of the revaluation date of homes will provide sufficient time for the Oireachtas Budgetary Oversight Committee to consider the review report.

The minister has also committed to engage with the committee to “identify a design that can deliver” on the conditions he set for the LPT.

“I have indicated consistently that it was my aim to try to ensure stability in the LPT bills of all taxpayers. Increases for taxpayers in LPT, if any, should be modest, affordable and fair. I have also stated that I would make the position regarding LPT bills for 2020 clear in good time so that households would be aware in advance of the November 2019 revaluation date where their 2020 LPT bills would stand,” said Donohoe.

“I have decided in the circumstances to defer the revaluation until November 2020,” he said.

“In my engagement with the [Budgetry Oversight] committee I will seek to promote the policy objectives that should underpin any changes to the tax.”

The minister outlined the objectives as follows:

- Protection of the overall yield
- Relative stability in household liabilities with modest and affordable increases should they arise
- Integration of new properties into the LPT base
- Maintenance of the tax base with a small number of exemptions
- Upholding the progressivity of the tax.

He added that it is his expectation that the reformed LPT will be based on a model of band widening combined with LPT rate changes.

Donohoe said he supports the retention of the option for Local Authorities to reduce the LPT rate for their area, and added that he will also engage with the Budget Oversight Committee on the issues of management fees, which was recently a matter raised by Fianna Fáil in a private members Bill.

Fianna Fáil’s Michael McGrath told TheJournal.ie tonight that his party made a submission on the tax reform almost a year ago.

“We expected the government to bring forward proposals for the reform of the LPT long before now. It’s clear the government is running scared and is more worried about upcoming elections than reforming the tax.

“We believe it is possible to reform the tax in a way that provides certainty around the tax for the next number of years and at the same time doesn’t result in household LPT bills increasing in line with their property valuation,” he said.