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An Coiste um Fhormhaoirsiú Buiséid
Athluacháil Cánach Maoine Áitiúla**

**Houses of the Oireachtas
Committee on Budgetary Oversight
Local Property Tax Revaluation**

**Report
March 2018**

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CHAIRMAN'S PREFACE



The Local Property Tax (LPT) is a self-assessed tax charged on the market value of residential properties. It is a significant feature of the Irish taxation system, and an important source of funding for local government services, including roads, housing, fire and environmental protection, recreation and community services.

During our Committee's budget scrutiny process in September 2017, the Committee identified the need to examine the process for Local Property Tax Revaluation, in advance of Budget 2019.

This is because rising house prices potentially mean that under the current revaluation process, householders would face a significant increase in Local Property Tax. The LPT revaluation, initially due to take place in 2016, was postponed until 2019.

In examining this issue, the Committee held public meetings with officials from the Office of the Revenue Commissioners, and from the Department of Finance. The Committee agrees on an all-party basis, that steps need to be taken to prevent substantial increases in the LPT, as a result of the revaluation process.

This report makes a number of recommendations for consideration by the Dáil and the Minister for Finance and Public Expenditure and Reform. Our Committee welcomes a further opportunity to engage with the Inter-Departmental Group set up to review LPT, prior to Budget 2019. I am grateful to the officials who provided evidence to the Committee, and for their assistance in attending meetings.

I would like to acknowledge the assistance of the Parliamentary Budget Office, which provided analysis and briefing material to the Committee, and to the Secretariat for their support.

I am pleased to present this report to the Dáil on behalf of the Select Committee.

A handwritten signature in black ink, appearing to read 'Colm Brophy', with a long, sweeping underline that extends to the right.

Colm Brophy T.D.

Chair

RECOMMENDATIONS

1. The Committee recommends that the current revaluation process needs to be reviewed in light of the significant increase in Local Property Tax (LPT) liabilities that would arise if there is no change.
2. The Committee recognises the harmful effects that would result from the implementation of Option 1; Proceed with revaluations in 2016 as provided for in current legislation, and therefore recommends that this option should not be considered by the Inter-Departmental working group.
3. The Committee endorses Option 3; Revalue and adjust rates nationally to maintain Local Property Tax yield or Option 4; Revalue and adjust rates locally to maintain LPT yield as outlined below.¹
4. The Committee recommends that the Inter-Departmental group adopt the suggested approach made by the Parliamentary Budget Office (PBO). The PBO suggests that the first step in the process should be deciding what amount of revenue is to be raised by LPT.
5. The Committee recommends that the analysis carried out by Department of Finance in 2015 should be updated to ascertain the potential impact of increasing property prices on LPT liabilities.
6. The Committee recommends that the Department of Finance should request that the Revenue Commissioners and ESRI carry out further analysis on the impact of potential increases in LPT liabilities on people with low incomes to determine if the tax is regressive or progressive in nature and the effect that this may have on the level of deferrals.
7. It is recommended that the Department of Finance provides clarity on the remit, and composition of the Inter-Departmental Working Group. Clarity should also be provided on what they mean by the phrase “maintaining relative stability”, contained in the Department’s press release.

¹ Agreement was not unanimous on this recommendation (See Paragraph 46).

8. The Committee on Budgetary Oversight should be provided with the results of the review carried out by the Inter-Departmental working group in advance of Budget 2019.
9. In advance of Budget 2019, the Department of Finance should engage with the Committee on Budgetary Oversight in ex-ante scrutiny of any proposed reform of the LPT
10. Many people live in managed estates or complexes paying management fees that must also pay local property tax. The Committee recommends that a review of LPT as it relates to residential management companies and privately managed residential complexes, be included in the work of the Inter-Departmental Working Group. The results of this review should be reported to the Committee.
11. The Committee notes that at present, approximately 48,000 property owners are exempt from LPT. The majority of these exemptions relate to new and unused properties built since 2013, and therefore, these property owners are being subsidised by other taxpayers. The Committee recommends that the Inter-Departmental Working Group should review the cessation of exemptions in relation to new and unused properties. This would make the current system more equitable and also broaden the tax base.

INTRODUCTION

1. Taxes on immovable property and assets are seen internationally as an important source of revenue (OECD, 2010)². Research including the Thornhill review (2015) and more recent analysis prepared by the Parliamentary Budget Office (PBO, Briefing Paper No. 2 of 2018)³ state that some of the benefits of introducing a well-designed property tax include: broadening the tax base, providing a stable funding base for local government, replacing revenues from volatile transaction taxes such as stamp duty, and setting a precedent for more “employment and enterprise friendly” tax measures to be introduced.
2. The Select Committee on Budgetary Oversight first raised the issue of revaluation of Local Property Tax during its ex-ante scrutiny of Budget 2018. When LPT was introduced, the initial valuation applied from 2013 to 2016. The valuation period was subsequently extended from 1 May 2013 to 31 October 2019 in the Finance (Local Property Tax) (Amendment) Act 2015. This means that owners will be expected to value their properties on 1 November 2019.
3. The Committee notes that:
 - since the Local Property Tax valuation in 2013, house prices have increased nationally by 71.6% (CSO, 2018)⁴
 - any changes to the Local Property Tax valuation process could have a wide ranging impact on property owners and on budgeted revenue
 - it identified concerns about the potential impact of a sudden “*valuation shock*”, in the event of a LPT revaluation in 2019
 - any decisions to change the valuation process will need to be made as part of Budget 2019 to allow the Revenue Commissioners to implement necessary ICT and business process changes in good time

