



Public Consultation on Review of Local Property Tax (LPT)

Mr Paschal Donohoe T.D., Minister for Finance and Public Expenditure and Reform recently announced a review of the Local Property Tax (LPT) which is looking in particular at the impact on LPT liabilities in the context of property price developments in advance of the revaluation date on the 1st November 2019.

The purpose of the review is to inform the Minister in relation to any actions he may recommend to Government concerning the overall yield from LPT, its contribution to total tax revenue and the best way of achieving that objective. The review is being conducted by an interdepartmental working group chaired by the Department of Finance and a consultation process is now being launched to inform this work.

It is intended that the review group's report will be presented to the Minister for Finance in summer 2018.

Appendix 1 provides an overview of the LPT and how it is administered.

The Focus of the Consultation Process and the Work of the LPT Review Group

The purpose of the consultation process is to provide stakeholders and interested parties with an opportunity to submit their ideas and suggestions to the review process in relation to the LPT. The LPT review group will consider the submissions received in the context of their deliberations. The group will report to the Minister for Finance with recommendations based on their assessment of the issues that arise from the review.

Interested parties are invited to make submissions on the future of the LPT having particular regard to:

- Providing a basis for future review as property values vary over time;
- The relationship between property price movements and tax liability;
- Mechanisms for ensuring relative revenue stability and providing a level of certainty in terms of liability for 2020 and beyond;
- The considerations around continuing to operate the current range of LPT exemptions and deferral options;



- The outstanding recommendations of the 2015 Thornhill review of the LPT which is available at the following link:

http://www.budget.gov.ie/Budgets/2016/Documents/Review_of_Local_Property_Tax_pub.pdf

A summary list of the 2015 Thornhill recommendations is at appendix 2.

How to get involved?

Written submissions are welcome and should be sent to lptreview@finance.gov.ie

Alternatively, you can respond by post to:

Local Property Tax
Tax Policy Division
Department of Finance
Government Buildings
Upper Merrion Street
Dublin 2
D02 R583

Please include contact details if you are responding by post.

The consultation process is open from 20th April until 10th May 2018. Any submission received after this date may not be considered. It is intended that the report of the review group will be presented to the Minister for Finance in summer 2018. The report of the review group will be published in due course and may be considered in the context of Budget 2019.

Freedom of Information

Responses to this consultation are subject to the provisions of the Freedom of Information Acts. The Department may receive requests for any or all information supplied as part of this process. Any information which would be considered commercially sensitive should be highlighted as appropriate. Parties should also note that responses to the consultation may be published on the website of the Department of Finance.



An Roinn Airgeadais
Department of Finance

Where can I get further information on the local property tax?

<http://www.housing.gov.ie/housing/chargestaxes/local-property-tax/local-property-tax>

<https://www.revenue.ie/en/property/local-property-tax/>

<https://www.revenue.ie/en/corporate/information-about-revenue/statistics/local-property-tax/index.aspx>



Appendix 1

Overview of the Local Property Tax

The Local Property Tax (LPT) is an annual self-assessed tax charged on the market value of residential properties. The Revenue Commissioners are responsible for the administration, collection, enforcement and audit aspects of LPT. Revenue administers LPT in accordance with the provisions of the Finance (Local Property Tax) Act 2012 (as amended). The Act specifies that LPT is a charge based on the market value of residential properties. The property valuation must be determined on a specific 'valuation date' and forms the basis for the LPT charge until the next 'valuation date'.

The first 'valuation date' for LPT was 1 May 2013 and the valuation of a property set on that date remains valid until 31 October 2019. The 1 May 2013 valuation is not affected by any subsequent improvements or extensions to a residential property. Likewise, where a property is sold during the valuation period, and the value of the property has increased, there is no additional liability to LPT providing the initial 2013 valuation was accurate.

To assist with the calculation of LPT liability, valuations are divided into twenty 'valuation bands' that incrementally increase by €50,000 per band. The only exceptions in this regard are Band 1 (€0 to €100,000) and Band 20 (greater than €1m). The LPT liability for Bands 1 to 19 is calculated at 0.18% of the mid-point in each band. For example, properties valued in Band 1 pay €90 per year (0.18% of €50,000). The LPT liability on properties valued in Band 20 is calculated at 0.18% up to €1m and 0.25% on the portion above €1m. Local Authorities can vary the LPT base rate upwards or downwards by up to 15% on residential properties located in their specific area. This variation is referred to as the 'Local Adjustment Factor'.

The person who is the liable person in relation to a residential property on the 'liability date' must make all statutory returns and payments in respect of that year. The 'liability date' in respect of 2013 was 1 May 2013 and for all subsequent years is 1 November in the preceding year. For example, the liability date in respect of 2018 is 1 November 2017, although payment does not have to be made until 2018. There is a wide range of payment options including payment on a phased basis over the course of a year.

There are a number of exemptions from the tax where certain qualifying criteria are met. In general, exemptions apply for the duration of a valuation period (currently 1 May 2013 to 31 October 2019). Further information on LPT exemptions is available at this link <https://www.revenue.ie/en/property/local-property-tax/index.aspx>.

