IPTI Xtracts

Property Tax and Assessment News from Around the World

IRELAND – January 2020

Fear of getting it wrong seems to be paralysing the Government

It isn't just the end of the year, it's the end of a decade.

A decade ago, who would have correctly anticipated that by 2019, we might be back to full employment? Or that Britain would have decided to pull out of the EU? Or that the biggest tax problem for the country in 2019 might be that we collect too much corporation tax?

There has, undoubtedly, been economic recovery. But, equally there is a sense it has not been evenly spread across every region, or benefited every family, in the country. There is more to recovery than just balancing the books.

As a nation, we remain very resistant to the introduction of any new forms of tax or levy. There is compelling evidence that we have an ongoing problem with our water supply system, yet we rejected the introduction of water charges.

The funding problems for our national broadcaster are acute, yet we resist any notion of a media levy to replace the increasingly inappropriate TV licence.

Despite the introduction of local property tax (LPT) in 2013, the tax remains small in comparison with most other taxes. Only 10% of local government funding is provided directly by this tax, which belies the "local" part of the LPT moniker.

Nor will that change anytime soon, it seems. Earlier this year, Finance Minister Paschal Donohoe announced that he would postpone a revaluation of houses for LPT purposes. That revaluation was due this year.

A revaluation would, undoubtedly, have prompted most people's LPT bills to go up, because property valuations have gone up.

The current local property tax bills are based on valuations which were made during the absolute property value nadir in 2013.

A 2019 revaluation would have resulted in LPT bills increasing by 50% or even more depending on the area in which you live.

A common theme for 2019 might be that it was the year when, like the LPT revaluation, things didn't happen. Fear of getting it wrong seems to be paralysing the Government while at the same time creating a vacuum for different pressure groups, quangos and activists to fill.

Last year saw a remarkable proliferation of the unelected telling us what to do.

People will remember that, back in March, Brexit was supposed to take place. We now know it will finally happen on January 31.

One of the many consequences of the lack of preparedness and political indecision on the part of the British was that Irish taxpayers got very little by way of tax relief in the budget in October. The Government's line was that it needed to be ultracautious in the face of Brexit chaos if the UK left without some form of deal with the EU. As it has transpired, that chaos did not materialise at the end of October, as was then feared, and is now unlikely to transpire during 2020.

That doesn't mean we can be complacent. Brexit is not just for 2020; it's for keeps. What lies beyond December 2020 is down to whatever can be agreed between the EU and the UK on the future relationship beyond December 2020.

Another change that didn't take place this year was an exercise by the Revenue to remove flat rate expense deductions from many categories of employee. This would have resulted in tax increases for hundreds of thousands of workers but the review was postponed.

Corporation tax was also a cause of some disquiet during 2019, at least among some commentators and politicians, but for a very different reason. It's unusual to hear complaints about companies paying too much tax.

After all, isn't Ireland supposed to be a tax haven for multinationals?

Nevertheless, payments by a relatively small number of multinational companies make up the greater portion of the yield and that makes exchequer receipts look vulnerable. Of course, the tax paid is important, but arguably more important to the Irish economy are the jobs and investment a thriving corporate sector brings.

This year will see a new government with a new manifesto and a new mandate, no matter which political hue it takes. There are few decisions any government can make which affect the lives of so many citizens as tax decisions.

Brian Keegan is director of public policy with Chartered Accountants Ireland

Green Party eyes higher property tax for more valuable sites

Party proposal amounts to charge on where property is located, rather than on the building itself
about 18 hours ago

The Green Party in government would overhaul property tax to ensure owners of higher value sites pay more, in a move away from the current levy on the market value of a home.

The party's proposal is in essence is a charge on where a property is located, rather than the property itself.

It would likely mean higher property tax for those living in areas that are well serviced by public facilities, such as cities and towns with good transport links, relative to those in rural areas whose actual homes may be of higher value.

Party leader Eamon Ryan told The Irish Times it would be used to encourage denser housing development. Proposals for a site value tax were previously mooted by the Fianna Fáil-Green coalition of 2007-2011 and the Fine Gael-Labour coalition of 2011-2016.

However the idea met with resistance from the group tasked with formulating the property tax before its introduction in 2013, which felt it would be difficult to gain "public acceptance" of such a tax.

At present, property tax is levied at a rate of 0.18 per cent of the value of a home, with 0.25 per cent charged on properties valued at €1 million or more.

When assessing the tax, property values are sorted into bands, with each rising by €50,000 on homes valued at €100,000 to €1 million. The valuation rates have remained the same since the tax was introduced. Last April, the Government deferred any changes for another 12 months.

Minister for Finance Paschal Donohoe said his preferred way of reforming the tax is by broadening valuation bands and cutting the rate at which it is levied.

Mr Ryan said that his party wants more substantial reform. The Dublin Bay South TD said a move to a site value tax would allow the State "recoup" some of the investment it has made in facilities like transport in high density areas. He said there is also an "environmental benefit" to a site value tax.

Benefits of site value tax?

He said the level at which people would pay – and whether they would pay more or less – depends on the level at which the tax is set. The concept would have to be agreed in government first, and then "you'd have to get that through" the Department of Finance and the Department of Public Expenditure.

"It is what it says on the tin. It's the value of the site rather than the value of the property. And one of the benefits of a site value tax is that . . . in thousands of different ways it encourages development back close to the centre, encourages more sustainable development."

Mr Ryan added that it would also apply to "commercial buildings, industrial estates, all built environment. It recognises that investment the State makes if you're living right next door to a really high-quality public transport destination. You got the benefit from that. That is identified in the value of the site. Some of that social investment that society has made is recouped back because you've got a kind of a systemic way of taxing on the basis of that value."

Mr Ryan said the existing water-charging regime should remain in place, but there should be greater investment in waste water infrastructure.

"The water quality in the discharge of sewage and the overflow from the storm system and sewage systems is a problem. But we've set up a system now where there is a charge on water we use above a threshold. That was our original policy. We agree that there is a right to water and it should never be in private ownership."

City Hall to collect boundary extension commercial rates from New Year's Day

BUSINESSES in Ballincollig, Blarney, Douglas and Glanmire will cease paying their commercial rates to Cork County Council from tomorrow.

From midnight, Cork City Council will become the rating authority for businesses operating in the expanded city following May's intensely debated boundary extension. This means that the 2020 rate will be paid to City Hall.

There will be no rate increase and bills will be posted to business owners in March.

Seven months ago, Cork City grew nearly fivefold in size taking in areas that included Douglas, Rochestown, Grange, Frankfield, Ballincollig, Blarney, Tower and Glanmire. Over 400 services transferred from the county area to the city.

However, Cork County Council remained the rating authority for the transfer area until the end of 2019.

City council director of finance, John Hallahan said: "We would like to reassure businesses that commercial rates for 2020 will remain the same as commercial rates in 2019, there will not be an increase in rates.

"Ratepayers can expect bills to issue in March. If your business is in the area that transferred into the city from Cork County Council, you will be issued with a new account number by Cork City Council. This is a vital reference number. You will be given this account number when your first bill is issued by Cork City Council in March," Mar Hallihan added.

Ratepayers should note that any arrears of rates outstanding as of December 31, 2019, will remain payable to Cork County Council.