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Property Tax and Assessment News from Around the World

IRELAND – November 2019

No Financial Hit For Clare In Revaluation Of Irish Water Properties

Clare County Council is not expecting a financial blow, in spite of a government-instigated change in how rates are applied on Irish Water-owned properties.

Dublin City Council is expecting a loss of over €8m from the move, but here the Council expects what it describes as a "positive outcome."

When Irish Water was established, a decision was taken commercial rates would not be charged on its properties.

Instead, the government has given compensation to local authorities – €165,000 a year in the case of Clare.

That ends in 2020, however, when Irish Water becomes rateable, and in Dublin this has caused a significant issue.

The City Council there is facing a loss of €8.4 million, and its members have refused to pass their Budget as a result.

Here in Clare, as elected members prepare to meet to pass their Budget today, no such issue is expected.

Clare County Council has told Clare FM that, unlike in Dublin, it's expecting a 'positive' financial outcome from the change.

Today's Budget meeting is also expected to see commercial rates charges in Clare remain unchanged for the second straight year.

The Irish Times view on property tax: Politics comes first

Returning more than one-quarter of all Dáil TDs, Dublin voters will decide the broad composition of the next government. That powerful position is evident in the cotton wool treatment they are receiving from local and national politicians on the local property tax. The four Dublin councils continue to offer residents cuts to their housing tax. Elsewhere, charges have been substantially increased by 20 local authorities or have remained unaltered. Meanwhile, the Government has postponed a decision to reform LPT charges until November 2020.

The local property tax became an issue this week when, in order to plug a financial hole, Dublin city councillors decided to raise commercial rates, along with various parking and toll charges. The increases were criticised by representatives of the business community who complained they were regarded as a soft touch and “the path of least resistance” when it came to raising revenue. It is difficult to disagree with that assessment. From an elected representative’s point of view on LPT, however, there is a limited number of businesspeople to offend but a great number of homeowners.

Earlier this year, council chief executive Owen Keegan proposed there should be no reduction in LPT charges to fund city services. But Fianna Fáil, Fine Gael and Sinn Féin councillors ignored that advice and voted for a 15 per cent cut. Later, when a budget was being prepared for 2020, Keegan drew attention to a Government decision to divert €8.4 million in rates, due to the council on Irish Water properties in Dublin, to other local authorities. All hell broke loose. Threats of dissolution followed and Government was blamed for Dublin’s financial difficulties.

The abolition of domestic rates in 1997 removed a major source of independent funding for local authorities. Commercial rates continued but councils became increasingly reliant on central funding. Under pressure from the EU to broaden the State’s tax base, the LPT was introduced in 2013. Because of party political considerations, however, it is not working as intended.

Dublin businesses facing 'unfair' rates hike as city council set to vote on annual budget

Councillors were warned last week that a shortfall in the council’s budget requires “significant additional income”.

DUBLIN LORD MAYOR Paul McAuliffe has said that Dublin businesses are facing an “unfair increase” to rates after accusing the government of ignoring calls to stop rates being paid by Irish Water being diverted away from the capital.

It comes as the council is set to vote on its annual budget tonight with councillors warned that last week that “significant additional income must be raised if services are to be maintained”.

The funding issues this year are due, in part, to increased council costs stemming from a loss of rates income worth €8.4 million on Irish Water-owned properties, which will not be compensated by Central Government despite prior assurances.

In a letter to the Dublin Chamber of Commerce, McAuliffe outlined how the council was recently informed by the Department of Housing, Planning and Local Government that a decision had been made to distribute money paid by Irish Water in rates on a “population apportionment basis”.

It means that some councils will lose out while others will gain. Dublin City is one of those that will lose out.

Under the system beforehand, Dublin City Council had received €14.6 million. However, next year, the council will only receive €6.2 million.

McAuliffe said: “The consequence of this decision is that other local authorities will receive windfall gains… these authorities will no doubt use the Irish Water-related funding for new services in their community.”