A deferral or partial deferral (50%) of LPT is available in certain circumstances such as low income, hardship and insolvency. However a deferral is not an exemption and the outstanding liability remains as a charge on the property and must be paid before a sale or transfer can be completed. Interest is also charged on the deferred amount at a rate of 4% per annum.



The full range of Revenue's collection and enforcement methods apply to LPT. These include mandatory deduction from salary/pension, refusal of a tax clearance certificate, interest charges on late payment and the referral of outstanding tax to a sheriff for collection.

The revenues from the LPT support the provision of local services by local authorities which are responsible for a range of services including, among others, housing, recreational amenities such as public parks, libraries, open spaces and other leisure amenities, planning and development, fire and emergency services, maintenance and cleaning of streets, and street lighting. Revenues from the LPT are remitted to local authorities.

Revenue publishes detailed statistical information on LPT, including collection at Local Authority level, on its website at: <http://www.revenue.ie/en/corporate/information-about-revenue/statistics/local-property-tax/index.aspx>.



Appendix 2

Recommendations of the 2015 Review of the Local Property Tax

Recommendation 1: The exemption for residential properties purchased from builders/developers or unsold by them should not be renewed when the next revaluation takes place. Neither should the exemption for properties on unfinished housing estates and the exemption for ‘first-time buyers’.

Recommendation 2: The existing deferral provisions should be continued and be reviewed and revised at frequent intervals in line with movements in the CPI so as to maintain their real value.

Recommendation 3: The period of relief for income-stressed owner-occupiers who have outstanding mortgages should be extended beyond the end of 2017.

Recommendation 4: For owner-occupiers over 80 years of age or those with stated certified long term illnesses and disabilities who are also living alone, it is recommended that consideration be given to raising the eligible income limit for deferrals to €20,000.

Recommendation 5: It is recommended that the Revenue ‘estimate amount’ be treated, instead, as a ‘default’ self-assessment for LPT purposes. This approach is recommended on the understanding that it would be made clear to taxpayers that they would have an obligation to submit a return form if the Revenue “estimate amount” did not fall into the same valuation band as the liable persons self-assessment of the value of the property.

Recommendation 6: It is recommended in order to simplify the current Government accounting system that direct payment of LPT receipts should be made by Revenue to the Local Government Fund rather than the current more complicated system. [Implemented in the Water Services Act 2017]

Recommendation 7: A revised system of assessing local property tax liabilities is proposed. A minimum yield which must be raised by each local authority would be set centrally by Government as part of the process for setting the national budget. The Department of Finance and Revenue, using the LPT tax base data and other relevant information, would estimate the property tax rates to be applied in each local authority area in order to raise this minimum yield. Local authorities on receipt of this information could adjust this rate upwards by a factor of up to 15 percent. It is envisaged that the minimum yield for LPT could be set with reference to the historic and current amounts raised in each local authority area so that property tax bills should remain at stable levels.

Recommendation 8: Local authorities should be more engaged in supporting the Office of the Revenue Commissioners in the LPT process and also to provide the general public and



individual households with programmatic and other useful information on how they spend the public funds available to them and the proportionate contribution made by the LPT.

Recommendation 9: Over the medium term, the Government should consider moving to a system whereby local authorities retain 100 percent of the LPT revenues raised in their areas. Authorities with weaker tax bases would consequently need to receive supplementary Exchequer funding.

Recommendation 10: In line with the retention of 100 percent of LPT revenues by individual local authorities, LPT should be re-designated as the Local Council Tax (LCT) to emphasise that it is a tax raised to pay for local council services.

Recommendation 11: regarding properties damaged by pyrite, it is recommended that the exemption continue in place but it be restricted to those properties that have been certified as having a damage rating of '2' or '1 with progression'; that pyrite damage continue to be proved by inspection and testing by a competent person in accordance with a standard published by the National Standards Authority of Ireland (NSAI); where liable persons elect not to incur the costs of testing they have the option of submitting by way of self-assessment a value to Revenue for the property which in their view reflects its current market value; where the Pyrite Resolution Board (PRB) is prepared to remediate a property without carrying out laboratory testing, Revenue accept a confirmation of remediation from the PRB in lieu of the NSAI certificate: and, where a party such as a guarantee company or a builder/developer remediates a property or compensates the property owner in lieu of remediation, Revenue accept confirmation of this from the party in lieu of the NSAI certificate. [Implemented in the Finance (Local Property Tax) (Amendment) Act 2015]

Recommendation 12: reliefs for properties occupied by persons with disabilities - The changes currently being administered by the Revenue under their care and management provisions should be covered by amending legislation, as, it is understood, is the Minister's intention; Additionally, with regard to the relief by way of reduced chargeable value, increase the threshold to the lesser of the increase in chargeable value or €50,000 which would ensure everyone who meets the qualifying conditions could benefit from the relief by way of reduced chargeable value up to a maximum reduction of €90 (one bandwidth). The relief would still only apply where the adaptations increase the chargeable value of the property. [Implemented in the Finance (Local Property Tax) (Amendment) Act 2015]

Recommendation 13: LPT payments should not be allowed as a deduction to landlords against income or corporation tax.