² https://www.keepeek.com//Digital-Asset-Management/oced/taxation/tax-policy-reform-and-economic-growth_9789264091085-en#page1

³ https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2018/2018-01-15_local-property-tax-issues-to-be-considered-with-the-revaluation-of-the-base_en.pdf

⁴ <http://www.cso.ie/en/csolatestnews/2018/january2018/>

4. On January 16th, 2018, Mr Paschal Donohoe T.D., Minister for Finance and Public Expenditure and Reform announced that his Department would review the LPT in 2018. The review will look at the impact of LPT liabilities as a result of any changes to the valuation process.
5. For all of the above reasons, the Committee decided to focus on the issue of LPT well ahead of Budget 2019 to feed into the Inter-Departmental review and to enhance scrutiny of the budget process.
6. The Committee recognises that there is not overall support for Local Property Tax among Committee members, and that several different viewpoints have been expressed regarding reform of the current LPT system. The Committee also notes that a more comprehensive examination of options to reform LPT is beyond the remit of the Budgetary Oversight Committee. In light of these issues, the Committee report on LPT is confined to examining the revaluation process with the aim of enhancing scrutiny of the budget process.

LOCAL PROPERTY TAX (LPT)

7. The introduction of a property tax was proposed by the Commission on Taxation (2009) as a measure that could help address the gap between public expenditure and revenue. In general, a property tax is considered to be one of the most employment and enterprise-friendly taxes. This is particularly true of land value taxes. Introducing any kind of tax will change or distort market outcomes. However, as the supply of land is fixed and suppliers cannot manipulate the amount supplied, taxing it has less of a distortionary effect than taxes on labour and goods and services (Review of the Local Property Tax, Thornhill, 2015, p11)⁵.
8. In its 2012 paper entitled 'Local Property Tax in Ireland: Key Choices' the Economic and Social Research Institute (ESRI) also highlighted the fact that the property tax is one of the least distortionary taxes. The paper stated that "*for a given revenue target, property tax has less impact on growth and employment than income tax or indirect tax*" (Local Property Tax in Ireland: Key Choices, p2, ESRI,2012)⁶
9. In 2010 the OECD examined how tax policies and structures could be designed in order to maximise economic growth. In its findings it ranked corporate taxes as the most harmful and recurrent taxes on immovable property as the least harmful to growth (Tax Policy Reform and Economic Growth, 2010, OECD).

⁵ http://www.budget.gov.ie/Budgets/2016/Documents/Review_of_Local_Property_Tax_pub.pdf

⁶ <https://www.esri.ie/pubs/EC011.pdf>

REPORT OF THE INTER-DEPARTMENTAL GROUP (2012 REPORT)

10. In 2012 an Inter-Departmental Group was established to examine and put forward recommendations regarding the design and implementation of a property tax. The purpose of the tax was to introduce a more sustainable source of revenue, and to address the gap between public expenditure and revenue which existed at the time. The report of the Inter-Departmental group stated that;

“Irish public finances require profound restructuring. There is an unsustainable gap between public expenditure and revenue. Measures are required both to reduce expenditure and to increase revenues” (Design of a local property tax, p21-22, 2012)⁷.

11. The Group examined a number of options regarding who should pay, and the basis of assessment. These included consideration of a charge on property owners versus a charge on occupiers and a site value basis versus a market value basis for the tax. The various options were examined in detail under the guiding principles and criteria of simplicity and transparency, equity, efficiency and cost efficient assessment, collection and compliance.

12. The Group came down in favour of a tax on owners of residential property that is based on market value. The reasons cited in the report for favouring market value over site value were a lack of transparency and administrative simplicity. The group’s report also referred to research carried out by the Commission on Taxation in 2009 on the merits of a site value tax. On this issue, the Commission’s report stated that:

“while seeing the economic rationale for land value tax...it may not be a pragmatic approach to the restructuring of our property tax” (Commission on Taxation Report, 2009)⁸.

⁷ <http://www.housing.gov.ie/sites/default/files/migrated-files/en/Publications/LocalGovernment/Administration/FileDownload%2C31669%2Cen.Pdf>

⁸ http://researchrepository.ucd.ie/bitstream/handle/10197/1447/Commission_on_Taxation_Report_2009.pdf?sequence=1

13. On foot of the Inter-Departmental Group report of 2012, Local Property Tax was introduced in Budget 2013. It represented the largest extension of self-assessment in the history of the State. The tax is calculated on the market value of almost all residential properties in the country.