In a tweet sharing this letter, the lord mayor said that this measure from government “will result in an unfair increase rates. Possibly 3 to 4%”.

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Dublin City Council vote to increase commercial rates as they pass budget

Commercial rates will increase by almost 3% in Dublin next year after city councillors passed its budget this evening.

It was voted through by 35 votes to 25 at a meeting in City Hall, after originally being put off last week.

Parking charges will also rise, with the increases being blamed on a funding shortfall from government.

Labour's Rebecca Moynihan says councillors were put in a difficult position:

"We were left in a really unenviable position of having €8.4m cut from our budget by central government because of Irish Water rates.

It's effectively because of Fine Gael at national government," she insisted. "If we had the Irish Water rate, we wouldn't have had to do this, we would have been able to balance the budget."

Is it time to reset property taxes and commercial rates?

Opinion: as local authorities prepare their 2020 budgets, it may be time to examine if the local property tax and commercial rates system is fit for purpose

Local authorities around the country are currently discussing and adopting council budgets for 2020 at their annual budget meetings. Councils have already decided their 2020 Local Property Tax (LPT) rate and whether to adjust the basic rate up or down by 15%, resulting in higher or lower property tax bills for owners of residential properties. As for the other local tax, commercial rates, the Annual Rate on Valuation (ARV) will be agreed as part of the adopted budget process.

Both taxes have many features in common. They are both recurrent taxes on immovable property and are important sources of local government funding, with service charges and central government grants as the other revenue sources. Revaluations are not common, but are often controversial when they take place.

They are also local taxes in the true sense, as Irish local councils have rate-setting powers in both cases. In England, for example, the tax on business rates is set centrally by national government and local councils there do not retain the full business rates income collected in their local authority area. In Ireland, control over the rate of tax makes local councils accountable to residents and taxpayers.

In other respects, the LPT and commercial rates are very different. The property tax is a relatively new tax whereas commercial rates date back to the 19th century. Commercial rates account for over 30% of revenue income, but the LPT accounts for less than 10%. While commercial rates are a tax on business as the base is commercial and industrial properties, the LPT is a tax on ownership of residential properties. Collection rates differ, with, on average, collection rates lower for commercial rates (86% nationwide in 2017, ranging from a low of 74% in Donegal County Council to a high of 96% in Fingal County Council) than for the LPT where the national average was 97%.

The LPT has a relatively high profile and attracts more media attention than commercial rates. While this may be understandable given the newness and the salient nature of LPT and the rise in residential property prices since the first valuations for LPT purposes, it is both disappointing and unwise. As businesses and commercial activity do not have a vote in elections, weak or short-sighted local governments often see this as a reason to levy excessive taxes on the business sector, knowing they can avoid any potential backlash from other undertaxed local taxpayers and voters.

There is a strong economic argument that the tax burden should be imposed on those that benefit from the public services that are financed by the tax payments. One such beneficiary is the owner of a residential property as the property owner avails of the local services provided by the council, such as road maintenance and street cleaning, libraries and cultural programmes, fire service, parks and playgrounds etc. Whereas this would suggest a tax take more from LPT and less from commercial rates, the inverse is true. As alluded to above, income from commercial rates, totalling €1.5bn, far outweighs the LPT yield of about €500m (over €100m of which is for self-funding and over €75m of that is for capital spending and, thus, not for discretionary day-to-day spending).

As an independent observer of local government funding and with no vested interest in one revenue source over another, I believe more research, evidence and debate is needed on the respective merits of commercial rates and the LPT, and on the optimal balance between these two local government revenue sources. There are many interesting public policy questions about commercial rates that do not get the attention they deserve.

