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Commercial rates burden 'unsustainable', warns Ibec

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The lobbying group said yesterday that rates are rising and, this year, would mean that local businesses provide €1.55bn, or 34pc, of funds available to local authorities - 14pc higher than a decade ago and far more than central Government provides.

In a policy briefing published to coincide with Oireachtas committee stage consideration of the Local Government (Rates) Bill, Ibec said the current regime of taxation "mostly funds services that businesses do not consume."

"Local authorities use business to balance their books," it said. "Business picks up the tab for any expenditure gaps or funding shortfalls that arise in their annual budgets.

"Reductions in central government contributions and other revenue sources have resulted in local authorities becoming ever more reliant on local business for their revenue. This is not sustainable."

The briefing document illustrated the chasm of commercial rates funding between urban and rural Ireland. While businesses fund more than half of local authorities' entire budgets in Fingal and South Dublin, and nearly that much in Dun Laoghaire-Rathdown and Galway City, local authorities in Leitrim, Longford, Laois and Tipperary receive less than 20pc of funding from business.

Aidan Sweeney, lead author of the briefing document and Ibec's senior executive for government and regulatory affairs, said the Government should develop "a centralised or shared service collection model like the Local Property Tax system."

He said the Government bill "does not go far enough".

"The revaluation process must be scrutinised including costs and timelines which are far too slow."

Mr Sweeney said in the longer term, it would make better sense for local authorities to shift the model of taxation away from commercial rates and LPT to "a site or land-value tax".

The Local Government (Rates) Bill seeks to make rates collection more effective, with new powers to pursue unpaid debts, slap attachment orders on earnings, assets and bank accounts, and apply interest and penalties on late payments.

The bill would introduce new flexible payment options and give local authorities new powers to discount or waive rates on specific businesses to promote development.

Mr Sweeney welcomed the potential for such incentive schemes - but warned that such powers could prove "highly discriminatory" in practice.

Waiving rates for certain businesses, he said, "must be properly budgeted for and not crudely fall on remaining ratepayers in the locality. Local businesses should be consulted over the development of new incentive schemes."

The Ibec document called for the Valuation Office to hire external contractors and permit self-assessment - akin to LPT - to relieve "considerable delays in valuing new and altered property" that cost authorities an estimated €25m annually.

It contrasted Revenue's 97.5pc LPT collection record with local authorities' struggle to collect even 80pc of rates due.

Centralising responsibility for collections, it argued, would cut administration costs by two-thirds and hike collections to 90pc.

Retrofit homes through higher property tax or electricity bills - plan

Government report outlines ‘path’ to achieve net zero-carbon emissions by 2050

Homeowners could choose to pay for the cost of retrofitting their homes to make them more energy efficient through higher property tax or electricity bills, under Government plans.

A new report, to be published on Monday, says a new “easy pay-back” model for retrofitting homes will be examined by the end of the year.

The “Climate Action Plan to Tackle Climate Breakdown” outlines almost 200 actions to be taken so Ireland will achieve its climate-change targets. These include changes to various sectors, such as housing, transport, agriculture, planning, waste and others.

A draft of the report, dated last week and seen by The Irish Times, outlines a range of policy options to be considered, such as the introduction of a car scrappage scheme next year to encourage the increased take-up of electric vehicles.

In a change of Government position, it also outlines a “path” to achieve net zero-carbon emissions by 2050 but does not actually commit the State to such a target.

Insufficient

The current Irish target is an 80 per cent reduction by mid-century, though climate scientists say this is insufficient to keep global temperature rises to within 2 degrees as envisaged under the Paris Agreement.

The plan, to be brought to Cabinet and published by Minister for Climate Action Richard Bruton on Monday, says an examination will be carried out by the end of the year into how Ireland could reach net zero emissions by 2050, and also suggest putting a 2050 target in law.

Other measures include providing local authorities with the “the power to restrict access to certain parts of a city or a town to zero emissions vehicles only”.

Congestion charges

By the end of 2019, a study would look at the potential for congestion charges, low emission zones and changes to car-parking polices in urban areas. The study, which would be published in the first quarter of 2020, would “recommend most appropriate responses for Dublin/Cork/Galway/Limerick”.

The controversial BusConnects scheme, which has met with some public opposition in Dublin, is also included, although the plan says it will be implemented “in phases”. It had been previously understood that the new network would be introduced in one phase, although Government figures have privately suggested it could instead be trialled in a number of areas first.

