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An Coiste um Fhormhaoirsiú Buiséid

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Committee on Budgetary Oversight

Scrutiny Report on Review of Local Property Tax

September 2019

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Contents

Foreword

In early 2018, the Minister for Finance decided to review the Local Property Tax before the revaluation date of 1 November 2019, with particular regard to how property price developments would impact on LPT liabilities. An inter-Departmental Working Group was established to carry out this review, reported to the Minister in April 2019. In considering the work of the Review Group, the Minister decided to defer the revaluation date until 1st November 2020.

The Minister also referred the report of the inter-Departmental Review Group to the Budgetary Oversight Committee for scrutiny. In May 2019, the Committee held a number of scrutiny sessions to engage with the Minister for Finance, and representatives of the Review Group.

The Committee acknowledges the assistance of the Minister for Finance and members of the Review Group in briefing the Committee, and discussing the complex issues involved in the LPT revaluation process.

This report is a summary of the Committee's conclusions. Since 2017, the Committee has highlighted the need for forward planning well in advance of budget decisions, to progress the LPT revaluation process.

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

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Colm Brophy T.D.

Committee Chair

Scrutiny Report on Review of Local Property Tax

Introduction

On 2 April 2019, the Minister for Finance and Public Expenditure and Reform referred the Local Property Tax Review Group report to the Committee on Budgetary Oversight for its consideration.

In the context of Budget 2020, the Committee held a number of public sessions and technical briefings to consider the Review of the Local Property Tax.

This report summarises issues examined by the Committee, and it makes a number of recommendations for consideration by the Minister.

Background to Local Property Tax (LPT)

This section briefly summarises policy developments leading to the establishment of the Local Property Tax, and subsequent inter-departmental reviews of LPT.

A property tax was originally put forward as a recommendation by the Commission on Taxation in 2009 as a measure to broaden the Irish tax base, close the gap between expenditure and revenue and introduce a more sustainable source of revenue. The EU-IMF Programme of Financial Support also included a commitment to introduce a property tax.

As has been highlighted in the Thornhill report and a number of studies by the Organisation for Economic Co-operation and Development (OECD), the Economic and Social Research Institute (ESRI[1]), and more recently by the Parliamentary Budget Office (PBO[2]), a property tax is regarded as one of the least distortionary taxes. The Committee notes that the OECD has ranked corporation tax as the most harmful to economic growth and a property tax the least harmful.[3]

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[1]Economic and Social Research Institute, Property Tax in Ireland: Key Choices (2012) https://www.esri.ie/system/files/media/file-uploads/2015-07/EC011.pdf

[2]Parliamentary Budget Office, Local Property Tax: Issues to be considered with the revaluation of the base (2018). 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

[3]OECD, Tax Policy Reform and Growth, (2010). https://read.oecd-ilibrary.org/taxation/tax-policy-reform-and-economic-growth_9789264091085-en#page12

Introduction of LPT

An inter-Departmental Group was established in 2012 to put forward options for the design and implementation of a property tax.[4] The Group recommended a tax on owners of residential property based on market value.

A Local Property Tax was introduced in Budget 2013. The tax, which is calculated on the market value of almost all of the residential properties in the country, represented the largest extension of self-assessment in the history of the State.

Review of LPT – Don Thornhill

In 2015 a review of LPT, chaired by Don Thornhill, examined the issue of significant increases in property prices, and the impact that revaluation would have on LPT liabilities. The original valuation date was 1 May 2013, with revaluation scheduled to occur every three years.

The Thornhill Review emphasised the challenge to policy makers in adequately addressing this concern, while also protecting the stability of the revenue source and maintaining transparency and fairness.

The review put forward options that could potentially address the concerns over increasing property prices.

The review's overall conclusion highlighted the shortcomings of applying a central rate and recommended applying a tax rate in each local authority area, and to give local authorities the discretion to adjust rates upwards by a factor of 15 per cent. Concerns over Option 2, to freeze valuations at 2013 levels, were also highlighted by the Review. The review argued that freezing tax liabilities would not provide "relative stability" for residential property owners, stating that;

> *"Attempts to adjust this system by freezing or adjusting valuations are not a way forward. Adjustments attempted by freezing or otherwise "managing" the valuations would cause inequities between taxpayers, damage transparency and in some cases could be open to legal challenge" (*Review of the Local Property Tax, July 2015)*.*

[4]Report of the Inter-Departmental Group, Design of a local property tax, (2012). https://www.housing.gov.ie/sites/default/files/migrated-files/en/Publications/LocalGovernment/Administration/FileDownLoad%2C31669%2Cen.Pdf

The Thornhill report highlighted the risk that a further deferral of revaluation would "lead to a gradual accumulation of distortions and growing unfairness", and also potentially lead to a constitutional challenge.