For example, aside from historical levels and the requirement to balance the budget, how can the wide variation in ARVs nationwide be explained? For example, Kerry County Council charge a rate of 79.25 as against a rate of 56.77 imposed by

Tipperary County Council. How much are above-average ARVs harming local business activity – existing and latent - and regional economic growth? Could greater commercial activity be incentivised by lowering the ARV on businesses, and particularly on the indigenous SME sector, while at the same time, maintaining, by means of tapping other income sources (service charges and/or the LPT, for example), sufficient revenue income for local councils to deliver local public services and ensure local fiscal discipline?

Contrary to popular opinion, a call for an increase in revenue income from the LPT in order to increase non-business property tax revenue more in line with the norm in other countries (the LPT in Ireland accounts for less than one percent of total tax revenue, and is dwindling as a share of the total tax take) could allow some fiscal space for a reduction in commercial rates. This would keep total local taxation constant i.e. a revenue-neutral change, in the absence of any change in expenditure functions assigned to local authorities in a local government sector that is highly centralised.

Despite the political sensitivities involved, the best way to introduce this would be to allow residential property revaluations to proceed, and to be done on a regular and timely basis, to avoid similar political difficulties in the future. In turn, councils should be allowed to keep the extra revenue from the higher LPT yield. They would then face policy choices: do they use the extra revenue from the LPT to reduce commercial rates and/or the service charges that are closely linked to economic activity? Or do they increase the quality of local public services. For councils in deficit, do they run overall surpluses to reduce the accumulated revenue balances, or do they use the funds in the future to finance public investment, such as large-scale infrastructural projects?

A policy debate on changes to the LPT is also necessary. For example, we need to re-examine the funding, size and methodology of the fiscal equalisation grant currently from LPT receipts. This Robin Hood-type equalisation programme sees council income from urban and especially Dublin-based councils with large property bases redistributed to those councils with smaller tax bases, many of which are rural with relatively low levels of economic activity.

Rather than the current formula and distribution model, where the baseline is essentially based on the 2014 general purpose grant amounts, a more transparent and formula-based objective model is required in the medium term. This would preferably use estimates of fiscal capacity and expenditure needs as is common in many other countries.

Whereas the focus of local councils in the next month will be, and rightly so, on services and funding for 2020, the hope is that central government and especially the Department of Housing, Planning and Local Government will consider some of the issues raised here. By doing so, they would contribute to a revamped funding system for local government that is more conducive to a growing business and commercial sector. At the same time, they could ensure adequate income for all local authorities (whether big or small, rural or urban, in surplus or deficit) and provide high-quality public services to local residents.

Wind farm rates appeal could have 'significant' impact on Offaly

Offaly County Council's Director of Finances, Thomas Mawe, has said an ongoing national rates review for wind farm companies could have "a significant financial impact" on Offaly.

A review by the Valuation Office has been ongoing for a number of years following an appeal by the wind energy industry. It is possible for the office to decide to reduce rates which would adversely affect Offaly County Council's rates income.

Earlier this year, the Irish Wind Farmers Association said the generation of electricity from wind is being "crippled" by local authority rates across the country.

The wind industry body claims it is being overcharged by as much as €8m a year nationally, a figure that could rise to €30 million in 2030, it is claimed.

Chairman Grattan Healy said: “Following the 2001 Valuation Act, the Valuation Office set about a revaluation of all rateable properties in Ireland. Up to that time, wind farms were paying roughly the same rates per megawatt of generating capacity as other electricity generating stations, and were fully accepting of same and happy to contribute to the local authority in support of their communities.

“However, the revaluation has in some instances tripled or even quadrupled rates for wind farms, while not doing anything similar for other generators. Such large increases amount to unfair government policy.”

Thomas Mawe, Offaly County Council's Director of Finances, said they [the council] are "not in control of any aspect of the review." He explained that rates for wind farms are worked out by a charge placed on the earnings of individual wind turbines and that the appellants are classed as "global ratepayers."

Large companies are involved in a number of wind farms in Offaly with more in the pipeline at various stages in the planning process. Mr Mawe insists the outcome of the national review will have "no effect on future planning decisions" for wind projects.

