

DESIGNING AND IMPLEMENTING
A RESIDENTIAL PROPERTY TAX FROM SCRATCH:
THE IRISH STORY

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GOOD GRIEF!



- I Country context
- II Background and rationale
- III Design features of a property tax
- IV Reports, recommendations and timelines
- V Local Property Tax (LPT)
- VI LPT statistics
- VII 2021 revaluation
- VIII Ireland vs. England
- IX Verdict
- X Future challenges and reforms
- XI Lessons

IRELAND VS. CANADA

IRELAND

- 5.01 million
- 70 thousand square kilometres
- Unitary country
- Central and local governments
- British influence, but also European and USA influences
- GDP US\$465bn

CANADA

- 38.53 million
- > 9 million square kilometres
- Federal country
- Federal, provincial and local governments
- British, French and USA influences
- GDP US\$1,771bn

I. COUNTRY CONTEXT I: HISTORY OF RECURRENT REAL PROPERTY TAXES IN IRELAND

Influenced by the English system of property taxes

A single integrated 'rating' system from 1601

Non-residential property taxes (commercial rates) still in existence, based on annual rental values

Domestic rates abolished in 1978

Various recurrent taxes on residential properties between 1983 and 2012

The new Local Property Tax (LPT) from 2013

I. COUNTRY CONTEXT 2: LOCAL GOVERNMENT FINANCE IN IRELAND

At the local level, 31 Local Authorities/Councils

Highly centralized, with extensive controls of local government

Limited (and diminishing) functions, primarily property-related (local services and housing), with no remit for health, education or social care

Main functions are in roads, housing, recreation, fire & library services, planning & development

Mix of taxes, charges/fees and central government grants

The only local tax is property tax

Expenditure	Share	Revenue	Share
Housing & Building, of which	35.4	Central Government Grants	38
<i>-Housing supports</i>	19.0	Charges and Fees	26
<i>-Maintenance & repairs</i>	6.0	Commercial Rates	29
<i>-Homeless services</i>	5.2	Local Property Tax	7
Road Transportation & Safety	19.8		
Environmental Services, of which	11.9		
<i>-Fire services</i>	6.6		
<i>-Street cleaning & litter management</i>	2.6		
Recreation & Amenity, of which	8.7		
<i>-Library & archival service</i>	3.1		
<i>-Leisure operations</i>	3.1		
<i>-Arts & community sports programmes</i>	2.4		
Development Management, of which	8.6		
<i>-Economic & community supports</i>	4.8		
<i>-Planning</i>	3.7		
Water services	6.8		
Miscellaneous/Others	8.9		
	100		100

II. BACKGROUND AND RATIONALE

No recurrent tax on residential property

National taxes on property-related transactions

2000s property boom >> financial crisis >> property crash and a banking crisis >>
IMF/EU/ECB bailout >> austerity

Narrow tax base and falling revenues

Government and international organizations sought ways to increase revenues, including introduction of domestic water charges and a residential property tax

Obstacles were political, economic and administrative/technical



**LABOUR SELL-OUT TO
TROIKA TYRANNY**

Axe the Property Tax • Stop Austerity

Campaign Against Home & Water Taxes (CAHWT) • nohouseholdtax.org



- CLEAN SLATE/BLANK CANVAS

III. DESIGN FEATURES OF A PROPERTY TAX

Base	Liability	Rate	Assessment	Valuation	Collection
land + buildings or land only or buildings only	owner or occupier or both	central and/or local	area-based or value-based or hybrid	capital or rental	central or local
plant & machinery?		uniform or differentiated	direct- assessment or self-assessment	individual or banded	what payment options?
different classes?		single or graduated	central or local	indexation and/or revaluation	what sanctions?
exemptions, reliefs and deferrals?				agency type?	