Following consideration of the Thornhill Review, in 2015 the Minister decided to further postpone the revaluation date from 1 November 2016 until 1 November 2019; in the intervening period, no further reforms have been made to LPT.

The work of the Committee on Budgetary Oversight

The Committee first raised issues around the revaluation of LPT during its ex-ante scrutiny of Budget 2018. In line with its remit, it is important to note that the Committee's scrutiny of LPT did not extend to consideration of the merits of a property tax, or distribution of LPT revenues. The Committee's oversight role is to focus on budget decisions required to update the Local Property Tax, and the potential impact of any such changes on the global budget.

The Committee's 2018 reporthighlighted the importance of providing clarity in relation to decisions about the revaluation of LPT well in advance of a budget, and on a planned basis. The report also recogised the issues in relation to distortion and inequity which could potentially accumulate in the event that revaluation decisions were continually deferred.

In anticipation of a possible revaluation in November 2019, the Committee produced a report on LPT in March 2018. The Committee report identified the following issues regarding a possible revaluation in November 2019:

- since the Local Property Tax valuation in 2013, house prices had increased nationally by 71.6% (CSO, 2018)
- any changes to the Local Property Tax valuation process could have a wide ranging impact on property owners and on budgeted revenue
- the Committee identified concerns about the potential impact of a sudden "*valuation shock*", in the event that LPT was revalued in 2019
- any decisions to amend the valuation process would need to be made as part of Budget 2019 in order to allow the Revenue Commissioners to implement necessary ICT and business process changes in good time.

Although no political consensus was reached regarding the merits of a property tax, the Committee was in broad agreement that the best to be pursued were Option C and / or

Option D as set out by the Parliamentary Budget Office (PBO)[5] in *Local Property Tax: Issues to be considered with the revaluation of the base*. Under option C, the national rate would be reduced from 0.18 and would mitigate the impact of rising property prices on individual liabilities. Alternatively, option D would involve each local authority setting its own rate that would meet its target yield.

The Committee recommended that should option C be pursued, the target yield should be approximate to the current national yield while in the case of option D, the target yield for each local authority area should be approximate to the current yield in that administrative area under the current system.

Due to the significant increase in residential property prices since the 2013 valuation, the Committee agrees that should the revaluation occur, and the LPT rate of 0.18 be maintained, property owners would be negatively affected and many would experience a significant increase in liability.

In addition, the Committee's report also highlighted potentially harmful long-term impacts associated withany further postponement of the revaluation process. The Committee's report stated that;

> *"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."*

The Report of the inter-departmental Group (Review Group RG) - March 2019

In advance of the 1 November 2019 revaluation date, a second inter-Departmental group was established to examine LPT in the context of property price developments. The review also took into account outstanding recommendations from the Thornhill report, and feedback from the Budgetary Oversight Committee's report, and a public consultation process.

[5] Parliamentary Budget Office, Local Property Tax: Issues to be considered with the revaluation of the base, (2018).

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

The LPT Review Group (RG) report agreed with the Thornhill Review that freezing or fixing LPT tax liabilities would ;

> *"remove any flexibility to adjust tax regimes to take account of the prevailing economic environment or changed policy priorities. However it is desirable that tax liabilities should not change significantly and unpredictably and without reference to broad economic conditions"* (Review of Local Property Tax, The report of the Inter-Departmental Group – March 2019).

The inter-Departmental review group recommended that the revaluation process should:

> *"… take place as planned on 1 November 2019 if the Government is satisfied it provides modest and affordable adjustments. The Group consider that further delays in revaluation may present risks to the long term sustainability of the tax.*
>
> *The Review Group recommends that valuations should be reviewed every four years. This provides a balance between timely capture of changes in the property market and reducing compliance and administration costs. It would facilitate the regular addition of new properties into the LPT charge."*

Scenarios for Change

The Review Group report considers 5 scenario options to apply changes to the Local Property Tax that attempt to "*balance the twin objectives of reducing / minimising the LPT charge exposure which residential property owners have to valuation increases, whilst also protecting the stability of the revenue source to the State generated through LPT."*

These scenarios are as follows:

- ***No policy change:*** *Properties will be revalued based on November 2019 valuation bands for 2020 LPT and the current LPT rate will apply. This is the baseline scenario.*
- ***Scenario 1:*** *an indicative central LPT rate is applied to all properties such that the total yield following the valuation increases is constrained at €500 million per annum.*
- ***Scenario 2:*** *each local authority has a yield target equal to its expected yield under current LPT 2018 without LAF, and the rate in each local authority is adjusted to meet these targets following the revaluation process .*
- ***Scenario 3:*** *a different LPT rate is applied in each valuation band, set to collect the overall target of €500 million (no local authority variation or adjustments).*

- ***Scenario 4:*** *Rates are increased incrementally by valuation band with an overall yield target of €500 million. However all properties in the first valuation band pay €90.*
- ***Scenario 5:*** *all valuation bands are widened by 80 per cent. Whilst the midpoint of each band increases correspondingly, the rate is reduced in order to leave the liability in each band unchanged.*

Since the publication of the inter-Departmental Group Report, the Minister for Finance postponed the revaluation process for a second time to allow for further consultation. The next revaluation date is now 1 November 2020.

The Minister also referred the report to the Committee on Budgetary Oversight and requested that the Committee examine the report and come to a consensus view on the best approach to the next revaluation in 2020, and how to address issues identified in the Review Group report. The views of the Committee are detailed in Section 2 of this report.

Conclusions of the Committee

Committee's Scrutiny Role

At the outset, the Committee wishes to emphasise that its main role is to scrutinise budgetary policy and the overall fiscal position. Therefore, this report sets out the Committee's scrutiny of the various options open to the Minister regarding reform of the LPT revaluation process.

Deferral of Revaluation Process

The Committee notes that the Minister for Finance and Public Expenditure and Reform has deferred the revaluation process on two occasions to date, and that this approach is not in line with the recommendations of the Inter-Departmental Review Group recommendations. Futhermore, the Committee has previously highlighted potential for future constitutitional challenges arising from postponements of the revaluation process.[6]

LPT yield target and Futureproofing

The Committee welcomes the fact that the Review Group took on board a previous Committee recommendation that the first step in the LPT revaluation process should be to decide what amount of revenue will be raised by LPT. This satisfied one of the Review Group's objectives which was to achieve relative stability in property tax payments for those liable. The scenarios in the Review Group's report all set about generating a target yield of €500m, which would represent a small increase on the revenue generated in recent years.

Given the uplift in economic circumstances since the introduction of LPT in 2013, it is likely that ability to pay will have increased. Although the LPT Review report forecasts that earnings will increase in the coming years, it does not appear as though this was considered as grounds for an increase in individual liabilities when the Review Group was deciding upon the target yield.

In its meeting with officials from the inter-Departmental Review Group, the Committee highlighted an issue that tax revenues have increased significantly since the introduction of LPT, and that therefore LPT as a percentage of total tax revenue has been falling. Introducing a target yield of €500 million may decrease this share even further, particularly if

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[6] Irish Examiner, Decision to delay property tax review prompted Attorney General's concerns at potential for legal challenge, (2019). https://www.irishexaminer.com/breakingnews/ireland/decision-to-delay-property-tax-review-prompted-attorney-generals-concerns-at-potential-for-legal-challenge-917722.html