THORNHILL REVIEW 2015

14. The issue of significant increases in property prices and the impact on LPT liabilities was first examined in a review of LPT chaired by Don Thornhill in 2015. The original valuation date was 1 May 2013 with revaluation scheduled every 3 years. The second scheduled revaluation date was in November 2016 but this was subsequently postponed until November 2019, as there was concern over the impact of increasing property prices. The Thornhill report found that between 2013 and 2015 property prices rose nationally by 26%; it noted that there was a significant variation in increases between the regions with properties in Dublin increasing by approximately 41% and properties outside Dublin increasing by 14%. (Review of the Local Property Tax, Thornhill, 2015)

15. In reviewing the LPT revaluation process, the Thornhill report highlighted potential challenges facing policy makers in ensuring, fairness and relative stability in tax liabilities. The Thornhill report emphasised the need to give sufficient time to plan any changes to the revaluation process. The report also put forward a number of options to help address these challenges.

Committee Findings

16. The Committee notes that the Irish housing market was one of the most affected across the OECD after the international financial downturn of 2007/2008, with prices falling by 54 per cent in nominal values between 2007 and 2013 (Irish house prices; Déja vu all over again?, ERSI, 2017)⁹

⁹ https://www.esri.ie/pubs/QEC2017WIN_SA_McQuinn.pdf

17. However, the Committee notes that since 2015, house prices have accelerated. According to the latest CSO statistics (January 11 2018), property prices increased nationally by 71.6% between early 2013 and 2017. Dublin property prices increased by 88.1% since their lowest point in February 2012, while prices in the rest of Ireland are 62.8% higher than their lowest point in May 2013 (CSO, 2018).
18. In the view of the Committee, these trends and evidence received by the Committee confirm the need, ahead of Budget 2019 to carefully consider the impact of the revaluation process on liable households.

Parliamentary Budget Office (PBO) Analysis and Options

19. The PBO reviewed the options set out in the Thornhill report for addressing the revaluation challenges and put forward four main options. These are:

Option 1: Proceed with revaluations in November 2016 as provided for in current legislation

20. The November 2016 revaluation date was postponed to November 2019. If this option is implemented there would be no change to the current legal provisions to the Finance (Local Property Tax) Act 2012. Property owners would be required to revalue their properties, based in the current market values, on 1 November 2019. Property owners would then be taxed on these values from 2020.
21. The Thornhill review did not recommend this option as it would potentially lead to significant increases in liability for taxpayers as a result of recent property price increases. The increases in liability could be viewed as unfair. On this option, the PBO came to a similar conclusion about the impact, stating that:

“there will be a large increase in LPT liabilities for many taxpayers and a commensurate increase in LPT yields. This will be largest in areas that have seen the largest property price increases...” (PBO, Briefing Paper No.2 of 2018, p3)

22. The Thornhill review also raised the issue of the sensitivity of LPT yields to property price movements, which would not lead to stable revenues for local authorities. Due to these issues the review concluded that this option does not meet the criteria of fairness, stability or responsiveness.

23. The PBO set out an illustrative example of the potential impact of implementing Option 1. The PBO analysis concludes that:

“for a property assumed to move from the €200,001-€250,000 band to the €350,001- €400,000. This would lead to an 85.7% increase in the LPT due on the property or €270 per annum” (PBO, Briefing Paper No. 2 of 2018 p20).

24. While the implications of choosing Option 1 could potentially have an outcome which is perceived by taxpayers as unfair, the resulting boost to LPT revenues will also increase the discretionary funding available to many Local Authorities. The Dublin Local Authorities would particularly benefit from increased LPT revenues.

25. The PBO briefing paper, provided to the Committee on Budgetary Oversight, considers this issue and explains that the impact on Local Authority funding may not be as large as expected: in some cases there may be no effect on overall income for some Local Authorities. The PBO states that:

“An increase in overall LPT revenue will increase the discretionary funding available to many Local Authorities, in particular the Dublin Local Authorities... However, for local Authorities where the 80% of the LPT retained revenue still does not meet the baseline there will be no effect on their overall income” (PBO, Briefing Paper No. 2 of 2018 p. 20).

Option 2: Freeze valuations at 2013 levels

26. This option would involve a further deferral of the revaluation. According to the Thornhill review this option does not meet any of the criteria contained in the guiding principles (transparency, fairness, efficiency, stability and responsiveness). The valuation base would not change: therefore no additional revenue would be raised and the current distribution would remain the same. However, it would also mean that any unfairness either perceived or actual would continue. If developments to the housing supply since 2013 are not taken into account this could lead horizontal and vertical inequities.
27. It is also important to consider that a second valuation freeze could also give rise to expectations that the revaluation would be deferred further. In its briefing paper, the PBO also explains that, if a credible perception is created that a revaluation will never take place, it is possible that LPT may become open to constitutional challenge.

