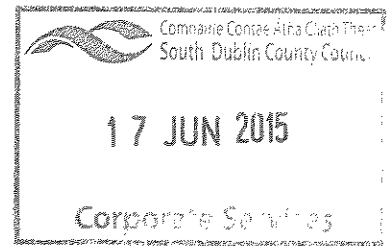




Our Ref: 14/4429/MF  
Your ref: M9/0914

16 June 2015

Mr Tom O'Neill  
Meetings Administrator  
Corporate Services Department  
South Dublin County Council  
County Hall  
Tallaght  
Dublin 24



Dear Mr. O'Neill,

The Minister for Finance, Mr. Michael Noonan T.D. has asked me to reply to your letter in relation to Local Property Tax (LPT).

The LPT is part of a broader approach to the taxation of property, involving a move away from transaction based taxes, which have proved to be an unstable source of revenue, to an annual recurring value-based property tax, which will provide a more consistent source of funding. A property tax is more employment-friendly than further increases in income taxes, and should have a stabilising influence on the economy and the public finances. There are no plans to repeal the LPT.

The Government decided that the market value of residential properties should be the basis of assessment of the LPT. Market value is a tried and tested basis of assessment that is internationally accepted and, by implication, readily understood by taxpayers all over the world. Other approaches were considered by the Government and by the Thornhill Group (the inter-Departmental Group chaired by Dr Don Thornhill on the design of a property tax), the interdepartmental group which advised on the design of the property tax, but were thought to have serious shortcomings, particularly on grounds of equity.

The 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. 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. 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.

Market valuation or a variation thereof is a standard measure for property taxation internationally (for example, the domestic rates in Northern Ireland are based on the "capital assessed value" of the property). Property taxes based on a variant of market value are commonly used for local authority funding in many jurisdictions.

Councillors may be aware that a review of the operation of the LPT is currently underway. While the review will primarily have regard to recent residential property price developments, the overall yield from LPT and the desirability of achieving relative stability in LPT payments into the future, it will also address a number of issues which have arisen in relation to the efficient and effective administration of the LPT. As part of the review, the Minister has launched a public consultation, inviting submissions from the public on the operation of LPT.

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

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Alex Lalor', is written over a horizontal line.

Alex Lalor

Private Secretary to the Minister for Finance