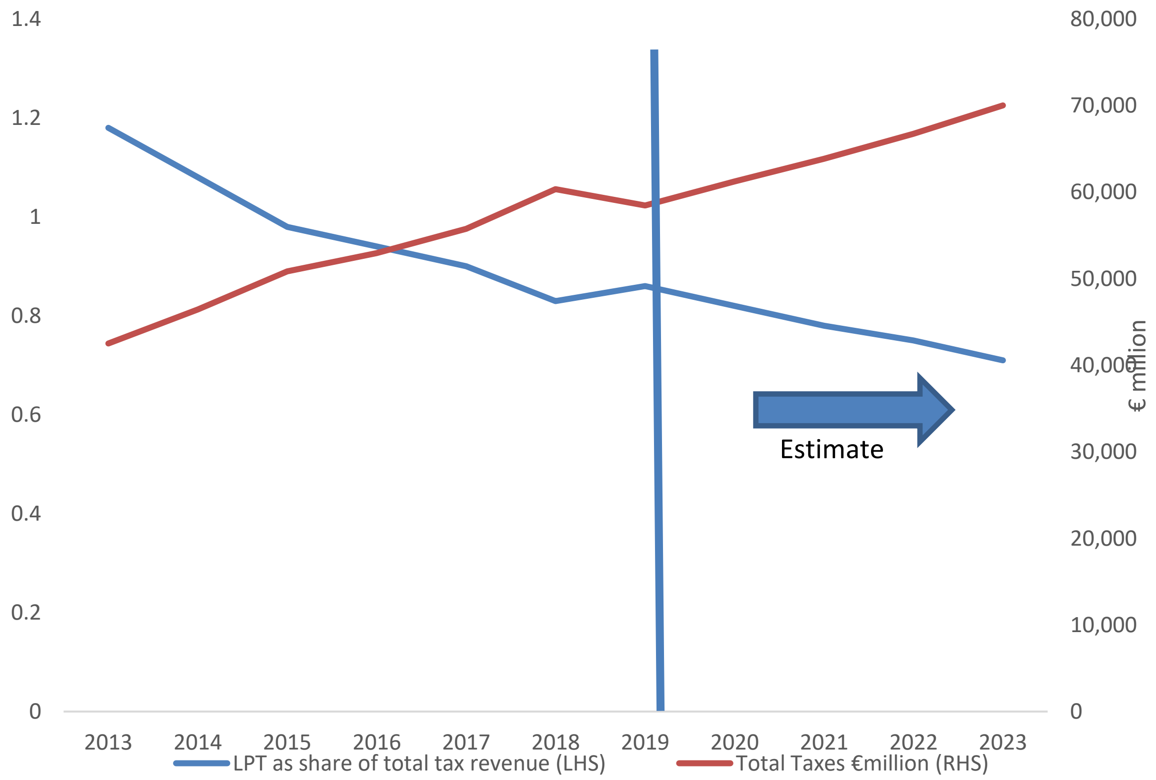
current trends in tax collection continue. Table 1 and Figure 1 below show the target yield of €500 million as a share of total tax take from 2013 to 2018. Using 2013's tax revenue, the target of €500 million would represent a 1.18% share of total taxes. By 2018 this share would have reduced to 0.83% and using the expenditure forecasts contained in SPU 2019, would represent 0.71% of total tax revenue by 2023.

Table 1: Target yield as a % share of total taxes 2013-2023

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Target yield €million	500	500	500	500	500	500	500	500	500	500	500
Total Taxes €bn	42,516	46,460	50,844	52,968	55,746	60,343	58,445	61245	63,870	66,735	70,020
Percentage share	1.18	1.08	0.98	0.94	0.90	0.83	0.86	0.82	0.78	0.75	0.71

Source: CSO, General Government Transactions ESA 2010: Revenue, Expenditure, Financing and Deficit (Euro Million) by Item and Year:

Figure 1: Target yield as a share of total taxes 2013-2023



Source: Committee Secretariat

As presented in Table 2 (below), the Committee notes that if the target yield had been introduced in 2013, it would represent 0.28% of GDP, and by 2023, it would reduce to 0.13%.

Table 2: Target yield as a share of GDP 2013 – 2023

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Target yield €bn	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
GDP €m	179.661	194.818	262.833	271.684	297.131	324.038	335.825	352.85	367.3	382.525	399.05
% share	0.28	0.26	0.19	0.18	0.17	0.15	0.15	0.14	0.14	0.13	0.13

Source: 2013 to 2018, CSO: Main Aggregates 2013-2018. 2019 to 2023 SPU, Table 3 p.10

In a meeting with the Committee in June 2019 the Minister for Finance highlighted the fact that the LPT yield in Ireland, as a percentage of national income, is quite low by European standards at just 0.6%. In France, LPT is 2.8% as a share of national income is 2.8%, and in the UK, it is over 3%. The Minister stated that, given the fact that LPT is the least distortionary and most secure source of revenue, there is potential for it to become a more significant source of tax revenue over time. The Minister explained to the Committee that;

> *"I consider that LPT has the potential to play a more significant part in the overall taxation system. It is important, therefore, that the future of the tax be secured so as to maintain the possibility of enhancing and enlarging its contribution as a proportion of overall tax revenues and, over time, looking at the possibility of approaching a European norm".* (Opening statement, Committee meeting 11th June 2019).

Futureproofing

The Committee has noted concerns around the futureproofing of LPT. Aside from the likelihood that it will become a smaller share of overall tax revenue, future movements in house prices will have implications at the next revaluation date.

At present, given, Ireland's strong economic growth and increasing property prices a target LPT yield of €500 million appears reasonably achievable. However, given the volatility of house prices, and the recent slowdown in price growth that is emerging, a possibility exists that property prices may begin to decrease in the medium term. Should this materialise, achieving the target yield may more difficult at future revaluations. Given the correlation between house prices and overall economic activity, the Committee notes that this could coincide with a period of pressure in our public finances.