A number of taxation changes – such as equalising duties on petrol and diesel and changing vehicle registration and motor tax – are earmarked for “consideration in context of budget”. As has already been mooted, carbon tax will rise to €80 per tonne by 2030.

By the autumn, the Department of Finance will also examine, as part of the annual tax-strategy papers, options to incentivise domestic and commercial retrofitting and the potential deferral of tax liability “on property transactions linked to BER”.

Improving the energy efficiency of homes is a major element of the plan, with the midlands earmarked for a “major house-retrofitting programme”.

‘One-stop shop’

A new “one-stop shop” model for upgrading homes and commercial premises will be developed.

“We will also look at easy pay-back models – for example, through your electricity bill or through optional increases in your [Local Property Tax],” the draft report states.

Regulations will be introduced to curb the use of single-use plastics by the end of 2021 and, by the end of this year, the Government will “scope a number of possible environmental levies, including a possible levy on single-use plastics, as part of the review of the Environmental Fund”.

Super rich avoid property tax bill

Owners of €1m-plus penthouse homes built since 2013 will be at least €16,000 better off as they have escaped having to pay the local property tax (LPT) until 2021 at the earliest, because of a gap in the law.

Finance Minister Paschal Donohoe confirmed that owners of such luxury apartments and homes across the country built since 2013 have escaped the LPT and will remain free of the charge for another two years.

For example, a €1m apartment built in 2012 is liable for €1,755 in LPT annually while a similar apartment built in 2013 or since has escaped all charges.

Mr Donohoe said that up to 80,000 homes built since 2013 will remain exempt from the LPT until 2021 at the earliest. Opposition parties have has demanded he fix the “deeply unfair” anomaly.

Labour Party finance spokeswoman Joan Burton said Mr Donohoe must end the inequality and level the playing pitch.

“One of the anomalies which has come to light is that very expensive properties which have been built and bought since 2013, including €1m-plus penthouses in the docklands and the IFSC in Dublin, as well as other expensive homes, because of the gap in the law, don’t have to pay any LPT whatsoever,” Ms Burton said.

“That anomaly must be corrected as soon as possible. The minister must provide a level playing field so that those in modest homes are not worse off compared to those in vastly expensive new homes.

“This anomaly must also be considered in the context of the legal advice given by the attorney general, which said that by allowing this lacuna continue, the entire system is open to a possible legal challenge.”

Confirming that such properties are exempt, Mr Donohoe said: “At the moment, the tax applies to properties that were levied when we last made changes to this tax. If a property like that described by Deputy Burton is exempt, then so is a property that was purchased by somebody for €100,000 or €150,000. Those people do not pay the local property tax either.

“This situation cuts both ways. As Deputy Burton is aware, far more properties have been bought at values below the price of penthouse apartments in the IFSC than those types of apartments.”

Explaining the lacuna in the law, Mr Donohoe said he “accepts the inequity of one property being subject to the property tax while another is not”, but said it is not possible to remedy the problem until the new valuation system in its entirety comes into force in 2021.

“The reason it is not possible to extend the LPT now to new homes that are being built, in the absence of a revaluation for all, is that we would have to tax properties that have just been built on the basis of the 2013 valuation,” he said.

“Then we would be in the situation of taxing one property that existed in 2013 on that valuation and of finding a way to infer the taxable value of a new property to be built that is consistent with 2013 market pricing.”

The number of homes exempt from LPT was almost 62,000 by November 2017.

At the Oireachtas budgetary oversight committee, Department of Finance officials did not dispute suggestions by Sinn Féin TD Pearse Doherty that the figure could exceed 80,000 by the time the exemptions end in 2019.

Concern has also been expressed at the sharp rise of people deferring their payment of LPT since 2013, from 30,600 to 62,000 in 2018.

Deferrals are normally granted on the basis of financial hardship or inability to pay, but there is a growing concern that people are amassing large LPT bills, which accrue interest charges of 4% a year, which will have to be paid on death or on the sale of the house.

80% of homes will see increase in property tax from 2021

Four out of every five homes will pay up to €200 more in Local Property Tax once the new charging regime comes into force in 2021.

Plans being considered by Finance Minister Paschal Donohoe will see most homes pay more in LPT, but Mr Donohoe insists the increases will be modest and affordable.