IV. REPORTS AND THEIR RECOMMENDATIONS I

Design of a local property tax by the Inter-Departmental Group 2012

Terms of Reference

“To consider the design of a property tax....that is equitable and is informed by previous work and international experience”

Foreword

Establishing a local property tax addresses 3 long standing and important challenges in Irish public policy

- 1.broadening of the tax base to include residential properties
- 2.the provision of a stable funding base for local government
3. the strengthening of democracy at local level

IV. REPORTS AND THEIR RECOMMENDATIONS, 2

Inter-Departmental Group 2012

Tax Strategy Group 2010

Commission on Taxation 2009

All recommended more or less the same thing

A residential property tax based on

- Market values
- Owner is liable
- Up-to-date valuation database/register
- Self-assessed using valuation bands
- Local rate-setting powers
- Administered by Revenue, with multiple payment options

IV. TIMELINES, 2012-13

7/2012 Inter-departmental report published

2012 Interim tax measure 2012

12/2012 Finance (Local Property Tax) Act 2012

12/2012 Announced on national 2013 Budget Day

3/2013 Launched, property register compiled, followed by media campaign

3/2013 LPT Return form and information issued

5/2013 Property valuation by self-assessment (and for 2014 – 2016)

5/2013 LPT Return to be filed

7/2013 Payment due

Local Property Tax

L P T

V. LOCAL PROPERTY TAX (LPT)

A broad-base, low-rate, self-assessed, banded tax system

Features include

- All residential properties/dwellings, with few exemptions and deferrals
- Owner is liable
- Based on market values
- Self-assessment
- Valuation bands
- Basic rate set by central government (0.18%), with locally-determined element (+/-15%)
- Revenue responsible for all administrative matters
- Multiple payment methods

Base	Liability	Rate	Assessment	Valuation	Collection
<p>land + buildings or land only or buildings only</p> <p>plant & machinery?</p> <p>different classes?</p> <p>exemptions, reliefs and deferrals?</p>	<p>owner or occupier or both</p>	<p>central and local</p> <p>uniform or differentiated</p> <p>single or graduated</p>	<p>area-based or value-based or hybrid</p> <p>direct- assessment or self- assessment</p> <p>central or local</p>	<p>capital or rental</p> <p>individual or banded</p> <p>indexation and/or revaluation</p> <p>agency type?</p>	<p>central or local</p> <p>what payment options?</p> <p>what sanctions?</p>

SELF-ASSESSMENT



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JOURNAL ARTICLE

A SELF-ASSESSED PROPERTY TAX REVISITED ONCE AGAIN

T. R. Swartz and Lawrence C. Marsh



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A SELF-ASSESSED PROPERTY TAX REVISITED ONCE AGAIN

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I. INTRODUCTION

Property tax theorists and practioners have long debated the pros and cons of a self-assessed residential property tax. Past attempts to devise this tax mechanism focused on the sanctions needed to ensure honest and equitable self-appraisals. The initial proposal offered by Arnold Harberger, called for the forced sale of residential property whenever a legitimate bid for the property was significantly above the owner's declaration of market value. Subsequent modifications involved less severe sanctions, but for the most part, ignored the central problem of establishing acceptable criteria for objectively determining market value. Nor did the modifications establish, at the least, an official objective proxy for determining market value without requiring widespread, government-induced, artificial bidding by property speculators.¹

A critical, and perhaps devastating weakness of the Harberger approach is the potential over self-assessment of homes and the resulting loss of consumer surplus or homeowner utility associated with the threat of a forced sale. This threat of a forced sale remains in spite of Harberger's

PDF

Help

How to value your property as at 1 May 2013

You can value your property, as at 1 May 2013, by referring to the following information sources for guidance:

- [\[PDF\] Revenue's Property Valuation Guidance for 1 May 2013](#)
- the [Residential Property Price Register](#) ↗
- a professional valuation
- information sources relating to local properties, for example
 - newspapers
 - information from local estate agents
 - property sales websites such as [daft.ie](#) ↗ and [myhome.ie](#) ↗.

Revenue's [\[PDF\] Property Valuation Guidance for 1 May 2013](#) provides an indicative valuation band for properties depending on type, age and location, as at 2013. It does not provide market values for individual properties and it does not apply for properties with a market value greater than €1 million as at 2013.

The guidance is helpful for the majority of properties, but there are always properties in an area that differ from the average. Your property may have certain unique features that you should take into account when determining its value.

The indicative valuation band for properties in your area, as indicated by the guidance, may not reasonably reflect the value of your own property as at 1 May 2013. If this is the case for your property, you should make your own assessment using the other information sources listed above.

You should keep a copy of any information sources and supporting documentation that you use to determine the market value of your property as at 1 May 2013. Revenue may request this from you in the event of a review of your self-assessment of your property's value.