Option 3: Revalue and adjust rates nationally to maintain Local Property Tax yield

28. Under this option revaluation would go ahead on 1 November 2019 however, the rate would be reduced from 0.18% in order to mitigate the effect of increasing property prices. No additional revenue could be raised from LPT under this option. While the Thornhill review concludes that this option meets most of the evaluation criteria it does highlight the concern that there would be significant variations in the tax changes introduced for taxpayers in different parts of the country (Thornhill, Review of the Local Property Tax, 2015).

29. The PBO briefing paper also points out that this option will not allow revenue from LPT to increase over time and could disproportionately affect Dublin and other urban areas. The PBO briefing sets out the following example to demonstrate the possible impact of this option.

“for a property assumed to move from the €200,001-€250,000 band to a higher band. Assuming the average property price rise was 70%, this would mean that the LPT rate would need to fall to approximately 0.105% in order to maintain the level of LPT revenue. However, depending on the actual increase for the individual property the LPT liability could fall or rise” (PBO, Briefing Paper No. 2 of 2018 p 23).

Option 4: Revalue and adjust rates locally to maintain Local Property Tax yield

30. The Thornhill report recommended a new system in which rates are set by central Government for each individual Local Authority. This option was recommended as it fulfilled all of the evaluation criteria. The review puts forward the opinion that the current system of *“applying a central rate (with some local modifications to periodically reviewed market value estimates”* (Thornhill, Review of the Local Property Tax, 2015, p 47).

31. It explains that this option would go a long way to meeting three important challenges currently facing Irish public policy; broadening the tax base to include residential properties, providing a stable funding base for local government and strengthening democracy at local level.

32. The PBO briefing paper highlighted some other issues to consider in relation to this option. Having differing rates of LPT across different Local Authorities will cause distortions in the residential property construction and purchase markets. House buyers in different areas will face differing liabilities for properties of the same value depending on location.

33. While the PBO briefing paper states that the recommendation to implement Option 4 contained in the Thornhill review “*still has merit*” it also puts forward other issues for consideration regarding LPT and makes the following conclusions;

- *“The overall amount of revenue to be raised by the LPT should be decided before any other reforms with respect to LPT are considered.*
- *The regular updating of valuations is needed to maintain the integrity of the LPT system and ensure that future decisions on LPT policies are based on up-to-date valuations thus the 2019 revaluation should proceed.*
- *The option chosen with respect to how LPT rates are set should reflect desired distributional priorities given the amount of revenue to be raised.*
- *The Thornhill Review’s recommendation to set individual rates for Local Authorities still has merit.*
- *Consideration should be given to introducing a mechanism for the LPT rate to automatically increase annually by a defined amount perhaps linked to a measure of inflation, population increase, Local Government expenditure” (PBO, Briefing Paper No. 2 of 2018, p27).*

ISSUES RAISED BY THE COMMITTEE

Impact of the revaluation process

34. One of the main findings to come out of the meetings with Revenue and the Department of Finance regarding LPT is that implementing Option 1, the no-change proceed with revaluation option, will have a very negative impact on many taxpayers and will in no way achieve the goal of maintaining “*relative stability*”. The potential significant increase in liabilities will be viewed as unfair particularly given the disparity in house prices between the regions. The credibility of the LPT system would also be badly damaged.

35. Deputy Michael McGrath raised this issue with officials from the Department of Finance stating that:

“I take it there is a recognition that doing nothing is not an option because that would not deliver relative stability in view of the property price increases we have seen.”

36. The Committee also noted that no analysis on the impact of property price increases on potential LPT liabilities has been carried out since 2015. However when questioned on this issue, the officials from Revenue Commissioners stated that they would be willing and able to carry out this analysis if requested. It is understood that analysis of the impact of increasing property prices is currently being carried out and the results will be provided to the Committee on completion.

37. Deputy John Lahart questioned officials from the Department of Finance on this issue asking whether it is intended that such analysis will be carried out given that policy decisions will need to be made in 2018. The Department confirmed that the Inter-departmental group would be looking at all the key areas of LPT and are very conscious of the need to put policy decisions in place well in advance of the revaluation deadline.

38. Mr. Hogan stated that:

“The Revenue Commissioners referred to some timing issues and, as participants in the group, they will be well informed as to the constraints that there are in adjusting the approach to the administration of the tax. Systems have to be altered in some way, tested and in place in good time for the introduction of whatever new arrangements are being put in place. We are conscious of those challenges for our colleagues in the Revenue Commissioners and we do not want to compromise the 97% compliance rate by the changes we make”.

39. Of the four options set out above, the Committee is of the opinion that Options 3 or 4 appear to have the least harmful impact on LPT liabilities and could potentially help to ensure “relative stability”. These options were supported by Deputy Joan Burton who raised it as a possible way to mitigate the affect of increasing property prices.