Fianna Fáil's finance spokesman, Michael McGrath, said it is clear that some 80% of properties in that scenario will see an increase from just above zero to over €200.

He said the rate for that local authority can be adjusted based on those revised valuations to ensure that the yield for the local authority remains pretty much consistent with what it was.

In response, Mr Donohoe said that "as we bring existing households into the LPT net the revenue these properties will contribute initially will be a relatively small part of the new LPT yield".

"In respect of why there is such a variation, there are two reasons. The first is that there has been such geographical variation by county.

"We have seen very different rates of price changes by county across the country. Even within counties, we have seen very uneven rates of price increases. This is the key point.

"The uneven degree of price inflation by county and within counties has made it very difficult to come up with a model in which we can ensure there is nobody who does not face a change," he said.

Mr Donohoe has made clear that he wants to see more of the LPT remaining in the local area in which it was collected: "We need to look at how to strengthen the link between the local property tax somebody pays and the local services he or she receives.

"I would like to find a way to ensure that more of the tax raised within a particular area stays within that area.

"The flip side of that is the need to ensure other local authorities do not lose out as a result.

"We have to ensure that a local authority that currently receives funds from elsewhere is not penalised as a result of that policy decision.

"In parallel with bringing in the legislation, we must make progress in dealing with that."

Because property prices have grown at different levels in different parts of the country, any reform will have distributional consequences, Mr Donohoe said.

"Some people will benefit and others will not. My overall point is that made by Deputies Chambers and Breathnach.

"As part of changing this, I would like to build the link between what property owners pay and what is retained and spent in their areas.

"We can do that. We will have to do it for some local authorities in order to ensure a successful revaluation," he said.

Rate hike puts petrol stations under the pump

Changes in how businesses are valued for local authority tax mean some now face hefty increases, writes Sandra O'Connell

It seems as though not all growth is good. Last year Michael Kelly's petrol station Candy's, which operates just off the main street in Carnew, a rural Co Wicklow village, had a commercial rates bill of €11,000. This year that bill jumped to €26,000.

Commercial rates are the primary source of revenue for local authorities. Candy's 130% hike came as a result of changes in the way some businesses are being valued for rates purposes. Where previously all were assessed on the basis of floor space, some enterprises, such as petrol stations, hotels and bars, are now being assessed on the basis of turnover.

The new system was not designed to increase revenues for local authorities but to ensure the rates burden is more equitably shared. Petrol station owners reckon it has resulted in a significant new anomaly, one that puts them at a competitive disadvantage.

The bulk of Candy's revenues — and profits — come from the supermarket attached to the petrol station. That means Kelly competes for business with other food stores in the village. Yet, because they do not have petrol pumps, they are still being assessed on the basis of their square footage.

But turnover is not profit. "They want 1 cent for every litre of petrol that comes out of my pump. I only get four cents margin on every litre, which means they want 25% of the profit for every litre of petrol that goes through my pump," said Kelly.

The new rate would see him pay the equivalent of 2% of shop turnover but the gross profit margin on goods in store averages 12%-13% and, once wages are stripped out, falls to 5.8%.

Candy's is one of the biggest employers in Carnew, with 29 staff and a weekly wage bill of €6,500. "That's money that goes back into the community. If our commercial rates go up by 130%, I'll have to lose a part-time person next year."

He is in the middle of a €220,000 upgrade to the store. "If we'd known the rates were going to jump so high, we wouldn't have done it. It feels like the guy who stands still gets rewarded when it comes to rates."

The business already pays for its own waste disposal, pays €8,500 a year for water rates, and makes a contribution towards the volunteers of the Tidy Towns, all of which he is happy to do.

He is less happy about what he gets in return for his commercial rates. "There is not one public bin on the 0.7km main street of the town — either side," said Kelly.

Compared with some forecourt retailers, Michael Kelly got off lightly. "We have one member whose rates went from €8,000 to €33,000," said Michael Griffin, chief executive of the Irish Petrol Retailers Association.

"Only the big companies, who get both a retail and a wholesale margin, will grow. The small guys will be gone, and that's bad for competition."

Anything that increases the cost of doing business comes at a hard time for retailers, particularly those already contending with the growth of online competitors, many of which, if they operate from outside the jurisdiction, do not pay rates here at all. "They're not even paying Repak [a charge for commercial recycling]," said Elizabeth Bowen of the Small Firms Association.