The Committee raised the issue of future proofing LPT with the Minister during the Committee's meeting in June 2019. The Committee asked whether the Department of Finance had examined how the LPT yield could be affected by a possible future property crash. If a future property crash occurred, then LPT rates would have to increase dramatically to reach the €500million target yield. The Minister responded by stating that:

> *"We have assumed neither continued inflation nor a deflation in future. To explain better, we have said that a property will go from a price point now to one in the future and we have not assumed that price point will go up or down after that".*

The issue of future proofing was referenced in the Report of the Review Group which explained that moving to a graduated rate structure while;

> "*trying to minimise winners and losers in relation to the 2019 revaluation based on the particular circumstances pertaining at this time may store up problems for subsequent revaluations. The Review Group considers that any revised system should be future proofed as much as possible".*

Figure 2 below shows historical property price volatility in Dublin compared to the rest of the country from 2006 to 2018. This graph gives an idea of the variation of property prices across the country and their volatility in recent years.

Figure 2: Change over 12 months in National / Dublin residential property price index (%)

Source: CSO Ireland, Residential Property Price Index by type of residential property, Year and Statistic

Recommendation: The Committee recommends that further consideration should be given to future proof the LPT system, in particular how it can be insulated from the volitility of property prices.

Distributional Impact

On foot of a recommendation in the Committee's 2018 report, the Review Group included a distributional analysis of the impact of the various LPT scenarios on household income, for households of different income deciles across the income distribution. The Committee welcomes this analysis and notes that the results are as follows:

- **Scenario 1:** A distributional analysis of this scenario finds that it is weakly progressive with households in the bottom two deciles gaining 0.36 in their equivalised disposable income while the top two deciles would see a gain of 0.27 and 0.23 per cent respectively.
- **Scenario 2:** This scenario appears to be somewhat neutral as the results of distributional analysis show neither a progressive nor regressive impact on households. The two lowest deciles would see gains of 0.31 per cent and 0.29 per cent while the top two deciles would gain 0.28 per cent and 0.26 per cent.
- **Scenario 3:** The analysis of this scenario shows that it has a relatively progressive impact on most households. Those in the lowest income deciles earn the largest increases in their disposable income compared to the gains experienced by those in the highest income deciles. The first and second deciles would gain 0.36 percent and 0.34 per cent on disposable income respectively. The top two deciles would see gains of 0.26 percent and 0.21 per cent respectively. The results show that this scenario would have a relatively progressive impact on households across the income distribution.
- **Scenario 4:** This scenario involves applying a minimum rate of 0.18 to the first valuation band. The results of the distributional analysis show that this scenario is broadly comparable with the results of scenario 3. This implies that it would be possible to apply a minimum rate to the first valuation band without being regressive.
- **Scenario 5:** The results for this scenario show the highest level of gains in disposable income for households, with average increases of 0.40 per cent to households' equivalised disposable income. This scenario is also shown to be broadly progressive with households in lower income deciles gaining the most. Households in the first two deciles would see gains of 0.46 percent and 0.43 percent respectively. Households in the top three income deciles would see below average gains of 0.37 per cent.

