

**Correspondence 3A.5**  
**Meeting 80 – 18/04/2013**



An Roinn Airgeadais  
 Department of Finance

Ms Niamh Maguire  
 Committee Secretariat  
 Committee of Public Accounts  
 Leinster House  
 Kildare Street  
 Dublin 2



15<sup>th</sup> April 2013

Dear Ms Maguire,

I write in response to your letter of 26 February last in connection with further information requested during the course of the Committee's examination of the 2011 Annual Report and Appropriation Accounts of the Comptroller and Auditor General, specifically with reference to Vote 9, the Office of the Revenue Commissioners.

The Committee sought the following information – *'An estimate of the number of people who are likely to be in a position to avail of the exemption and deferral provisions of the proposed property tax'*.

At paragraph 6.3.2 of its Report, the Inter Departmental Group on Property Tax estimated that the maximum potential effect on yield of its recommended deferral for individuals on annual incomes below €15,000 and couples on incomes below €25,000 would be 16%. It was in this context that comment was made at the Committee hearing of a range of 14-16%. The Group also recommended a deferral in respect of certain owners who had taken out mortgages during the period 1 January 2004 and end-December 2008. A maximum potential yield impact of 2.5% was estimated in this respect.

The Provisions of the Local Property Tax Act in respect of deferrals and exemptions differs in some regards to the recommendations of the Inter-Departmental Group. For example, while the Group recommended that local authorities and social housing providers should be exempt from LPT, the Government decided that local authorities and approved housing bodies should be liable to the tax in respect of properties owned by them, with the exception of accommodation provided to persons who, under certain circumstances, require special accommodation and support to enable them to live in the community. On the other hand the Group recommended that deferrals should be available to those who had taken out mortgages between 2004 and 2008 for whom gross income less 80% of their mortgage payments would fall below the standard deferral thresholds. The Government decided that this facility should be available regardless of the date of commencement of the mortgage. The LPT as enacted also allows for deferral of 50% of local property tax payable where gross income exceeds the standard, or mortgage affected, thresholds by up to €10,000. Accordingly the estimated deferral rates mentioned in the Report of the Inter-Departmental Group are not directly applicable to the LPT as implemented.



On a general point before considering the impact of specific exemptions and deferrals which are considered in the following sections, Census data indicates that there are 1.99m residential properties in the country. The Revenue Commissioners are currently in the process of issuing LPT return forms to in excess of 1.6m people, with a view to returns being submitted before the end of May and the commencement of tax payments from 1 July 2013. The Committee will no doubt appreciate that the number of property owners (liable persons) and properties that will qualify for an exemption from or deferral of the Local Property Tax (LPT) cannot be accurately predicted until such time as LPT returns are filed.

**Exemptions:** Preliminary estimates for certain exemptions are as follows:

Properties constructed and owned by a builder or developer that remain unsold.

It is estimated that approximately 17,000 properties in developments of two or more properties will qualify under this exemption. The total number may exceed this when account is taken of one-off constructions. However the extent of this additional amount is difficult to estimate as it is a requirement that to qualify for this exemption that the property must be part of the trading stock of a builder or developer.

Properties in unfinished housing estates

Section 10 of the Finance (Local Property Tax) Act 2012 provides that a residential property shall not be subject to Local Property Tax if it is situated on an "unfinished housing estate". The Section defines an "unfinished housing estate" as a development of two or more buildings that is specified in a list prescribed, under section 10(3) of the Act by the Minister for the Environment, Community and Local Government for the purposes of the Act.

The Minister for the Environment, Community and Local Government published the list of unfinished housing estates to which an exemption from the local property tax would apply on 20 March 2013 in S.I. 91 of 2013. I understand that approximately 5,100 properties which will accordingly qualify for this exemption.

Properties that are certified as having a significant level of pyrite damage

In September 2011, Mr. Phil Hogan, T.D. Minister for Environment, Community and Local Government announced the establishment of an independent Panel to address the issue of pyrite contamination in hardcore material used in the construction of private housing stock. The remit of the Panel was to identify possible options to address the problem caused by pyrite and in particular to try to facilitate a resolution of the problem for homeowners whose homes have been affected by pyrite.