The new valuation process is a cause of concern for many small business owners, although it has resulted in some rates bills falling.

"Small business owners are time poor and often only realise their rates have changed when the bill comes in," said Bowen. "There is also uncertainty about how to appeal."

Rate changes can have unintended knock-on effects on the wider community. Lowering rates for retail units outside town centres, for example, encourages "doughnutting", the hollowing out of town centres. "It also punishes people who invest in upgrading their property," said Neil McDonnell of ISME.

Adding to a sense of rates inequity is the fact that compliance levels vary greatly, being better in places such as Dublin and Wicklow than in border counties, for example.

Nationally, 20% of local authority rates go uncollected, making it more expensive. Centralising collection by awarding it to one local authority, similar to how Limerick looks after the housing assistance payment, would "increase efficiency and improve collection rates", according to Tom Burke at Retail Ireland.

The valuation system was reformed to make it more equitable and turnover has a role to play in that. "After all, a hotel in the west of Ireland open for four months may have the same square footage as one in Dublin that is open all year round," said Mike Doyle of Bagnall Doyle MacMahon Properties, a commercial consultancy, which helps business owners to appeal against their rates valuations.

Anyone unhappy with their valuation has 40 days to appeal. Sometimes mistakes are simply down to human error in calculating floor space.

"In some cases we will find that the valuation is fair," said Doyle. If not, the next step is a valuation tribunal, a quasi-judicial formal hearing.

Part of the problem however is that "rates are complicated and hard to understand", said Rebecca Harrison, of Fishers of Newtownmountkennedy, a clothing store and cafe.

"Our business is made up of three or four different parts — offices, retail and a coffee shop. It's also a worry because it's an unknown. It's hard to know what I have to invest, if I don't know what the cost of rates will be in the future. If the cost of doing business goes up, the only option I have is to put prices up or lay off staff. That's a stark choice to have to make."

Pat Casey, owner of the Glendalough hotel, saw his rates more than double, from €36,000 to €78,000.

"The system is so antiquated," he said. "My business hadn't been valued for 30 years, so we're being asked as a business to take a 30-year hit in one year. There's no flexibility, even to have it introduced over five years." As a hotelier, Casey is up against Airbnb providers who do not pay rates at all.

If anyone should understand rates, it is Casey, who is a TD for Wicklow and, prior to that, was a councillor for 12 years.

"I've always been fairly critical of commercial rates," he said. For local authorities, he added, "where there's a difference between income and expenditure, the balancing act has always been the commercial rates".

"In five years time there will be businesses gone bust over this"

"What this will do is put independent filling stations out of business," warns Cavan businessman, Pauric Rudden. The cause of his ire is a revaluation process undertaken by the Valuation Office (VO).

The REVAL2019 revaluations, which concludes in September 2019, is a new valuation list for eight local authorities. These valuations will become effective from 2020 onwards.

In Cavan 2,461 properties are being assessed. The VO say 59.6% will have reduced rates, 37.7% will see an increase and 2.80% will have no change. Roadside service stations say the rates hike they face are so extreme that closures are almost inevitable.

Currently service stations' rates are calculated primarily on the square footage of their premises; under the new system they will be calculated on turnover. Meanwhile other businesses will continue to be charged on square footage.

Philip Kiernan operates two service stations on approach roads to the centre of Cavan Town: "Our Dublin Road site is facing a 200% increase, while our Ballinagh Road site is facing a 300% increase. My understanding is that I will be paying more rates than Lidl, they are my neighbours and they are assessed on square foot, not turnover."

With some family-owned stations facing five-fold increases in their yearly bills, preparations are under way for a European Court of Justice challenge against the revaluation. Martin McSorley, of the Irish Petrol Retailers Association (IPRA), said around 100 independently-owned stations were threatened with closure, while many more would be swallowed up by the big fuel companies.

Pauric Rudden has also seen a dramatic increase in his bill: "The rates on my shop and fuel station in town were €12,500 per year, we undertook a number of upgrades and the rates went up to €17,500, that was a sizeable increase, but we were happy enough.

"What they are trying to do now is rate filling stations on turnover. This means that the re-rating will be around €38,000."