Scenarios considered by the Committee

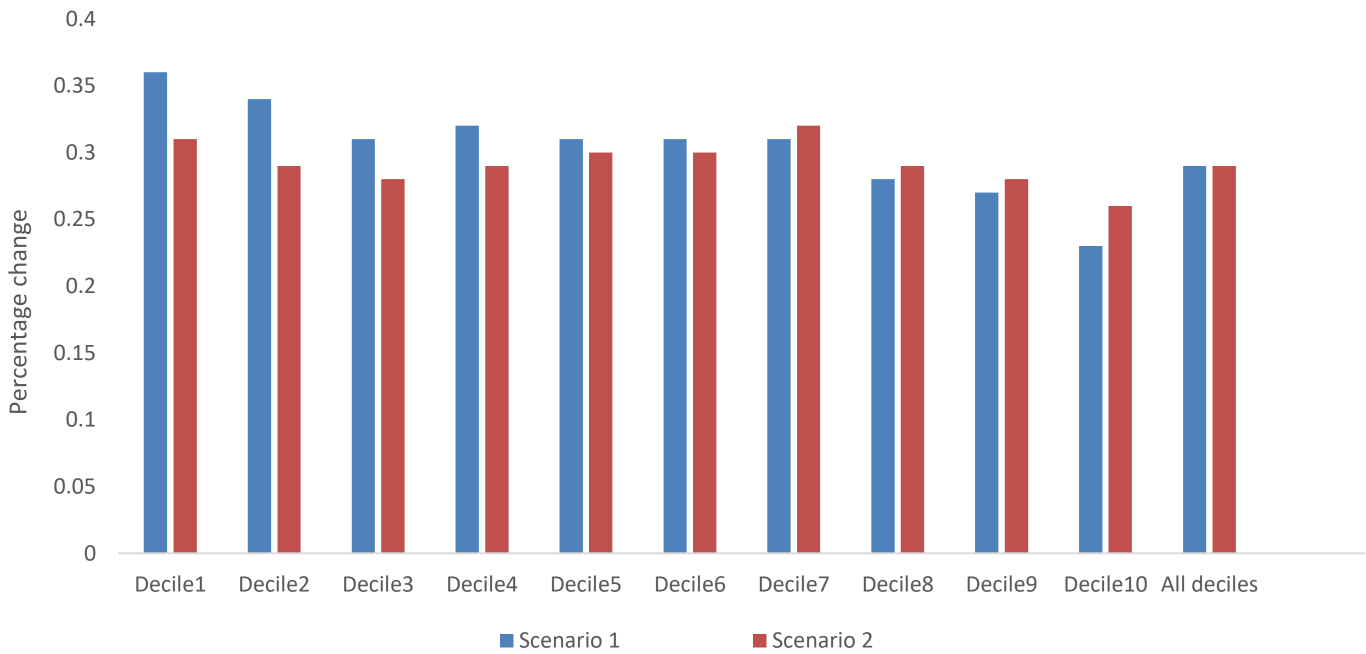
Given that they closely correspond to the scenarios which the Committee recommended in its previous report on this subject, Scenaros 1 **(an indicative central LPT rate is applied to all properties so that total yield is capped at €500million)** and 2 **(each local authority has a target yield and the LPT rate is adjusted locally to meet these targets)** are of particular interest to the Committee.

The analysis shows that Scenario 1 is marginally more progressive than Scenario 2. Figure 3 below compares the distributional impact of Scenarios 1 and 2.

In Scenario 1, the analysis shows that in overall terms, households would see a gain of 0.29 per cent in disposable income. The first two income deciles see the largest gains with lower than average gains experienced by decile 10. However, this progressivity is weakened by the high-level gains experienced by middle income deciles.

Under Scenario 2, households in the first income decile would see higher gains(0.31 percent for the first decile) than the top two deciles (0.28 per cent and 0.26 per cent respectively). However, middle income households register the largest gains to disposable income. Therefore, in overall terms, Scenario 2 has neither a progressive nor regressive impact on households.

Figure 3: Impact of Scenarios 1 and 2 on income deciles



Source: Review of Local Property Tax – March 2019 Figure 4.9 p.74 and Figure 4.10 p.75 modified by Secretariat

In relation to how the impact of implementing Scenario 1 is spread across the country, the Committee notes that 18% of properties would have a decrease in LPT of between €0 to €40. Analysis indicates that many of these properties are in band 1 and would remain in this band. Over 90% of these properties are located outside Dublin. The analysis indicates that 3% of properties would likely experience an increase in LPT of between €151 to €200. These increases would mostly occur in bands 11 to 15; approximately 75% of these properties are in Dublin with 11% located in other urban centres Waterford, Limerick, Cork and Galway. 35% of properties would see an increase in their liability of between €51 to €100.

Regarding the geographic profile of the impact of Scenario 2, the results of the distributional analysis show that rural areas see more of an impact from a revaluation compared to Scenario 1. For example, 20% of properties would experience a decrease in LPT of between €0 and €50, spread over several bands, but the largest share occurs in bands 2 and 4 (lower value properties). Within these bands, 75% of these properties are located outside of Dublin, Waterford, Limerick, Cork or Galway.

Further, the analysis projects that 30% of properties, mostly in band 3, would experience an increase in LPT between €51 and €100. Of these, approximately 80% are located outside Dublin, Waterford, Limerick, Cork or Galway. Only 2% of properties in this scenario would see increases of over €200. These nearly all occur in bands 15 and above and 90% of these properties are in Dublin.

From examination of the results outlined above, the Committee notes that Scenario 1 appears to be marginally more progressive.