"At some point, we could just receive a revised certificate and we'd have to live with it so, at the minute, it's very uncertain," Thomas explained. He said he informed councillors of the potential financial risk posed by the review in this week's budget meeting simply to make them aware.

"We should know more after December as the process must be coming to an end soon," he added.
The uncertainty comes at a time when Offaly is already facing a substantial rates loss on foot of the closure of West Offaly Power Station in Shannonbridge in December 2020. That closure could cause a loss of €3 million to Offaly County Council's future budget sheets.

Revaluation of Galway City commercial rates underway

The process for the revaluation of commercial rates in Galway City which will continue throughout 2021 has gotten underway this month.

This week Commission of Valuation John O'Sullivan, signed a Valuation Order for Galway City Council to begin the process of reassessing commercial rates in the city which will be ongoing throughout next year.

Once that process is complete the new rates for commercial and industrial property will come into effect from January 1, 2022.

The signing of the new Valuation Order follows the completion of a statutory consultation process between the Commissioner of Valuation, the Minister for Housing, Planning and Local Government and Local Authorities.

During the first quarter of 2021 Proposed Valuation Certificates will be issued to ratepayers in Galway City.

People who wish to make representations about the proposed new rates which they have been set must do so within 40 days of receiving their certificate.

In September of next year the Final Valuation Certificates will be sent out to ratepayers, and the New Valuation List will be published.

This reassessment programme is meant to ensure that the commercial rates being levied accurately reflect the business environment.

It is also supposed to bring additional "transparency and more equity" to the local authority rating system, creating a more uniform relationship between rates and rent on commercial property.

Information packs were sent out to relevant property owners this week as the process got underway.

Under the Valuation Acts ratepayers are legally obliged to provide the information requested on the Revaluation Information Form within 28 days from date of letter.

Commercial rates revaluation begins in Donegal

A commercial rates revaluation has formally commenced in Donegal.

Valuation Orders have been made by the Commissioner of Valuation as part of the National Revaluation Programme.

Donegal is one of the few remaining local authorities that has never carried out a review of commercial rates.

The revaluations in Donegal will be carried out in accordance with the provisions of the Valuation Act 2001-2015 and are part of the national programme which aims to modernise the rateable valuation of all commercial and industrial property in Ireland.

The Valuation Office says a valuation will be set in line with rental values in the county at the valuation date of September 16th 2019 and its envisaged new valuations will be published on September 15th 2021 and will become effective for rating purposes from January 1st 2022.

An information form is due to be issued to occupiers of all rateable properties shortly.

The Valuation Office is advising that an individual occupier's rates may increase or decrease however, the revaluation will not increase the overall commercial rates income of the Local Authority and the commercial rates income of the council area undergoing revaluation will be capped in the year following a revaluation.

Revaluation Kerry 2021

As part of a national process being carried out throughout the State, the Valuation Office, has started the Rates Revaluation Process for all rateable properties in the County of Kerry.

The Valuation Order for Kerry was signed by the Commissioner of Valuation, Mr John O'Sullivan on Monday, November 4th, 2019, formally starting the process.

The Valuation Office is Ireland's State property valuation organisation. Their role is to provide ratepayers and local authorities with accurate, up-to-date valuations of commercial and industrial properties. Kerry County Council and other local authorities then calculate commercial rates based on the valuations provided to them by the Valuation Office.

The Revaluation Process aims to ensure that there is a modern valuation base for the levying of commercial rates on a fair and equitable basis across all economic sectors. It is expected to provide a closer relationship between the rental value or valuation of a property and its commercial rates liability.

The process takes 2 years to complete, and the Valuation Office intends that further revaluations are scheduled to take place in every county every 5-10 years.

What will happen?

As part of the Revaluation Process, all ratepayers, commercial property owners and beneficial occupiers of rateable properties will receive correspondence from the Valuation Office in relation to the process, how it will operate and what steps each ratepayer will have to take.