In a statement to The Anglo-Celt the VO said an increase of 400% would be "unusual". They added: "in instances where the Valuation Office has sought specific information from a ratepayer by way of a section 45 notice and that information has not been provided the Proposed Valuation entered on the PVC (certificate) will be an estimate".

A 'section 45 notice' is the form on which the revaluation is based. Both Messrs Kiernan and Rudden have returned their completed forms.

Mr Kiernan says the IPRA have been lobbying on the issue: "There are service stations that are going to close. There is no way they can justify these increases. The IPRA are appealing it to the European Courts, but that's a costly exercise."

He claims the revaluation process lacks fairness: "I have a family business. I have a multinational company beside me and I am going to be paying more rates than them? It's not that I am complaining about them, I'm just looking for fairness."

Disparity

The disparity between the supermarket rates and the service station rates appears to be a common bugbear for those who have experienced the rise in their rates payment. Mr Rudden also made the point: “In total between fuel and other goods in our shop we turn over around €128,000/week before VAT. The most successful supermarket in the town has about three times that turnover in the same period, now our rates will be double their rates, because they are done on square footage.”

However the VO say the new rating system is appropriate: “Service stations are a distinct class of property and while there may be some similarity with supermarkets in the products that they sell they are not directly comparable to supermarkets. ” The VO added that the rate “must reflect open market rental values at the valuation date”.

Mr Kiernan says there are other business hit by the increases: “Pubs that do food and restaurants have been hit quite badly as well. As the Valuations Office are doing it on turnover some pubs have come down, but any pubs doing well have experienced significant increases.”

Pauric Rudden says by going on turnover the VO are cutting into tight margins: “They are going to take a half a cent on all fuel. We make, on average, 3.5c [per litre] profit on fuel. So they will be taking 1/7 of our profit on the fuel. Instead of rating us they are putting on another tax.

“It’s unfair that one section of the business community are rated on turnover and another is rated on square footage.”

Discussions by both retailers with elected reps and the local authority have yielded little optimism. The independence of the VO is pointed to by all avenues. In fact the council say that despite the changes, there will be no increase in their rates income.

The VO explained this by saying: “Revaluation is essentially a revenue neutral exercise. The total amount of rates liable to be collected by the local authority in 2020 compared with 2019 will not increase by virtue of the revaluation. There will however be an allowance for inflation.”

In five years there will be a further evaluation of rates, but Mr Rudden feels that having to bear the brunt of the increases for half a decade is unfair: “For five years they expect us to pay the high rate. You either do it for all or for none. In five years time there will be businesses gone bust over this.”

Local Property Tax reforms won’t mean bigger bills for many households – Finance Minister

Plans to reform Ireland’s Local Property Tax in line with surging home values won’t result in higher bills for many households, Finance Minister Paschal Donohoe insisted Tuesday during questioning before an Oireachtas committee examining potential changes to LPT rules.

Minister Donohoe emphasised that LPT could play a bigger role in the State’s revenues principally by expanding the number of properties liable to pay the tax – most critically the many thousands of homes built and sold since the May 2013 introduction of the divisive levy. New properties sold over the past six years have been exempt from paying any LPT pending the next valuation date, currently set for November 2020.

Several TDs on the Budgetary Oversight Committee branded the prevailing situation fundamentally unfair because it often left one household paying the tax for the benefit of local services, while their neighbour in a newer home may have avoided this bill for years.

But Minister Donohoe - who in April delayed his own Tax Division’s recommendation that LPT charges should be recalculated in November to bring them in line with rising property prices - said when the change eventually does happen, an expansion of properties subject to LPT will allow the State’s tax take to increase gradually without imposing higher bills on many households already subject to the levy.

When asked whether he expected LPT reform to produce higher bills for most households, Minister Donohoe said he hoped to avoid this by broadening the base of taxable properties and potentially broadening bands and lowering the headline rate.

“Any changes have to be modest and affordable,” he said, suggesting that in his favoured scenario a typical existing LPT payer “doesn’t see a change. For some, if they do see a change, it’s a change by a single band.”

He said Ireland would expand LPT collections over time by tapping “the number of new homes that come into the LPT net. That is the way which we will over time see this yield grow.”

Labour TD Joan Burton chided the Minister for taking no action to bring purchasers of new properties post-2013 into the net already, arguing that even imposing a levy at the lowest band on that category of property would have been better than doing nothing at all. “It speaks of a blatant unfairness,” she said.

