Introduction
Thank you Chairman for your invitation to engage with the Committee on the topic of the Local Property Tax (LPT) which was the subject of a recent review. I referred the review report to the Committee for its consideration in light of the report’s findings in relation to the impact of residential property price movements on LPT liabilities under a number of scenarios. As you know, I have deferred the next valuation date for LPT liabilities from 1st November 2019 to 1st November 2020 by Order under the Finance (Local Property Tax) Act 2012 with a view to providing time and space within which to engage with the Committee and hear its views on the appropriate way forward for the LPT.

Background
In 2015, Dr Don Thornhill conducted a review of the LPT which made recommendations in relation to, in particular, any impacts on LPT liabilities due to property price developments. On foot of Dr Thornhill’s 2015 report, Minister Noonan proposed to Government that the revaluation date for the LPT be postponed from 1st November 2016 to 1st November 2019. This postponement meant that home owners continued to have their homes valued for LPT purposes on the basis of their 1st May 2013 declared valuation and so were not faced with significant increases in their LPT in 2017 and 2018 as a result of increased property values. LPT liabilities for 2019 are based on the 2013 declared valuations.
Absent any change in the LPT legislation, the valuations of properties on 1st November 2019 would have been the basis for calculating LPT liabilities in 2020 and beyond. In that regard, the LPT review indicates that the impact of such a no policy change would mean, for example, that 27% of residential property owners would see an increase of between €101 and €200, 28% would experience increases between €201 and €300 and 30% would see higher increases.

I initiated a further review of the LPT in 2018 as I considered it was important that the Government was able to make its position clear in relation to LPT so that households would be aware of plans for the tax well in advance of the November 2019 revaluation date and the associated 2020 and beyond LPT liabilities.

I further considered that it was essential that the principle that formed a central part of the terms of reference for the 2015 review of LPT, i.e. achieving relative stability in LPT payments of liable persons both over the short and longer terms, would inform the deliberations on this matter. By ‘relative stability’ in LPT liabilities I mean that any increases should be modest and affordable and, of course, fair.

**Findings / Recommendations of the current review of LPT**

The review examined the impact of house price movements under a series of scenarios involving different rate and tax band structures. However, against a background of significant but geographically uneven increases in residential property price levels I believe it is necessary to engage in further consultation to identify a scenario that would deliver on the condition I set that there should be relative stability for all taxpayers in their LPT liabilities and that any increases should be modest and affordable. The review group found that the key
challenge in their analysis is the significant variation of property price increases geographically, which introduced significant complexity to the task of attaining moderate and affordable adjustments to the tax in an even manner across the country.

I am also conscious of the importance of maintaining simplicity in the operation of the LPT which was a major success factor in its successful introduction.

Details of the scenarios analyses are set out in the report. For the purpose of the review, the Review Group targeted a broad yield of €500 million, a modest increase on the 2018 yield of €482m and recent years, and on this basis the Group considered five different approaches to the calculation of LPT liabilities involving:

- a central rate for all properties,
- targeting individual local authority yields equal to the expected 2018 yield without the Local Adjustment factor,
- differing rates for each valuation band, and
- increasing the valuation band thresholds.

I note the Review Group finding that all of the scenarios involve “winners”, that is taxpayers who would see their LPT liability reduced, and “losers”, whose liabilities would increase. Moreover, the increases and decreases would be different in each scenario.

The review considered other relevant issues including 100% retention of LPT yields by local authorities, continued flexibility on the local adjustment factor, and the need to ensure that adequate funding is available for local authorities.

**Securing the future of the LPT**

The introduction of LPT addressed three enduring and important challenges in Irish public policy:
(i) the broadening of the tax base to include residential properties;  
(ii) the provision of a stable funding base for local government, and  
(iii) the strengthening of democracy at a local level by linking the provision of local services to local taxation

International experience has shown that property taxes are a secure and stable source of funding, compared with transaction-based taxes. As a measure which is a tax on assets, not employment, the LPT should not adversely affect growth and job creation. I consider that the LPT has the potential to play a more significant part in our overall taxation system and it is important therefore that the future of the tax is secured so as to maintain the possibility of enhancing and enlarging on its contribution as a proportion of overall tax revenues and bringing it up to European norms in that regard. At just 0.6 per cent of GDP, the LPT yield is low when compared to rates of 2.8 percent of GDP in France and over 3 per cent of GDP in the UK.

**Engagement with the Budgetary Oversight Committee**

The review included a public consultation process and was also informed by the report published by this Committee on LPT in March 2018. That report indicated that the committee was against proceeding with automatic revaluations in 2019 as provided for in current legislation, as this would result in significant increases in LPT liabilities.

I note also that the Committee supports revaluation with an adjustment to rates nationally to maintain LPT yield or Revaluation with an adjustment to rates locally to maintain LPT yield.
The Committee also recommended the cessation of exemptions in relation to new and unused properties on equity grounds and because it broadens the tax base.

The deferral of revaluation until November 2020 provides time and space for the Committee to consider the report of the inter-departmental review and to provide its views to me. I hope our session today will facilitate that exchange of views.

In my engagement with the Committee I am seeking to promote the policy objectives that I consider should underpin any changes to the tax. These are:

- Protection of the overall yield
- Modest and affordable increases, if increases occur, in LPT liabilities
- Integration of new properties into the LPT base
- Maintenance of the tax base with a small number of exemptions
- Upholding the progressivity of the tax.

I have stated publicly my belief that reform of the LPT needs to be based on a model of band widening combined with LPT rate changes. It is very challenging to come up with a model where no one faces an increase in their LPT liability. I support retention of the option for local authorities to reduce the LPT rate for their area and I have indicated my willingness to engage with the Committee on the issue of taxpayers whose property is located in a managed estate on which the owner of the property is liable to the payment of management fees. In order to bring this matter forward, we will need legislation to be passed by March 2020. Amendments to the LPT legislation are separate to the Finance Bill process as they involve local, rather than national taxation. Therefore it will
be necessary for me to be in a position to present a scheme of a Bill in January of next year.

I know that there are diverse views amongst members in relation to the LPT including the view that it should be abolished. Nevertheless, I hope we can have a constructive engagement and work towards achieving a consensus as to the future direction of the LPT, as I firmly believe there is latent potential for the tax to play a more significant and positive role in our overall taxation system. In view of the timeline I have outlined, I would appreciate having the views of the Committee before the end of the current session.

Thank you.