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Property Tax and Assessment News from Around the World

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The Irish Times view on property tax: In need of proper reform

If left alone system will fail to generate enough revenue and may even be struck down by courts

The decision of three local authorities in Dublin to continue applying reduced property tax rates to homeowners in their areas highlights the need for action to reform and update the system introduced in 2013. Councillors in Dún Laoghaire-Rathdown were told that continuing the maximum 15 per cent reduction this year would cost the council €7.9 million and lead to poorer services. But they ignored the warning.

The ability of councils to vary the level of property tax by up to 15 per cent is just one of the weaknesses in the system which was designed to broaden the tax base so that the State would never again suffer a collapse in revenues on the scale of the financial crisis of 2008 to 2010. At that stage it was the decline in stamp duty receipts from property and a drop in income tax that caused the problem. Now economists are warning that corporation tax receipts could drop significantly in the years ahead. Widening the tax net would reduce the dependency on often unpredictable tax categories. But the Government has run scared and is confronted now by the uncertainties of Brexit.

Property tax rates have not risen since the system was introduced in 2013 despite a big increase in property prices since then. A report commissioned by the Government earlier this year recommended that an overhaul of the system with an updated valuation system should be introduced on November 1st. However, the Government kicked the decision down the road for another year.

There is an obvious need for a revaluation of property since the recessionary days of 2013 as current valuations are out of date. There are other anomalies such as the continuing exemption from the tax for those buying new homes.

The review group examined five options to ensure a significant revenue stream from the tax. One of those was that councils should no longer have the power to reduce the rate by 15 per cent but only to increase it by that amount.

There is a real danger that unless the system is properly reformed it will fail to generate enough revenue and may even be struck down by the courts because of the anomalies within it.

Property tax bills unchanged in three Dublin local authority areas next year

Councils in South Dublin, Dun Laoghaire Rathdown and Fingal voted on issue on Monday

Homeowners in three of the four Dublin local authority areas will not see any changes to their local property tax (LPT) bill next year, as councillors voted to keep the current rate for 2020.

South Dublin County Council and Dun Laoghaire Rathdown (DLR) County Council voted on Monday night to apply the maximum discount of 15 per cent to the rate charged for the coming year.

Meanwhile Fingal County Council voted to apply a 10 per cent discount, meaning homeowners in that constituency will pay a higher rate of tax than those in the other two council areas. This is the same rate as was applied last year in the area.

Dublin City Council will vote on the issue later this month.

The amount of tax paid is based on the value of the property on May 1st, 2013. At the standard rate, a house then valued at €325,000 would have a property tax liability of €585. A house valued at €675,000 would have a charge of €1,215.

However, councillors in each local authority area have the power to decide to increase or decrease the rate charged in their area by up to 15 per cent each year.

Their decision holds for one year only and if no notice of change is given to Revenue by September 30th, the charge reverts to the standard rate.

New and previously unused properties purchased from a builder or developer between 1 January 2013 and 31 October 2019 are exempt from LPT until the end of 2019.

At its monthly council meeting on Monday night, DLR county council was told that the 15 per cent reduction costs the council €7.9 million per year.

Philomena Poole, chief executive of DLR County Council, called for the council to accept a 10 per cent reduction, instead of 15 per cent.

The management team said that retaining the lowest 15 per cent rate would have a negative impact on the authorities ability to carry out services due to the loss of revenue.

However, the motion for a 15 per cent reduction was carried after councillors voted in favour by 21 votes to 13.

At the same meeting, two People Before Profit councillors put forward a motion calling on the Government to abolish the LPT and replace it with a graduated landlord tax that depends on the number of properties the landlord owns.

“The LPT is a regressive tax that takes absolutely no consideration of income or personal wealth and has resulted in less funds being available to fund local services,” Cllr Hugh Lewis, who proposed the motion, said.

“We cannot continue as public representatives to tax low income families whilst simultaneously accepting less funding for the operations of our councils.”

The motion was voted on and defeated, with three councillors in favour and 31 against.