But Minister Donohoe said Finance Department tax specialists could find no calculation that would have avoided the risk of legal challenge.

“We do have to change it,” he told Ms Burton. “The challenge is, while I accept the inequity in one property paying the tax and another not, the other inequity would be taxing one on the basis of a 2019 property value and the other on a 2013 property value.”

The Committee was questioned the Minister about the Department of Finance’s latest recommendations for LPT reform contained in the Tax Division’s published March review. It outlined several scenarios for changing the rates and bands.

Some scenarios would pin current LPT rules to today’s higher property values and thereby raise State revenue by up to €300 million annually, while others would largely preserve the status quo on rates by broadening bands, lowering the current 0.18pc rate levied on properties valued under €1 million, and expanding the pool of taxed properties.

Nationally, property prices have risen more than 80pc since their 2013 trough, when LPT liability was set. In most cases this has left the 2013 self-assessed valuations of LPT liability at hopeless odds with current market reality.

The latest figures from Revenue suggest substantial compliance with the existing LPT regime, with 98pc of assessed households paying the tax in 2018. Revenue says it collected €482 million in LPT last year. The owners of around 49,000 properties nationwide applied for exemptions citing a wide range of issues, ranging from pyrite damage to charitable use.

Property tax needs better link to local services - Donohoe

Changes to property tax ‘very challenging’ Minister for Finance tells Oireachtas committee

There needs to be a better link between the payment of property taxes, and improved local authority services, Minister for Finance Paschal Donohoe has said.

There would be “modest” increases in how much households would pay, when the property tax undergoes a re-evaluation next year, Mr Donohoe said.

The Local Property Tax (LPT) was introduced in 2013, and is based on the value of a property, broken down into a number of bands.

Taxes paid are currently based on property valuations from mid-2013, but these are due to be re-evaluated based on current property prices in November 2020, leading to fears homeowners may see large hikes in bills.

Speaking at an Oireachtas committee on Budgetary Oversight, Mr Donohoe said any increases from the re-evaluations would be “affordable” for homeowners.

Officials are also currently considering changes to the LPT system as part of the upcoming re-evaluation.

“It is very challenging to come up with a model where no one faces an increase in their LPT,” Mr Donohoe told the committee.

As part of the changes, taxpayers needed to see a clearer link between taxes paid and better services provided by local authorities, Mr Donohoe said.

“Over time I think we’d be able to do a better job than we’re doing at the moment,” on showing that link, he said.

The property tax was “low” compared to similar taxes in France and the United Kingdom, the Minister said.

Currently local authorities that raise significant amounts under the LPT, such as Dublin councils, transfer some funding to councils with lower yields under an ‘equalisation’ measure.

Local authorities also have the power each year to vary the tax paid by homeowners, by up to 15 per cent either side of a baseline rate.

Fianna Fáil TD Lisa Chambers said some rural councils were “cash strapped,” and could not afford to reduce the rates homeowners paid, compared to more financially well off councils.

People “expect to see local services for the tax, and the single biggest complaint is people feel they haven’t seen any increases,” she said.

Speaking at the committee, People Before Profit TD Richard Boyd Barrett called for the entire tax to be abolished.

The tax was unfair as it was based on property prices, something households had “absolutely no control over whatsoever,” he said.

In 2015 then minister for finance Michael Noonan announced the valuation thresholds for LPT would be frozen until October 2019, meaning households paying the tax would not see an increase in their bill until then.

This April the Government decided to postpone making a decision on the future of the tax until late next year.

Mr Donohoe said from looking at property taxes in other countries “the first point of re-evaluation is normally the most challenging.”

Transport-orientated development’ critical to end cars’ dominance in cities

NESC report focuses on public transport and higher density housing

Providing extensive “transport-orientated development” at key urban locations will be critical to ending the dominance of cars in Irish cities, according to the National Economic and Social Council (NESC).

This approach makes it easier to use public transport, and cycle or walk to work or school, and includes higher density housing compared with current levels in urban areas, NESC concludes in a study of options.

Leading European cities, which have successfully introduced this approach, have not necessarily gone the high-rise development route, it finds.

The State must build on Project Ireland 2040 to maximise the number of homes, jobs, public services and amenities “which are close to frequent, high-quality transport services”, the council adds in a report published on Thursday, which has been noted by the Cabinet.

