



IRELAND – September 2020

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Dublin city councillors vote to retain 15% Local Property Tax cut

Council officials warned that city faces ‘devastating’ funding shortfall due to Covid-19 impact

Local Property Tax (LPT) bills for Dublin city homeowners will not rise next year, despite pleas from city council management for an increase to help offset the “devastating” financial impact of the coronavirus pandemic.

Council chief executive Owen Keegan and its head of finance, Kathy Quinn, appealed to councillors to increase the tax by 30 per cent on this year’s rate to generate €24 million to help plug a €39 million hole in the council’s finances.

The proposal would have seen average annual charge increase by more than €120 from €344 to €465 for homeowners in the city. However, councillors voted by 34 to 21 to keep the tax at the current rate.

Councillors have the power to increase or reduce the rate charged in their area by up to 15 per cent each year from the basic rate, which is calculated based on the value of a property.

Fianna Fáil, the Green Party, Labour and the Social Democrats formed a ruling group on the council following the local elections last year, but the group failed to reach a consensus on the LPT rate. The Greens and Labour proposed an increase of 5 per cent above the basic rate and the Social Democrats proposed the basic rate be retained, without the 15 per cent cut.

However, Fianna Fáil sided with Fine Gael, Sinn Féin and Independents in voting for the 15 per cent cut, which has been applied each year since the tax was introduced in 2013.

The council expects Covid-19 will cost it some €41 million this year, Ms Quinn said, with costs including expenditure on the Dublin Fire Brigade ambulance service, homeless services and personal protective equipment.

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In addition to a loss of income from commercial rates, she said, the council also expected to be down €20 million from the loss of parking income, planning fees and housing rents.

The council had taken cost saving measures to off-set these losses, Ms Quinn said, but still faced a €39 million hole in its budget and there was no clarity if more funds would be provided by the Government.

She had urged councillors to consider the “devastating impact on council services, if we have to find savings of €39 million”.

Mr Keegan said: “The need for additional resources has never been more pertinent in terms of the absolute requirement for additional funding to support services, in contrast to the minimal impact on householders of the change”.

Cork city homeowners to be hit with property tax hike

A hike in Cork city’s 2021 local property tax (LPT) rate is on the cards, which will see private home owners pay more tax and land local authority tenants with higher rent.

Councillors meet on Friday night to consider the local adjustment factor on the basic rate of the annual self-assessed tax charged on the market value of residential properties within the city. They can adjust the rate by a maximum of plus or minus 15%.

Against the backdrop of an estimated €4m gap in the council’s finances linked to the impact of Covid-19, council chief executive Ann Doherty has requested that councillors increase the local adjustment factor by the maximum 15% in an effort to generate just over €3.1m to help maintain services.

“If an increase of +15% is not passed, Cork City Council will have a funding shortfall in the region of €3m, which will have a significant impact on the delivery of services for 2021,” she said.

Without the increase, the city will have to reduce its discretionary non-pay spend by around 17%, leading to significant reductions in services for 2021, she said.

Property owners whose premises are valued in the various bands between €250,001 and €600,000 paid varying rates of LPT last year, ranging from €495 to €1,035.

A 15% hike in the local adjustment factor would see their rates rise by varying degrees between €74 and €155 next year.

People whose homes are valued at €1m, and who were liable for €1,755 in LPT last year, would see an increase of €263.

Talks between the various political parties were ongoing last night ahead of tonight’s vote.

In a report for councillors, Ms Doherty said the preparation of the city’s 2021 budget is proving to be extremely challenging in the current Covid-19 climate which she said is posing “unprecedented financial, environmental and social challenges” for the council.

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She said some of the city's income sources, including rates and parking, have been greatly reduced, causing a knock-on effect on the council's ability to provide services.

"In May, the council had to introduce a mini budget and adjustments had to be made to its spending budgets across all directorates and areas under its remit," she said.

"The council also had to incur additional costs to meet measures arising from Covid-19 – social distancing, new safety requirements etc.

"All of these costs will have to be funded from our existing budgets as no funding is being provided by central government for this."

She said the situation remains uncertain with the possibility of second lockdown looming and this level of uncertainty continuing into 2021.

The rate of compensation for the government's waiver of rates income for six-months is still being calculated but local authorities don't know if there will be any compensation for the remainder of the year, or what the position will be next year.

Since 2017, councillors have voted annually for a 0% local adjustment factor, which has generated an additional income of €777,000 per year - €3.108m over four years.

No change in Local Property Tax rate in Limerick for 2021

Homeowners in Limerick will pay the same level of Local Property Tax in 2021 as they did this year, it has been confirmed.

At the September meeting of Limerick City and County Council, members voted in favour of increasing the LPT by 15% from the base rate.

In effect, this means there will be no change for homeowners who will not see any change next year.

Every year the LPT automatically returns to the base rate which is set by government. However, councillors across the country have the option to alter the rate by up to 15% above or below this baseline rate.

The decision of councillors today means around €2.36m will be collected in Limerick in 2021.

A spokesperson for the local authority says this money will be spent on new plant machinery for the upkeep of Limerick's roads including road sweepers and tar sprayers, funding for the Fire Service and to tackle dereliction and vacancies, public realm improvements.

It will also be used to provide matching funding required for large scale transformational projects under a number of government schemes and the development of Limerick's tourism potential.

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As part of the commitment to front load many initiatives, the Council has already invested 1.5 million in new plant machinery such as velocity patchers, high pressure washers, gritting truck and chip spreaders.