“In particular, if Revenue wanted to maintain the yield from the tax as being broadly in line with increases in the consumer price index, has it examined how it would achieve that by maintaining valuations but lowering the rates, which is the way it is approached in a number of countries?”

Site value vs. Market value

40. During the meeting with officials from the Department of Finance the issue of revisiting the possibility of implementing a site value tax was raised. Deputy Ryan explained that his understanding was the main reason for not opting to implement a site value tax was due in large part to Ireland's economic position back in 2012 and the fact that a site value tax would be too slow in bringing in much needed revenue. Deputy Ryan stated that;

“Ten years ago, people said that we should do it but that it would take time and would not provide immediate revenue. We now have a certain amount of time and we are in a different fiscal position. I am of the view that it should be reconsidered in that light.”

41. Deputy Ryan also listed the benefits of switching to a site value basis rather than continuing to use market value. These benefits were also set out in an online article written by economist Ronan Lyons who specialises in urban economics and housing markets. In his article he states that;

“the fairest form of property tax is the site value tax....It rewards rather than punishes households that make their home more energy efficient....it can be applied to all types of land, residential, commercial, public and agricultural land with huge beneficial side-effects in terms of land use....Site value tax is also a tax on hoarding land and speculating” (Ronan Lyons, 2012)¹⁰.

42. Officials from the Department of Finance however argued that while the decision to open up the remit of the Inter-Departmental review group to include a reconsideration of the site value tax was the responsibility of the Minister, the Thornhill 2012 report had already examined this option in great detail and that looking at it again would be going over old ground. They referenced the recent press release by the Minister for Finance which stated that:

“The current review of the LPT will be informed by the principle of achieving relative stability in the LPT payments of those liable for the tax and provide clear direction on the likely payments faced by households in 2020.”

¹⁰ <http://www.ronanlyons.com/2012/08/27/property-tax-its-not-rocket-science/>

Scope of the 2018 review of Local Property Tax

43. The Committee is of the view that the above statement makes it very clear that the focus of the review of LPT will be to ensure stability and minimize the impact of property price increases and that broader issues, such as consideration of a site value tax are not included in the scope of the review. Deputy Michael McGrath clarified this by stating that:

“From my reading of it, the focus is on maintenance of relative stability taking into account the recommendations of the Thornhill group which have not been implemented. As such, the suggestion of LPT being based on square footage and site value would not appear to be within the scope of my understanding of the statement made today”.

44. Mr. Hogan from the Department responded by reiterating that extensive work on the possibility of a site value tax had already been carried out as part of the Thornhill 2012 report and that there may not be a need to revisit this issue again.

45. Deputy McGrath also questioned what was meant by the term “relative stability”. The officials from the Department did not give a precise definition of the term nor was it made clear how the Department intends to approach possible changes to the LPT system. Mr. Hogan stated that:

“This notion of relative stability has been at the centre of how this tax has been created over the past number of years. The intention has been to create that stability over the short and longer term. There has been stability over the past six years in that the actual level of tax in that period has not moved. It is incumbent on us to review our learnings from the LPT over the past number of years, acknowledging that there is a very high compliance rate with it”.

46. The Committee considered the question of whether Local Property Tax should be abolished and also the question of whether LPT had fulfilled its original purpose to provide a stable funding source for Local Authorities. On this basis, the Committee recommends that the option of abolishing LPT be included in the scope of the Inter-Departmental Working Group’s review."

Impact on those on lower incomes

47. While there is broad consensus regarding the potential benefits of a well designed property tax some members expressed concern about the impact that increasing house prices would have on those with lower incomes.
48. Deputy Richard Boyd Barrett raised this issue during the meeting with Revenue arguing that given house prices have increased by more than double the increase stated in the Thornhill review, that the majority of taxpayers would see a significant increase in their LPT liability.
49. In relation to householders in Dublin Deputy Boyd Barrett pointed out that it is possible many of them would jump potentially 2 if not 3 valuation bands. Officials from Revenue agreed that this was a reasonable estimation. The officials also stated that they have not been asked to update their analysis to account for current property valuation increases.
50. When queried about the number of deferrals and whether they have increased since the introduction of the tax Revenue stated that at present the number of deferrals for this year are 62,000 and this is an increase from approximately 50,000 in 2013. According to exact figures provided by Revenue to the Committee after the meeting deferrals have increased from 38,509 in 2013 to 61,556 in 2017.
51. In response to a query from Deputy Boyd Barrett, Revenue have provided the Committee with an analysis of the potential impact of a revaluation including how much the increases in tax would be and how many taxpayers would move into a higher band (Appendix). These figures have also been cross-referenced against income distribution.

52. This analysis shows that LPT appears to be a broadly progressive tax with those on lower incomes paying less tax. It can also be seen that the combined total LPT collected from the 2 lowest gross income bands is equal to the total LPT collected for the highest gross income band. The complete analysis provided by Revenue is attached in Appendix.