Waiting times

The critical feature in high-quality public transport is short waiting times, which in effect do away with timetables. This is evident in cities such as Freiburg in Germany; the Hague in the Netherlands; and Nantes in France.

In Freiburg, parking cars is only permitted away from some housing developments; there are car-free areas; and 5km per hour speed limits on some streets – and yet a five-storey limit on buildings.

Transport-orientated development (TOD) will be possible with Metrolink in Dublin and in cities where BusConnects is fully in place, the report says. In the case of Metrolink, it outlines how a 2.5km corridor could be developed – an area of 10,000 hectares – on either side of the emerging route, with mixed housing and mixed use development including offices.

In such areas it could allow for a doubling of dwellings to more than 50 per hectare, compared with current levels in Dublin suburbs.

The report, Transport-Orientated Development: Assessing Opportunity for Ireland, outlines how the first steps under the National Development Plan need to be scaled up “if its strategic objectives of compact growth and sustainable mobility” in cities are to be achieved. This will require specific decisions to create such development at key locations, new institutional and tailored-funding mechanisms such as local taxes or leasing arrangements.

NESC director Dr Rory O’Donnell said “it is clear that development in Ireland, as in many other countries, continues to be centred on cars”.

“We know from experience that in countries with more desirable transport-orientated development such as France, the Netherlands and Germany, development makes walking, cycling and public transport more convenient, and converts car journeys to public and active transport trips,” he added.

Urban development

This delivers more efficient and sustainable urban development, “and can be designed to provide a higher proportion of social and affordable housing”.

Dr O’Donnell noted “other countries are increasingly using the uplift in land value to help to fund transport infrastructure and affordable housing”.

Applying the concept, “should set out the density of residential housing to be delivered at the location, the desired mixed-use and tenure, requirements regarding affordability, and the high-frequency and quality transport services that will connect the location”.

It should include a tailored agency or project management body to plan, oversee and deliver the TOD at the chosen location. Such a body would have to possess the necessary planning and borrowing/investment powers and responsibilities in terms of land-use and transport.

The funding mechanism “should allow necessary transport and other infrastructure to be delivered ahead of demand”. It could facilitate “land-value capture” whereby the uplift in property value that arises from investment in transport and other infrastructure can contribute to the cost of developing the site.

Retailers need commercial rates reform far more than an ecommerce fund

The smaller the retailer, the more likely they are to need assistance

A major challenge for traditional retailers migrating online is that they must maintain two cost bases

The State has launched a fresh call for applications for a €1.25 million pot of funding for retailers who need help migrating their business online.

The fund will give cash grants of up to €25,000 to pay for training, advice or research for retailers looking to chart a way forward in the ecommerce age.

The payments will, of course, be much appreciated by those get them. Every little helps if you’re a small retailer trying to survive in an online world dominated by corporate gorillas such as Amazon.

But in terms of the help that bricks-and-mortar retailers need from the State, it is but a drop in the ocean. What they really need is an overhaul of the penal commercial property rates system that puts them at an immediate disadvantage compared to the digital operators.

This is the second such call for applications for the fund, which is overseen by Enterprise Ireland, the State agency charged with nurturing Irish exporters. To qualify for the first round, retailers had to have a minimum of 20 staff.

It has been cut to a minimum 10 staff for the second round, although it makes little sense to have any cut-off point at all. The smaller the retailer, the more likely they are to need the assistance.

Epicurean goods

Niche micro-retailers also tend to sell the sort of wares that are likely to be most attractive to consumers based overseas, such as Irish epicurean goods.

A major challenge, however, for traditional retailers migrating online is that they must maintain two cost bases: the normal, everyday costs associated with operating a physical shop, such as rates; and the IT costs associated with selling online.

Pure digital players, who might not even have a warehouse in the State, do not face the same issue, and it gives them a huge competitive advantage.

Why can't the Government fund reductions in the local authority-led commercial rates system, with the gap made up by extra taxes paid by online retailers?

'Modest' increases planned for property tax next year

Paschal Donohoe said any changes to the local property tax will be 'affordable'

The Minister for Finance Paschal Donohoe is planning for "modest" increases in property tax when the deadline for re-evaluating how much householders pay comes around next year.

Mr Donohoe said any changes would be "affordable" but the "progressivity" of the tax would be upheld.

