



Our Ref: 13/0988/MF

20 May 2013

Ms. Emer O'Gorman
Meetings Administrator
South Dublin County Council
County Hall, Tallaght
Dublin 24



Dear Mr. O'Gorman,

The Minister for Finance, Mr Michael Noonan TD, has asked me to reply to your letter on behalf of South Dublin County Council regarding Local Property Tax (LPT) which was forwarded from the Department of the Environment, Community and Local Government.

The Government agreed with the recommendation of the Thornhill Group, (the Inter-Departmental Group, chaired by Dr Don Thornhill, which considered the structures and modalities of a property tax), that the market value of residential properties should be the basis of assessment of the tax, on the grounds that other approaches, including Site Value Tax (SVT), had serious shortcomings. Both the 2009 and the 1982 – 1985 Commissions on Taxation recommended market value. The vast majority of the submissions made to the Group also favoured market value. SVTs are not used extensively internationally. The arguments for SVT are outweighed by the likely difficulties in ensuring acceptance by taxpayers, i.e., arriving at values that are evidence based, understandable and acceptable to the public, in addition to complexities and uncertainties in the valuation effort necessary to put an SVT in place.

Market value of a residential property is related to the characteristics of the building itself, the site on which it is located and the characteristics and amenities of the neighbourhood. There will be a relationship between the market value of a house and benefits to the owner in terms of enjoyment of the amenity value of the property. Owners of more valuable properties would pay more under a market value based assessment scheme. Taxable values based on market valuations would generally be higher in urban as compared to rural areas. This is equitable to the extent that market value provides a measure of the value of a residential property to the owner, particularly in terms of its proximity to places of work and local amenities and facilities.

The Government has accepted, in principle, a policy position, to move towards 80% retention of all LPT receipts within the local authority area where the tax is raised, from next year. The remaining 20% of the LPT collected nationally will go to the Local Government Fund, which will continue to provide funding to local authorities on a needs and resources basis. Please note that the allocation of funding to local authorities is properly a matter for the Department of the Environment, Community and Local Government.

While the national central tax rate for the first 18 months (up to 31 December 2014) will be 0.18% up to €1 million in value and 0.25% on any excess value over €1 million, from 1 January 2015 local authorities will have discretion to vary the rate by 15% above or below the national central rate. When this comes into effect it could be used to by local authorities to address variations in value throughout the country, in accordance with funding available to them.

The Government sees the necessary introduction of this tax as an opportunity for very real political reform at local Government level. The Local Property Tax will provide a stable funding base for the local authority sector, incorporating appropriate elements of local authority responsibility. This will strongly reinforce local democratic decision-making and will encourage greater efficiency by local authorities on behalf of their electorates.

In designing the tax, the Thornhill Group had due regard to issues such as ability to pay and considered the provision of waivers or deferrals for households unable to pay the tax or where a payment requirement would cause hardship. In relation to ability to pay, the LPT legislation provides for the possibility of deferring the charge to LPT in certain circumstances. To qualify for a deferral, the residential property must be occupied as a sole or main residence. The gross income thresholds for a full deferral will be €15,000 for a single person and €25,000 for a couple, whether married persons, civil partners or qualified cohabitants. A person may claim a deferral if their gross income will not, “as can reasonably be foreseen at the liability date” exceed these thresholds in that year.

A deferral of up to 50% of the LPT liability will be possible where the gross income of the liable person does not exceed €25,000 for a single person or €35,000 for married persons/civil partners/cohabitants.

The full and partial deferral thresholds may be increased in the case of properties occupied as a sole or main residence and subject to a mortgage. In such cases, the gross income thresholds may be increased by 80% of the mortgage interest payments. The deferral option in such qualifying cases will apply until the end of 2017.

Where a liable person no longer satisfies the necessary conditions, amounts deferred prior to the date on which eligibility ceased may continue to be deferred. Interest of c. 4% per annum will apply to any amounts deferred. Deferred LPT and interest will have to be discharged on the sale/transfer of the property. Any amount deferred will be a relatively small part of the overall value of the property, even where the deferral lasts for a number of years and where the higher rate of 0.25% applies to a portion of the value.

The thresholds were based on the recommendations of the Thornhill Group. The Government accepted the income thresholds for a full deferral and adapted the income thresholds for a partial deferral so that they are €10,000 rather than €5,000 above the thresholds for a full deferral.

The Minister appreciates that some property owners may find themselves unable to pay Local Property Tax but do not qualify for a deferral based on their gross income. For this reason, the Finance (Local Property Tax) (Amendment) Act 2013 provides that a person who has entered into an insolvency arrangement under the Personal Insolvency Act 2012 may apply for deferral

of the LPT that is due during the period for which the insolvency arrangement is in effect. The 2013 Act also provides that a person who suffers both an unexpected and unavoidable significant financial loss or expense, as a result of which he or she is unable to pay their LPT without causing financial hardship, may apply for full or partial deferral. Claims for this type of deferral will require full disclosure of the person's financial circumstances, supporting documentation and any other information required by Revenue and following an examination of the information provided, Revenue will determine whether deferral should be granted. The detail of how this type of deferral will operate and the criteria that will be used to determine eligibility will be set out in guidelines due to be published by the Revenue Commissioners shortly.

Revenue offers a broad range of methods for paying the tax, including:

- Single Debit Authority
- Deduction at source from salary or occupational pension
- Deduction at source from certain payments received from the Department of Social Protection
- Deduction at source from scheme payments received from the Department of Agriculture, Food and the Marine
- Direct Debit
- Debit/Credit Card
- Cash payments (including Debit/Credit Card) through approved payment service providers

A liable person can opt to make one single payment or opt to phase payments in equal installments from 1 July 2013 until the end of the year. Certain payment options may not be available to multiple property owners.

The Thornhill Group recommended that the Revenue Commissioners be given responsibility for all aspects of LPT including administration, collection, enforcement, and audit. The Office of the Revenue Commissioners is the Irish national tax administration. Revenue has vast experience and expertise in organising the effective collection of taxes and duties in a cost efficient way.

The Minister has asked me to thank you and the members of South Dublin County Council for informing him of the motion, the terms of which have been noted.

Yours sincerely,



Seán Kinsella

Private Secretary to the Minister for Finance