

OPENING REMARKS

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(IPOA)

Joint Oireachtas Committee on Housing,
Local Government and Heritage

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Thank you Chair, good afternoon, Deputies and Senators.

Thank you for the opportunity to speak to you today, on behalf of the membership of the Irish Property Owners' Association, on the critical matter of the availability of rental accommodation, the existential challenges facing our members and the solutions being proposed by us to alleviate these issues.

By way of introduction, the IPOA is a not-for-profit organisation that seeks to protect and promote the interests of private residential property owners and encourage the supply of good quality accommodation and professional standards of property management. The IPOA is a national association, representing landlords from single property owners to multiple property owners throughout Ireland.

Driven by our alarm at the housing availability crisis currently engulfing Ireland, we have been motivated to collaboratively work with like-minded associations such as the Institute of Property Auctioneers and Valuers (IPAV) to devise targeted solutions to stem the exodus of private landlords from the property market. With that in mind, we jointly commissioned renowned economist, Jim Power to compile an economic report detailing the state of the sector, and on the back of this we prepared a Budget submission loaded with solutions focused on alleviating the crisis, providing a more equitable eco-system for non-institutional landlords, and avoiding the ever more scarce supply of rental accommodation.

For the purposes of today I want to focus on Jim Power's report on the Irish Private Rental Market, as well as our IPOA-IPAV Members' survey which highlighted the impact that taxation levels are having on landlords and their ability to remain in the market.

At the outset, it should be noted that the pressures on landlords that were identified when the research was conducted, have been further exacerbated since; inflation has risen substantially thereby impacting insurance and maintenance costs, and the European Central Bank has raised interest rates by 1.25%, consequently increasing mortgage costs.

Absorbing these challenging fiscal circumstances is extremely difficult for our members and it is threatening their longevity in the market, which is bad for them, bad for prospective tenants and bad for housing policy. However, the significance of the impact of the foregoing is best understood against a backdrop of the sector more generally;

- Private, non-institutional landlords provide 94% of rental accommodation in Ireland
- 70% of these landlords have 5 properties or less.
- 43% of these landlords made the decision to invest in rental property as a means of pension provision and for a majority, rental income represents their sole pension income, apart from the State pension.

Finally, I would draw attention to the age demographics of non-institutional landlords - 75% are above the age of 50 and 48% are above the age of 60. This is important to note as taxation issues around inheritance are a contributor to landlords leaving the market.

On foot of this, our organisations have prepared proposals in the area of taxation and included these in our pre-Budget submission. Allow me to take you through our proposals now.

Introduction of a new 25% rate of tax

IPAV and IPOA recommend that a new rate of tax on residential rental income of 25% (inclusive of USC and PRSI) be introduced for residential rental profit to encourage small private landlords to remain in the market and support new investment. It is proposed by us that this be funded from the introduction of a tax rate of 25% for all investment funds/REITS operating in the residential rental market, which would bring some much-needed equilibrium to the treatment of landlords. It is entirely inequitable that two different investors both providing identical product and service can have such disparity in tax treatment. The private investor is taxed at a marginal rate of up to 55% whilst the private equity fund/REIT pays 0% tax on rental profit, once they exit the market within a defined period. While this practice is riddled with imparity for our members, it is the loss to the Exchequer that is astounding when one considers that some REITs continue to make rental profits totalling hundreds of millions of euro.

The Exchequer gain from subjecting funds to a 25% rate of tax should be used to encourage non institutional landlords to stay through a tax reduction which would allow them to remain viable and continue providing much needed accommodation to desperate tenants who need a roof over their head. This would ensure the equal treatment of investors and these measures would help with the retention and increase of supply.

Provision of Roll-Over Relief

IPAV and IPOA further propose the introduction of roll-over relief in relation to Capital Gains Tax on the sale of all assets where the proceeds are reinvested in residential property within twelve months. This would encourage existing and new investors to reinvest in the market, in short enabling the retention of supply and incentivisation of new investment.

Reduction in Capital Acquisitions Tax

IPOA and IPAV also call for a reduction in Capital Acquisitions Tax (CAT) on the inheritance of residential investment properties. Many families are forced to pay large CAT bills on the inheritance of residential property which forces the sale of the residential property to fund these taxes. A reduction in the tax charge by reducing the taxable value by 90%, as applies to the inheritance of agricultural property and business assets, should be introduced as a priority for the inheritance of residential property. This will encourage current property owners to pass assets to the next generation, allow the next generation to remain in the market, and encourage other individuals to invest in the market to take advantage of the relief. This would assist with the retention of supply and in turn, would incentivise new investment.

Conclusion

Taken together, these proposals represent an ambitious and robust package. Such concerted and far-reaching action, however, is necessary in the face of the national emergency on the private rental market.

Deputies and Senators, we would warmly welcome your support for the sector at a dire time, and for you to recognise that our sector is very much part of the solution to Ireland's current housing crisis. We share concerns raised by various stakeholders, notably public officials, NGOs and commentators who are united in their view that the exodus of small landlords from the market risks exacerbating the homelessness situation, a situation we all earnestly want to avoid.

The ramifications of not doing anything are so great that it threatens the provision of housing across the country. Failure to address the current policy and legislative anomaly will also result in the exacerbation of housing supply which will have further knock-on effects such as undermining Ireland's attractiveness as a place for foreign direct investment to set up. So the ramifications of doing nothing to stimulate the sector are broad and far-reaching.

We ask that you support the fiscal solutions proposed today, and prioritise them as an imperative that will help to solve the current crisis. We are keen to play our part in and we welcome your thoughts, views and look forward to engaging with you fulsomely over the course of this debate and beyond.