Administrative Complexity

In its examination of the Report of the Review Group, the Committee noted that some of the scenarios which attempt to increase certainty and fairness for taxpayers, by smoothing LPT liabilities across different counties and regions, are also quite complex. For example, Scenario 2 applies a different LPT rate to each local authority area. In practice this would mean applying 31 different rates, quite a complex rate structure to introduce; however, it is relatively straightforward when compared to Scenario 3. Scenario 3, applies a different LPT rate in each valuation band and, when combined with 31 potential different local variations, could result in 620 different LPT rates. While it may be possible to design a system for these complex rate structures, they both present implementation difficulties. As stated in the report of the Review Group:

"One of the reasons for the successful implementation of the LPT and its consistently high compliance rates is its simplicity and transparency. This keeps administration down for Revenue and compliance costs down for taxpayers. Introducing significant complexity into the system may undermine the model and add to administrative costs".

The Committee notes the importance of maintaining simplicity and transparency for taxpayers. Further, from an administrative perspective, a costly and complex system runs counter to the objective of generating additional net revenue.

Recommendation: Given the analysis referred to in this report, the Committee recommends that, due to the distributional impact and simplicity, either Option 1 or Option 2, as set out in the Review Group Report, should be pursued.

Deferrals

The Committee welcomes the analysis carried out by the Inter-Departmental Review Group on the current system of deferrals arrangements that are available for LPT. The report of the Review Group states that there are a limited number of circumstances that allow for a deferral of LPT to be made. These circumstances are as follows:

- The annual gross income of a liable person does not exceed €15,000 (single person). For a couple the threshold is €25,000
- Where a liable person dies, the person's personal representative may be eligible for a deferral.
- Where a taxpayer has entered into formal insolvency arrangements they may be eligible for a deferral.
- Where a taxpayer is unable to pay LPT without causing severe financial hardship as a result of an unexpected significant financial loss.

The Committee notes that in 2013, the total number of deferrals was 30,600 and 29,800 of these related to individuals whose gross annual income was below the €15,000/€25,000 threshold. By 2018, the number of deferrals had increased to 58,200 and again the majority of these (56,300) were granted to taxpayers whose income was below the €15,000/€25,000 threshold. *"* (Review of Local Property Tax – March 2019)

The Committee welcomes the recommendation made by the Review Group that;

> *"the income threshold for deferrals be reviewed regularly by reference to movements in the (i) the CPI, (ii) wage growth in the economy and (iii) changes in fixed income payments by the State".* (Review of Local Property Tax – March 2019).

In summary, the Review group's report recommendations were in favour of maintaining the current system of deferral arrangements. The Committee notes the recommendations to;

- Increase the deferral income thresholds from €15,000 to €18,000 for a single person and from €25,000 to €30,000 for a couple from the next valuation date
- Retain the current deferral option for liable persons qualifying for mortgage interest deferral.
- Consider relief for owner-occupiers aged over 80 years with a long-term illness living alone in relation to the social welfare code rather than further tax reliefs
- Retain the LPT deferral interest rate at 4%.

Recommendation: The Committee recommends that the deferral income threshold should be increased from €15,000 to €18,000 for a single person, and from €25,000 to €30,000 for a couple, in line with the recommendations set out in the LPT Review Group report.

Exemptions

Unlike deferrals which only postpone payment of LPT, exemptions take certain properties out of the LPT net. In its LPT Report in March 2018, the Committee raised concerns about certain exemptions.. The Committee report

> *"…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".* (Local Property Tax Revaluation).

In its Interim Pre-Budget report, the Committee reiterated its view that all properties should be brought within the LPT net, 2020. The Interim report states that:

> *"The Committee is in agreement that the current situation, whereby homes built in 2013 are exempt from LPT, while homes built subsequently are outside the net altogether, is inequitable and should not continue as part of the planned reform of the Local Property Tax. However, the Committee recommends that other exemptions currently in the LPT code such as, for example, those relating to properties with pyrite damage, and those owned by a charity or public body should be retained".* (Interim Pre-Budget Report, 2020).

Recommendation: The Committee endorses the recommendation made by the Review Group to remove the exemptions currently in place for;

- unsold trading stock of builders/developers in May 2013 or properties sold by them between 1 January 2013 and October 2019
- properties purchased by "first-time buyers" in the period between 1 January 2013 and 31 October 2013.

Recommendation: The Committee also endorses the recommendation to regularly review all exemptions and to keep the range of exemptions to a minimum. This will help to maintain a broad revenue base and reduce inequalities.

Under the current system, properties built since 2014 onwards are outside the LPT net. It is not satisfactory that this should continue in the case of homes built between future revaluation dates. The Committee is of the view that a methodology should be examined which would allow for new properties to be valued as if they had existed on the date of the most recent revaluation.

Recommendation: The Committee recommends that all new residential properties built between valuation dates should be retrospectively valued as if they had existed on the preceeding valuation date.