CONCLUSIONS

53. The Committee concluded that the current LPT process needs to be reviewed in light of the significant increases in house prices and that further analysis needs to be carried out to assess the impact of rising house prices on LPT liabilities.

54. There was general agreement that Option 1 – No change, proceed with revaluation, if implemented would have harmful repercussions for taxpayers, would damage the credibility of the LPT system and would not achieve the goal of relative stability as described by Minister Donohoe. The Committee concluded, therefore, that this option should not be considered by the inter-departmental working group.

55. The Committee concluded that the Inter-Departmental Working Group should endorse the termination of exemptions in relation to new and unused properties. This would make the current system more equitable and broaden the tax base.

56. The Committee recommends that the work of the Inter-Departmental Working Group should include re-examination of a site value tax, and an analysis of the impact of LPT on those with lower incomes. While the evidence suggests that a property tax is the least harmful tax and one that has several benefits including broadening the tax base and providing a stable source of funding for Local Authorities, it is important that careful consideration be given to the design of this tax.

57. On foot of the briefing paper published by the PBO on this matter, the Committee concluded that the amount of revenue that needs to be raised by LPT should be considered before any other options or reforms.

APPENDIX

Correspondence Received

Email Received from the Revenue Commissioners

19 January 2018

Mr Ronan Murphy
Select Committee on Budgetary Oversight
Leinster House
Dublin 2
D02 XR20

Dear Ronan,

Regarding your letter of 18 December 2017, as requested I provide below the supplementary information sought in relation to Local Property Tax (LPT).

1 Local Property Tax Deferrals: further information on total amount owed in 2017, and average liabilities, in respect of Local Property Tax deferrals.

- The Finance (Local Property Tax) Act 2012 (as amended) provides for a deferral or partial deferral (50%) of LPT where certain specified circumstances exist. These circumstances include 'Income Level', 'Hardship', 'Personal Insolvency' and 'Personal Representative of a Deceased Person'. The table below shows the total LPT liabilities deferred the number of properties and the average deferral value.

Liability Year	Total LPT Deferred	Number of Properties	Average LPT Deferred
2013	€5.4m	38,509	€139
2014	€12.6m	46,356	€273
2015	€13.5m	55,267	€241
2016	€15.0m	62,881	€239
2017*	€15.2m	61,556	€246

*Provisional data

Once granted, a deferral normally remains in place for the duration of the 'Valuation Period', which is currently 1 May 2013 to 31 October 2019. Where a deferral is in

place, the outstanding liability automatically attaches 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 total accumulated interest to date is approximately €6 million.

2 Further information in relation to the income distribution i.e. by decile, of persons liable for Local Property Tax.

- The table provided below shows the estimated income distribution by decile (with the deciles based on gross income) of persons liable for LPT.

The table excludes persons and entities not on Revenue's Income Tax file (e.g., persons with no income other than social welfare income, LPT owners that are registered for Corporation Tax, etc.). The cases included, totalling just over 900,000 property owners (from a total of around 1.4 million owners), pay €262 million in LPT and therefore account for over half of the LPT collected (€448 million for 2017 liability year).

The analysis is based on incomes for tax year 2015, the most recent year for which complete income tax returns data are currently available. It is important to note that the income presented is that of the designated liable owner of a property for LPT purposes. Where there are multiple owners, for example a married couple with two earners; whether the higher or lower earner is the designated owner will usually depend on the selection made by the owners themselves when filing their LPT return.

Income Decile	Number of Persons	Total Gross Income	Total LPT Collected	Average Gross Income	Average LPT Collected
	Number	€m	€m	€	€
1	103,140	990	21	9,594	201
2	103,352	2,093	22	20,248	212
3	103,352	2,890	23	27,967	221
4	101,029	3,529	23	34,935	230
5	98,998	4,196	24	42,389	243
6	96,478	4,931	25	51,111	254
7	91,611	5,668	26	61,874	281
8	85,777	6,575	27	76,653	319
9	76,082	7,791	30	102,398	394
10	52,555	12,691	41	241,477	784
All Deciles	912,374	51,354	262	56,287	287

This table is based on preliminary analysis of LPT data linked to incomes.

If any clarification is required on these points, please contact me.

It may also be of interest to the Committee to note that we have recently published updated statistics for LPT as at the end of 2017. These are available at:

<https://www.revenue.ie/en/corporate/information-about-revenue/statistics/local-property-tax/end-of-year-reports/local-property-tax-2017.aspx>.

