

Cathaoirleach, Senators,

Thank you for the invitation to contribute to this evening's meeting.

I'm John Kennedy, President of the Institute of Professional Auctioneers & Valuers (IPAV) and I'm joined by Lisa Kearney, Senior Vice President of IPAV.

IPAV has more than 1,500 members. We operate a comprehensive system of professional education and development for members and for those wishing to enter the profession.

IPAV welcomes the introduction of the residential premises rental income relief and the mortgage interest tax relief in Budget 2024.

Mortgage Interest -Difficulties at present

The challenge with increased interest rates for borrowers is the ability to fund same. Many borrowers were taken aback at the pace of mortgage rate increases last year and a cashflow difficulty arose for many. In relation to the extra repayments, four scenarios arose.

1. Borrowers funded the increase from surplus monthly salary OR
2. Borrowers funded the increase from savings as there was no surplus salary to absorb the extra cost. This may not be sustainable for many as the borrower's savings could erode OR
3. Borrowers were not able to meet the extra repayment OR
4. Borrowers may have moved their mortgage from "tracker" to a "fixed" mortgage, so they had certainty for the fixed term.

In our submission document on this matter, we recommended the following.

- Relievable Interest is capped at €10,000 or to give a Maximum Income Tax relief of €2,000. This is €166.66 per month.
- The outstanding loan balances range of €80,000 to €500,000 should be removed. For example, the above range penalises a mortgage holder who has say €50,000 of a mortgage to on the other hand a mortgage holder of say €750,000 of a mortgage.
- We are concerned around the requirement to file a Tax Return to obtain the relief, given it is well known there is considerable refunds not claimed by normal PAYE taxpayers. We recommend the borrower's bank credits the refund to a bank account nominated by the mortgage holder directly with the aim for same to be given in February 2024 as a lump sum refund.

Investment Property Owners –Difficulties

Rental Income is taxed at between 52%-55% for higher rate taxpayers.

Investment Property owners are allowed deduct property expenses, mortgage interest (the actual mortgage repayment is not deductible). If an investment property owner purchases “fixtures” they do not get a full deduction in the year of purchase but get a deduction for 12.5% of the cost of the fixture over 8 years.

Given the above, different scenarios as follows arise for Investment Property Owners

1. A cashflow deficit-In this situation the investment property owner either has to fund the deficit from savings or monthly Income, but the reality is owning the property is “costing” the owner OR
2. A cashflow surplus arises- In this situation, the surplus can be small, moderate or substantial OR
3. The property is “break even”.

Many investment property owners are normal PAYE workers, who may either have.

- Become an “accidental” landlord. For example, a common one would be an owner who bought a small property, subsequently got married and needed to purchase a bigger property for their family OR
- Bought an Investment Property or properties many years ago OR
- Inherited a property.

Clearly, in a scenario where a deficit arises for an Investment Property Owner, it is not sustainable for them to retain the property. The big challenges they face at the moment are:-

1. High Income Tax liability on the rental income each year
2. Increased mortgage repayments

Many investments property owners find themselves in a “straitjacket” as a result and come to the conclusion that they cannot afford to continue in this loss situation.

In our submission document on this matter, we recommended the following.

- The relief will increase by a further €200 per year and the relief be given by form of a “credit” like married credit.

- For a landlord who has a S23 property, in reality they will not benefit greatly from same. Hence, we recommend the relief be given as a form of credit as above.
- For a landlord whose expenses exceed the rental income in a tax year they will have a taxable loss. They don't appear to be able to avail of same. Hence, we recommend the relief be given as a form of credit as above.
- We are very concerned about the clawback provision and recommend this be removed.

In summary, we welcome the changes but feel greater supports are needed and any changes should be simple and straightforward in their implementation.

Thank you.