

FINPERT Committee - 7 July 2021

Pre-Legislative Scrutiny of the General Scheme of the Finance (Local Property Tax) (Amendment) Bill 2021

Opening Statement by the Minister for Finance Mr Paschal Donohoe TD

Introduction

Thank you Chairman for your invitation to engage with the Committee on the General Scheme of the Finance (Local Property Tax) (Amendment) Bill 2021 which I published at the beginning of June.

Background

I published the General Scheme with a view to having the Bill enacted before the summer recess. This ambitious timetable is necessary to enable the Revenue Commissioners to make the essential technical and administrative preparations to implement the various changes to the LPT regime that are contained within the Bill before the valuation date of 1 November 2021.

New basis for calculating taxpayers' LPT liabilities

Perhaps the most significant proposal in the Bill is a revised method for calculating LPT liabilities.

The 2019 LPT Review analysed five scenarios in detail broadly based on a €500 million target yield excluding any local adjustment factor (“LAF”).

The scenario analyses were based on a dataset assembled by the Revenue Commissioners from the Property Price Register combined with CSO, Revenue data and Department of Finance forecasts.

The analyses are based on economic modelling and the predicted outcomes can offer only indicative rather than certain conclusions. The analyses can provide only a very broad picture of the estimated effects on taxpayers.

A key challenge encountered during both the work on the 2019 Review and the more recent analysis is the significant variation of property price increases geographically, and in particular the uneven pace and rate of increases in residential property values throughout the country since the original valuation on 1 May 2013.

A fundamental principle that informed the design of the LPT in 2012 was simplicity for taxpayers and for Revenue who collect the tax. In that regard the new basis for calculating LPT liabilities builds on the existing band structure and is a variation of Scenario 5 of the 2019 LPT Review.

The new approach maintains the number of bands at 20. Band 1 is expanded from €1 to €200,000 and Band 2 contains values in the range €200,000 to €262,500. The LPT charge is fixed at the current charge for Bands 1 & 2 (€90 and €225 respectively).

The other bands are widened by 75% to create bands of €87,500 (increased from the current range of €50,000). For properties in bands 3-11, a mid-point rate of 0.1029% will be charged.

Higher Value Properties

There is currently a higher rate for properties valued above one million, with the first million charged at 0.18% and everything above at the higher rate of 0.25%. Under the proposed variation of Scenario 5, it is likely that owners of high value properties i.e. values over €1million, would benefit from reductions in LPT liability, due to the widening of the bands and the reduced rate.

To address this, a higher rate will apply to properties above €1million by charging at a higher mid-point rate on bands above €1.05 million (bands 12-19) and introducing a third rate for properties valued above €1.75 million. Therefore properties in bands 12-19 (between €1.05million and €1.75million) are charged a mid-point rate of 0.1029% on the first €1.05million and 0.25% on balance over €1.05million.

Properties in Band 20 are charged on individual property values as before (0.1029% on first €1.05million and 0.25% between €1million and €1.75million, and 0.3% on balance).

Regularly bringing new properties into charge

All new residential properties built between valuation dates will be retrospectively valued as if they had existed on the preceding valuation date. New properties becoming liable for the LPT charge at the next liability date (the following 1 November) will be valued at the previous valuation date (1 November 2021) and Revenue will provide assistance to property owners to determine this value.

Property valuations every 4 years

Property valuations will be reviewed every four years, rather than the current 3 years. This will provide a balance between the timely capture of changes in the property market and the need to limit compliance and administration costs. It also assists the regular addition of new properties into the LPT charge.

Exemptions

From its inception the LPT has been underpinned by the principle that keeping the number of exemptions low helps to keep the tax rate low for those who are liable to pay it. I have decided to allow the exemptions for first-time buyers and

homes in ‘Ghost estates’ to lapse and to phase out the exemption in respect of pyrite damaged properties.

In recognition of the stressful situation facing homeowners affected by pyrite and mica in counties Donegal and Mayo, I am providing for a similar temporary exemption from LPT for homes in those counties that have been damaged due to the use of defective concrete blocks in their construction and eligible for the Defective Concrete Blocks Grant Scheme.

Deferrals

I am proposing to implement the 2019 Review Group recommendation that the income thresholds for LPT deferrals be increased to €18,000 (from €15,000) for a single owner and €30,000 for a couple (from €25,000). I am also reducing the rate of interest on deferred LPT from 4 per cent to 3 per cent.

Conclusion

I am satisfied that the measures proposed for this Bill will fulfil the Programme for Government commitments in this area and will secure the future of the Local Property Tax although in a reformed structure that better suits our current national needs.

Thank you.