Yours sincerely



Keith Walsh

Principal Officer

Statistics & Economic Research Branch, Office of the Revenue Commissioners

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TERMS OF REFERENCE

Go ndéanfar, de réir mholadh an Fhochoiste ar Athleasú na Dála faoi Bhuan Ordú 107(1)(a), Buan-Orduithe Dháil Éireann i dtaobh Gnó Phoiblí a leasú tríd an mBuan-Ordú seo a leanas a ghlacadh:

That, in accordance with the recommendation of the sub-Committee on Dáil Reform under Standing Order 107(1)(a), the Standing Orders of Dáil Éireann relative to Public Business be amended by the adoption of the following Standing Order:

‘186A. (1) Beidh arna bhunú, a luaithe is féidir i ndiaidh ationól na Dála tar éis Olltoghcháin, Buanchoiste, dá ngairfear an Coiste um Fhormhaoirsiú Buiséid, chun scrúdú a dhéanamh agus, más cuí leis é, chun tuarascáil a thabhairt don Dáil—

‘186A. (1) There shall stand established as soon as may be, following the reassembly of the Dáil subsequent to a General Election, a Standing Committee, to be known as the Committee on Budgetary Oversight, to examine and, where it considers it appropriate, report to the Dáil on—

(a) ar an staid fhioscach fhoriomlán, lena n-áirítear—

(a) the overall fiscal position, including—

(i) an staid chomhiomlánaithe maidir le hioncam agus caiteachas agus larmhéid Ginearálta an Rialtais, lena n-áirítear spriocanna struchtúracha;

(i) the aggregated position on revenue and expenditure and the General Government Balance, including structural targets;

(ii) réamh-mheastacháin mheántearma don airgeadas poiblí;

(ii) medium-term projections for the public finances;

(iii) réamhaisnéisí agus forbairtí maicreacnamaíocha; agus

(iii) macro-economic forecasts and developments; and

(iv) rialachas fioscach ginearálta, lena n-áirítear rialacha agus priacail fhioscacha a fheidhmiú maidir leis an staid fhioscach;

(iv) general fiscal governance including the application of fiscal rules and risks to the fiscal position;

(b) ar an mbeartas maidir le caiteachas poiblí, lena n-áirítear—

(b) public expenditure policy, including—

(i) an staid chaiteachais ag féachaint don Uasteorainn Caiteachais Rialtais agus don tslat tomhais chaiteachais faoin gComhaontú Cobhsaíochta agus Fáis; agus

(i) the expenditure position having regard to the Government Expenditure Ceiling and the expenditure benchmark under the Stability and Growth Pact; and

(ii) na hUasteorainneacha Caiteachais Aireachta a bhfuil feidhm acu maidir le Meastacháin ar leith nó grúpaí Meastachán i gcomhair Seirbhísí Poiblí i gcás go bhféadfadh athruithe suntasacha ar an bpróifíl chaiteachais tionchar a bheith acu ar an staid fhioscach fhoriomlán;

(c) ar an mbeartas maidir le fáiltais an Státhchiste.

(2) Féadfaidh an Coiste breithniú a dhéanamh ar ní a bhaineann le beartas poiblí agus a bhfuil tionchar suntasach aige ar an staid bhuiséid nó ar an staid fhioscach fhoriomlán: Ar choinníoll go rachaidh Cathaoirleach an Choiste, roimh thosach an bhreithnithe sin, i gcomhairle leis an gCoiste earnála iomchuí arna bhunú de bhun Bhuan-Ordú 84A.

(3) Féadfaidh an Coiste freisin breithniú a dhéanamh ar an gcreat foriomlán do rannpháirtíocht pharlaiminte le linn an timthrialla buiséid agus féadfaidh sé moltaí i ndáil leis an gcéanna a dhéanamh don Fhochoiste ar Athleasú na Dála, is moltaí a bheidh le breithniú ag an gCoiste sin faoi Bhuan-Ordú 107(1)(b): Ar choinníoll, le linn dó é sin a dhéanamh, go rachaidh an Coiste i gcomhairle—

(a) leis na Coistí arna mbunú de bhun Bhuan-Ordú 84A maidir le haon mholtaí a bhfuil tionchar acu, i dtuairim an Choiste, ar ról nó ar chúram na gCoistí sin; agus

(b) leis an Aire nó leis na hAirí iomchuí maidir le haon mholtaí a bhfuil tionchar acu, i dtuairim an Choiste, ar ról nó ar chúram Roinne nó Ranna,

agus tabharfaidh sé fógra i dtaobh thorthaí na gcomhairliúchán sin don Fhochoiste ar Athleasú na Dála.

(4) Beidh na cumhachtaí seo a leanas ag

(ii) Ministerial Expenditure Ceilings applying to individual Estimates or groups of Estimates for the Public Services where significant variations from the expenditure profile could potentially impact on the overall fiscal position;

(c) Exchequer receipts policy.

(2) The Committee may consider a matter of public policy with significant impact on the budgetary position or on the overall fiscal position: Provided that prior to the commencement of such consideration, the Chairman of the Committee shall consult with the relevant sectoral Committee established pursuant to Standing Order 84A.