The LPT decision comes against a backdrop of a possible €3million shortfall for Limerick City and County Council in 2020 due to the impact of Covid-19.

The budget for 2021 is due to be voted on in November.

Cork County Council votes to raise local property tax by 7.5%

A 7.5% increase in the Cork County's Local Property Tax (LPT) has been carried at County Hall, an increase of 2.5% on last year.

Fine Gael called for a 7.5% increase along with the Green Party. The proposal was carried a substantive motion, where two votes, one for 0% increase and one for 5% increase were defeated.

The 0% motion was defeated by 28 against, 10 for and two abstentions. The 5% motion was defeated by 23 against, 15 for and 11 abstentions.

This 7.5% increase will cost homeowners between €2.25 in band one (homes valued up to €100,000) and €16 in band six (homes valued over €300,000).

Cork County Council's Head of Finance Lorraine Lynch said there was a €19m shortfall predicted for the 2021 budget, which she said was 'optimistic.' County Hall executives also warned there could be a deficit of €15m this year, which will eat into the county reserves of €7m.

Cork County Council's Chief Executive Tim Lucey said it was not likely that the council would have any reserves to bring into play in 2021.

The Head of Finance urged the council to vote for a 15% increase in order to maintain the level of services provided over the last few years.

The LPT can be increased or decreased by 15% annually, with the decision made by vote from the elected councillors. 80% of the tax stays with the local authority with 20% used in what is called an equalisation fund, to top-up authorities with lower LPT bases.

Fine Gael Leader John Paul O'Shea called for the immediate end to the equalisation fund.

Fianna Fáil looked to keep the LPT at 5%, which would be the same as last year, with a solid commitment on where that money will be spent.

Independent spokesperson, Councillor Declan Hurley said the independents were of the view that no increase should be introduced.

"No matter what way you dress this up, this is an increase and given the year we have had, can't feel like adding to people's expenses." Labour Party spokesperson Cathal Rasmussen said he was always

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uncomfortable with the decision around the Local Property Tax and supported Mr Hurley in his proposal for no increase.

“On one side the executive wants to increase the LPT, but at the same time, we have no control over how that money is being spent and the householder is being asked to increase spend at a difficult time.” Green Party leader Alan O’Connor said there was a lot to consider in relation to the decision being made.

“The budget is still to come, we will be looking at expenditure, the tax itself, fair or otherwise.”

Mr O’Connor said: “Considering that we have a large funding gap and we need to provide services, an increase is warranted. Considering all aspects, and the city council increased the tax to 7.5% last week, I think we should do the same.”

The Green Party Councillor also said that in line with Fine Gael Councillor O’Shea he would support the stipulation that a portion of the money should be ring-fenced for community resources.

The elected council discussed the matter for two hours, at which point County Mayor Mary Linehan Foley called a recess for 15 minutes, under Covid guidelines, in order to give people a chance to get some air.

After the recess, Chief Executive Tim Lucey spoke to the councillors regarding comments made during the meeting.

Mr Lucey said he “wholeheartedly rejected” commentary that the members have not been listened to over the years and agreed to the Fine Gael stipulation that monies raised from a 7.5% increase would be ringfenced for community funding, such as General Municipal Allocations, Town Development and Village Enhancement Scheme.

The Chief Executive said €3.6m was needed for the three community schemes and a 7.5% increase would bring in a total of 2.4m, which could be safeguarded for the fund.

Mr Lucey also said the executive would prefer a 15% increase, however, he acknowledged, “Any increase is better than none.”

Property tax revaluation deferred for third time

Homeowners who bought new build since 2013 still exempt from local property tax

Minister for Finance Paschal Donohoe has again deferred the revaluation date for the local property tax (LPT), meaning that anyone who bought a new build since 2013 will remain outside of the LPT net for at least another year.

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Properties were due to be revalued for this tax in November, which would have led to changed payments next year. Mr Donohoe has decided to defer the valuation date until November 1st 2021, meaning homeowners that do pay LPT will not be faced with increased bills next year as a result.

The decision means that people who bought a new home since 2013 are still not liable to pay the tax. There are several other exemptions for the tax including those properties that were unsuitable for use as a dwelling in 2013. This means that if it wasn't habitable as of 2013, the property would never have been liable for LPT.

Early next year, Mr Donohoe will bring forward legislation for the LPT to revise the system so that most homeowners won't face an increase in any event. The legislation will also bring new homes which are currently exempt into the system.

"As with many aspects of our economy, the pandemic has introduced volatility into the residential property market, and I am also conscious of the need to allow sufficient time for the Revenue Commissioners to introduce the necessary changes to the LPT regime before any new valuation date," said Mr Donohoe.

Following a review of the tax in 2015 by Dr Don Thornhill, it was proposed that the revaluation date be postponed from 2016 to 2019. A further review was initiated by Mr Donohoe in 2019, deferring the valuation until November 2020.

The valuation date is the date on which property owners need to establish the market value of their properties. Those values are the basis for calculation of LPT liability. Properties are still being valued on the 2013 date.

A 2019 review of the LPT suggested that the Government should consistently target a yield of about €500 million from the tax. The group recommended that the rate applying to properties worth in excess of €1 million should remain at 0.25 per cent.

"I will be bringing forward proposals for primary legislation to implement the programme for Government commitments on LPT in early 2021. These proposals will be designed to ensure fairness and that most homeowners will face no increase in their LPT liabilities," added Mr Donohoe.

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