He is due to appear before the Oireachtas Committee of Budgetary Oversight on Tuesday where he will also state that any future reforms of the local property tax will need to be based on a model of band widening and changes to the rates that are applied.

A freeze on re-evaluations until November 2020 was announced earlier this year.

Mr Donohoe is due to tell committee members that he is of the "firm belief" that there is "latent potential for the tax to play a more significant and positive role in our overall taxation system".

He will also outline how at "just 0.6 per cent of GDP, the local property tax yield is low when compared to rates of 2.8per cent of GDP in France and over 3 per cent of GDP in the UK".

He will outline how it is “important that the future of the tax is secured so as to maintain the possibility of enhancing and enlarging on its contribution as a proportion of overall tax revenues and bringing it up to European norms in that regard”.

The Government took in just over €480 million from the property tax last year.

New properties

In his opening statement to the committee, which has been seen by The Irish Times, Mr Donohoe says he aims to protect that yield. He will also aim to integrate new properties into the local property tax base and will indicate a willingness to look into different rates for those who already pay property management fees.

“I have indicated my willingness to engage with the committee on the issue of taxpayers whose property is located in a managed estate on which the owner of the property is liable to the payment of management fees,” he will say.

He is also expected to outline his support for the “retention of the option for local authorities to reduce the LPT rate for their area”.

Each local authority has the ability to adjust their rate to within 15 per cent of the national rate.

Mr Donohoe’s comments come as Dublin City Council has agreed to let each party or independent councillor put forward their own plan for potential changes to the 15 per cent discount currently given to homeowners. Any change to the current system of giving the full discount would mean a potential increase in property tax bills for homeowners in Dublin. A vote on the issue will be held in September, it has been decided.

Discount

The new lord mayor, Fianna Fáil’s Paul McAuliffe, said some parties had raised the possibility of not passing on the full discount. “Any attempt not to pass that on would result in a net increase in property tax prices. We have agreed that each party will formulate their own position and at the September meeting those variations will be put forward.” A vote would be held in time for the October budget, he said.

At the committee meeting on Tuesday afternoon, Mr Donohoe will say he hopes to achieve a consensus as to the future direction of the local property tax.

The rate of property tax paid by homeowners is based on the value of the property in May 2013.

However, in 2015 then minister for finance Michael Noonan announced the valuation thresholds for LPT would be frozen until October 2019, meaning households paying the tax would not see an increase in their bill until then.

In April the Government decided to postpone making a decision on the future of the tax until next year.

Commercial rates need to be examined in age of online retail

COMMERCIAL rates for shops need to be examined as online retail goes from strength to strength.

That's the call from Fine Gael Senator Michelle Mulherin who said high street shops are being crippled by commercial rates and can no longer keep pace with their online competitors.

Speaking in the Seanad, she said: “We are all well versed on the considerable challenges facing shops on the main streets of towns and villages, including the bigger towns, due to online selling, multiple retailers and also the need to pay commercial rates which online retailers do not have to pay.

“Unfortunately, we see too many shops closed on our main streets, and it is a depressing sight.

“It is time we listened to the clarion call from both small retailers and bigger chain stores. Earlier this week we heard Topshop, Topman, Dorothy Perkins, Evans, Miss Selfridge and Wallis are going to close stores here in Ireland, stores are closing in the United Kingdom and it is projected that 200 Boots stores in the UK will close.

“This is all on the high street, so it is not just a challenge to independent retailers. High street shops are under severe challenge and threat.

“It is about time we took a serious look at the business models and the difference between different retailers.

“There are shops on main streets that have to keep a door open, pay staff, pay commercial rates and pay all the other costs associated with keeping open, and there are the people operating online with significantly lesser costs.

“They are on different playing fields. The shops on our main streets cannot compete. I have particular sympathy for the small shops and independent retailers.

“The bigger shops and multiple retailers will look after themselves and will continue to sell online.

"We must examine the two different business models, how we levy commercial rates and also the public good and the desirability of maintaining these shops and what policy changes we have to make to support small independent retailers.

"We do not want to go into our town centres and be greeted with nothing but shut-up shops. If we want them, we have to make some policy changes to level the playing field for shops on our main streets.

"It has to begin with commercial rates and the inequity they create favouring online retailers.

"I am calling for this issue to be debated in the Seanad as this issue is only getting worse."