(3) The Committee may also consider the overall framework for parliamentary engagement throughout the course of the budgetary cycle and may make recommendations thereon to the sub Committee on Dáil Reform for that Committee's consideration under Standing Order 107(1)(b): Provided that, in so doing, the Committee shall consult with—

(a) the Committees established pursuant to Standing Order 84A on any recommendations which, in the opinion of the Committee, impact on their role or remit; and

(b) the relevant Minister or Ministers on any recommendations which, in the opinion of the Committee, impact on the role or remit of a Department or Departments,

and shall notify the results of such consultations to the sub-Committee on Dáil Reform.

(4) The Committee shall have the following

an gCoiste:

- (a) an chumhacht chun fios a chur ar dhaoine, ar pháipéir agus ar thaifid mar a mhínítear i mBuan-Orduithe 85(2A) agus 88;
- (b) an chumhacht chun fianaise béil agus fianaise scríofa a ghlacadh agus chun aighneachtaí a ghlacadh mar a mhínítear i mBuan-Ordú 85(1) agus (2);
- (c) an chumhacht chun Fochoistí a cheapadh mar a mhínítear i mBuan-Ordú 85(3);
- (d) an chumhacht chun sainchomhairleoirí a fhostú mar a mhínítear i mBuan-Ordú 85(8);
- (e) an chumhacht chun taisteal mar a mhínítear i mBuan-Ordú 85(9).

(5) Déanfar gach tuarascáil a bheartóidh an Coiste a thabhairt, arna glacadh ag an gCoiste, a leagan faoi bhráid na Dála láithreach agus as a aithle sin beidh cumhacht ag an gCoiste an tuarascáil sin, mar aon le cibé doiciméid ghaolmhara is cuí leis, a chlóbhualadh agus a fhoilsiú.

(6) Maidir leis an gCoiste cúig Chomhalta dhéag a bheidh air, nach comhalta den Rialtas ná Aire Stáit aon duine acu, agus ceathrar acu sin is córam dó: Ar choinníol—

- (a) go mbeidh an Coiste agus aon Fhochoistí a cheapfaidh sé comhdhéanta ar chuma go ndéanfaidh sé nó siad ionadaíocht chothrom don Dáil; agus
- (b) go mbeidh feidhm ag forálacha Bhuan Ordú 95 maidir leis an gCoiste.

(7) Go dtí go gcuirfear a mhalairt in iúl sa 32ú Dáil, leanfaidh an Roghchoiste um Fhormhaoirsiú Buiséid, a bunaíodh le hOrdú an 21 Iúil 2016 ón Dáil, ar marthain mar an Buanchoiste um Fhormhaoirsiú Buiséid, agus dá réir sin, bainfidh

powers:

- (a) power to send for persons, papers and records as defined in Standing Orders 85(2A) and 88;
- (b) power to take oral and written evidence and submissions as defined in Standing Order 85(1) and (2);
- (c) power to appoint sub-Committees as defined in Standing Order 85(3);
- (d) power to engage consultants as defined in Standing Order 85(8);
- (e) power to travel as defined in Standing Order 85(9).

(5) Every report which the Committee proposes to make shall, on adoption by the Committee, be laid before the Dáil forthwith, whereupon the Committee shall be empowered to print and publish such report, together with such related documents it thinks fit.

(6) The Committee shall consist of fifteen Members, none of whom shall be a member of the Government or a Minister of State, and four of whom shall constitute a quorum: Provided that—

- (a) the Committee and any sub-Committees which it may appoint shall be constituted so as to be impartially representative of the Dáil; and
- (b) the provisions of Standing Order 95 shall apply to the Committee.

(7) Until further notice in the 32nd Dáil, the Select Committee on Budgetary Oversight, established by Order of the Dáil of 21st July, 2016, shall continue in being as the Standing Committee on Budgetary Oversight, and accordingly, the current

comhaltas reatha, Cathaoirleach, páipéir agus clár oibre an Roghchoiste leis an mBuanchoiste.’

membership, Chairman, papers and work programme of the Select Committee shall be those of the Standing Committee.’

—*Ríona Uí Dhochartaigh, Aire Stáit ag Roinn an*

Taoisigh

LINKS TO TRANSCRIPTS

12th December 2017 – Officials from Revenue Commissioners

[Transcript](#)

16th January 2018 – Officials from the Department of Finance

[Transcript](#)

MEMBERSHIP OF THE BUDGET OVERSIGHT COMMITTEE



Seán Barrett TD
Fine Gael



Richard Boyd-Barrett TD
Solidarity – People Before Profit



Colm Brophy TD
Fine Gael



Thomas P. Broughan TD
Independents 4 Change



Joan Burton TD
Labour



Dara Calleary TD
Fianna Fáil



Lisa Chambers TD
Fianna Fáil



Pearse Doherty TD
Sinn Féin



Stephen Donnelly TD
Fianna Fáil



Martin Heydon TD
Fine Gael



John Lahart TD
Fianna Fáil



Michael McGrath TD
Fianna Fáil



Jonathan O'Brien TD Eamon Ryan TD
Sinn Féin Green Party