The Pyrite Panel undertook a desktop study to establish facts in relation to the potential exposure to pyrite problems. The Panel estimated that 74 estates with 12,250 ground floor dwellings may have an exposure to pyrite problems. However, it noted that the pyrite problem is a complex and multi-faceted one and the manifestation of pyritic heave leading to damage may be influenced by a number of factors including climatic conditions. A notably feature of the pyrite problem in Ireland

is its unpredictability within an estate with even adjacent dwellings reacting differently, one showing damage and the other displaying no damage. The Panel noted that not all dwellings in an estate where pyrite problems have been identified will manifest pyritic damage and there are a number of reasons for this including different builders operating in an estate and multiple sources for the sub-floor hardcore used. It is therefore unlikely that all properties in estates where pyrite has been identified will qualify for an exemption from LPT.

The Pyrite Panel identified “significant pyritic damage” due to the presence of reactive pyrite in the hardcore as the yardstick to determine if a dwelling should be remediated and the exemption for LPT follows the same principle. The Department of the Environment, Community and Local Government will shortly publish regulations setting out the assessment and testing procedures to be used to establish the presence of significant pyritic damage in order for homeowners to claim an exemption from the LPT.

#### Property owned by a charity or public body and used to provide “special needs accommodation”

While I understand that there are in excess of 120,000 local authority properties and 27,000 approved housing body properties, this exemption only applies to properties that are used to provide special needs accommodation to persons who, for reasons of old age, physical or mental disability or other cause need special accommodation and support to enable them to live in the community. “Special needs accommodation” refers to the provision of housing and support for people who have a particular need in addition to a general housing need to enable them to live in the community. Guidelines are being developed by Revenue which clarify what constitutes special housing needs and support in order to assist local authorities and other social housing providers to determine whether their properties are exempt from the charge to LPT. Representatives of social housing providers have assisted in the development of the guidelines. The draft guidelines are currently being considered by the Department of the Environment, Community and Local Government and the Irish Council for Social Housing. It is not possible to predict how many of these properties will qualify until such time as the Guidelines are confirmed and the LPT returns filed. The exemption could apply to up to 50% of those owned by approved housing bodies.

#### Other Exemptions

A number of other categories of property are exempt from Local Property Tax, including:

- registered nursing homes,
- some newly purchased properties,
- properties vacated for medical reasons
- properties purchased or adapted for severely incapacitated individuals,
- properties owned by registered charities and used for residential purposes,
- diplomatic properties; and
- properties bought by a first time buyer in 2013.



It is not possible to accurately estimate the number of properties which fall into these categories.

### **Deferrals**

In addition to the income and mortgage related deferral thresholds referred to above, liable persons may qualify or apply for deferrals of Local Property Tax in a number of additional instances including

- individuals who enter into debt resolution arrangements under the Personal Insolvency Act 2012;
- individuals who suffer both an unexpected and unavoidable significant financial loss or expense, as a result of which he or she is unable to pay their LPT without causing financial hardship, to whom the Revenue Commissioners will have discretion to permit a deferral of liability
- personal representatives of deceased persons.

It is not possible to estimate the number of deferrals that may arise under these categories. In addition it must be borne in mind that deferrals are voluntary for those who qualify. Not all qualifying liable persons may wish to defer their liability.

### **Conclusion**

While the Inter-Departmental Group put considerable effort into its costings and estimation of likely levels of exemption and deferral in the context of its recommendations, the impact of the actual exemption and deferral provisions cannot be accurately determined until the returns process has been completed. When the position becomes clearer, the Office of the Revenue Commissioners have advised me that they would be happy to provide more detailed information to the Committee, if the Committee so wish.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'JAM', with a long horizontal flourish extending to the right.

John A. Moran  
Secretary General  
Department of Finance