Appendix One: References

Budgetary Oversight Committee, *Interim Pre-Budget, 2020,* July 2019. Available here

Budgetary Oversight Committee, *Local Property Tax Revaluation,* March 2018. Available here

Central Statistics Office, National Income and Expenditure 2018, 2019. Available here

Department of Finance, *Review of Local Property Tax The report of the Inter-Departmental Group,* March 2019. Available here

Department of Finance, *Stability Programme Update 2019*, 2019. Available here

Economic and Social Research Institute, *Property Tax in Ireland: Key Choices,* 2012. Available here

Irish Examiner, Decision to delay property tax review prompted Attorney General's concerns at potential for legal challenge, 2019. Available here

OECD, *Tax Policy Reform and Growth*, 2010. Available here

Parliamentary Budget Office, *Local Property Tax: Issues to be considered with the revaluation of the base*, 2018. Available here

Report of the Inter-Departmental Group, Design of a local property tax, 2012. Available here

The report of the Inter-Departmental Group (Department of Finance), Review of Local Property Tax, 2019. Available here

Appendix Two: Links to Transcripts

11th June 2019 – Irish Fiscal Advisory Council (IFAC) and Minister for Finance, Public Expenditure and Reform

Transcript

Appendix Three: Terms and 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:

‘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—

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

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

(ii) réamh-mheastacháin mheántéarma don airgeadas poiblí;

(iii) réamhaisnéisí agus forbairtí maicreacnamaíocha; agus

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

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

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

(ii) na hUasteorainneacha Caiteachais Aireachta a bhfuil feidhm acu maidir le

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) 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*) the overall fiscal position, including—

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

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

(iii) macro-economic forecasts and developments; and

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

(*b*) public expenditure policy, including—

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

(ii) Ministerial Expenditure Ceilings applying to individual Estimates or groups of Estimates for the Public

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 fáltais an Státchiste.

(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 an gCoiste:

(*a*) an chumhacht chun fios a chur ar dhaoine, ar pháipéir agus ar thaifid mar a mhínítear i mBuan-Orduithe

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 powers:

(*a*) power to send for persons, papers and records as defined in Standing Orders

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

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 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

Appendix Four: Committee Membership

Maria Bailey 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

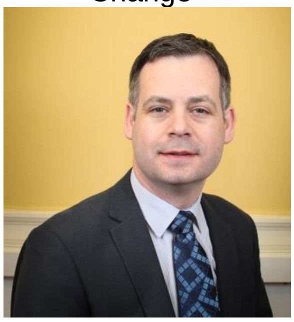
Labour

Barry Cowen TD

Fianna Fáil

Lisa Chambers TD

Fianna Fáil



Pearse Doherty TD

Sinn Féin

Declan BreathnachTD

Fianna Fáil

Martin Heydon TD

Fine Gael

John Lahart TD

Fianna Fáil

Michael McGrath TD

Fianna Fáil

Jonathan O'Brien TD

Sinn Féin

Eamon Ryan TD

Green Party

Notes:

1. Committee established by order of the Dáil of 21 July 2016
2. Deputies nominated by the Dáil Committee of Selection and appointed by Order of the Dáil of 21 July 2016.
3. Deputy Marc Mac Sharry was discharged from the Committee and Deputy John Lahart was appointed to Committee in replacement for him by order of the Dáil on 31 January 2017.
4. Deputy Kate O'Connell was discharged from the Committee and Deputy Pat Deering was appointed to Committee in replacement for her by order of the Dáil on 9 February 2017.
5. Deputy John Paul Phelan was discharged from the Committee and Deputy Josepha Madigan was appointed to the Committee in replacement for him by order of the Dáil on 11 July 2017.
6. Deputy Pat Deering was discharged from the Committee and Deputy Martin Heydon was appointed to the Committee in replacement for him by order of the Dáil on 13 July 2017.
7. Deputy David Cullinane was discharged from the Committee and Deputy Jonathan O'Brien was appointed to the Committee in replacement for him by order of the Dáil on 3 October 2017.
8. Deputy Josepha Madigan was discharged from the Committee and Deputy Colm Brophy was appointed as Chairman of the Committee by order of the Dáil on 12 December 2017.
9. Deputy Dara Calleary was discharged from the Committee and Deputy Barry Cowen was appointed to the Committee in replacement for him by order of the Dáil on 17 April 2018.
10. Deputies Seán Barrett and Stephen Donnelly were discharged from the Committee and Deputies Maria Bailey and Declan Breathnach were appointed to the Committee in replacement of them by order of the Dáil on 1 May 2018.