Local Property Tax

Property Valuation Guide

The map displays estimated average property valuation bands in different parts of the country. The map is divided into "Small Areas". These are areas that have been compiled by the National Institute of Regional and Spatial Analysis on behalf of Ordnance Survey Ireland in consultation with Central Statistics Office. There are about 18,600 Small Areas in Ireland, usually with 50 to 200 properties in each.

Instructions

We have used the Property Location that you entered on the My Property screen to zoom into this area.

1. Use the map controls to zoom in further as required to a smaller area.
2. Click on this area of the map to see the average property valuation band for your area.

You can use the "Highlight Bands" slider on the top right of the screen to make the underlying map details more or less visible.

You can also use the map controls to move to a different area of the country to display average property valuation bands in that area.

Valuation Bands

- 1: €1-€200,000
- 2: €200,001 to €262,500
- 3: €262,501 to €350,000
- 4: €350,001 to €437,500
- 5: €437,501 to €525,000
- 6: €525,001 to €612,500
- 7-20: Over €612,500

More information

Further guidance on using this valuation tool
[Link to Residential Property Price Register](#)

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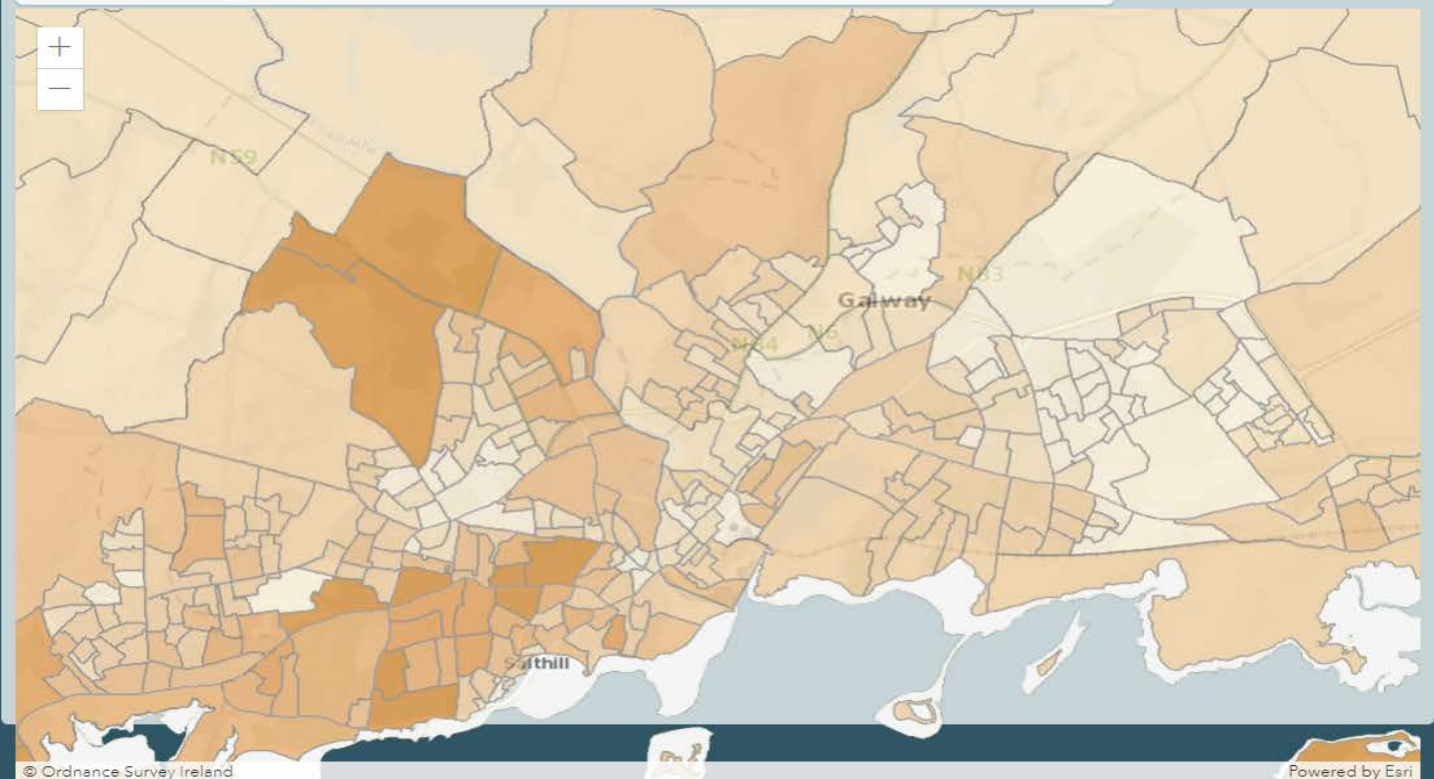
Eircode:

Make sure to select the matching Eircode from the search results or press return after entering your Eircode

Full Screen:

Highlight Bands:

Property Location:





New LPT Band Structure

	Band Structure prior to 1 November 2021		Band Structure on or after 1 November 2021	
	<i>Band</i>	<i>Charge</i>	<i>Band</i>	<i>Charge</i>
1	0 – 100,000	90	0 -200,000	90
2	100,001- 150,000	225	200,001 -262,500	225
3	150,001 – 200,000	315	262,501 - 350,000	315
4	200,001 – 250,000	405	350,001 -437,500	405
5	250,001 – 300,000	495	437,501- 525,000	495
6	300,001 – 350,000	585	525,001-612,500	585
7	350,001 – 400,000	675	612,501 - 700,000	675
8	400,001 – 450,000	765	700,001- 787,500	765
9	450,001 – 500,000	855	787,501 – 875,000	855
10	500,001 – 550,000	945	875,001 – 962,500	945
11	550,001 – 600,000	1,035	962,501 – 1,050,000	1,035
12	600,001 – 650,000	1,125	1,050,001 – 1,137,500	1,189
13	650,001 – 700,000	1,215	1,137,501 – 1,225,000	1,408
14	700,001 – 750,000	1,305	1,225,001 – 1,312,000	1,627
15	750,001 – 800,000	1,395	1,312,501 – 1,400,000	1,846
16	800,001 – 850,000	1,485	1,400,001 – 1,487,500	2,064
17	850,001 – 900,000	1,575	1,487,501 – 1,575,000	2,283
18	900,001 – 950,000	1,665	1,575,001 – 1,662,500	2,502
19	950,001 – 1,000,000	1,755	1,662,501 – 1,750,000	2,721
20	Over €1 million		1,750,001+	

Valuation on 1 November 2021

The new self-assessed valuation on 1 November 2021 will determine the LPT charge to be paid each year for the next 4 years (from 2022 to 2025). Revenue has released an interactive valuation tool to help property owners to self-assess the value of their property, by providing an estimated average valuation band for residential properties in each area in a map format.

Property owners can use an address or Eircode to find their location and the related estimated average valuation band. Revenue has also published guidance on other information sources in determining market value on a [Valuing your property as at 1 November 2021 webpage](#).

When accessing the online valuation tool, users are presented with a self-assessment message reminding them that the tool is a guide only and it may not reflect their property's value. Property owners should consider the specifics of their property in comparison to other properties in their area – it may have unique features to be taken into account. Revenue has the right to request further information on the self-assessed valuation, even if it is in line with the average valuation band for their area. Property owners are advised to keep a copy of information sources and supporting documentation used to determine the market value.



NON-COMPLIANCE AND SANCTIONS

Revenue's reputation

Taxpayers' education and voluntary compliance

“Revenue Estimate”

Deduction at source

Mandatory deduction at source

Normal debt collection mechanisms

Sanctions including financial penalties, clearance certificate, a lien on the property

PAYMENT METHODS

Payment Method	2013	2021
Annual Debit Instruction	-	19.4
Credit Card	12.3	6.5
Debit Card	31.6	19.1
Deduct at Source	6.7	14.5
Direct Debit	11.0	23.3
Service Provider	7.2	11.6
Single Debit Authority	18.8	0.6
Other Payment	12.4	5.0

VI. SOME LPT STATISTICS, 2013-2021

- About 2m properties, and 1.2m property owners
- About 97% compliance rate, with 94% of 2021 returns filed online
- About €500m in revenue
- About 7% of local government revenue and <1% of total tax revenue
- About 49,000 claims for exemptions, at a cost of €14m
- About 41,000 claims for deferrals, at a cost of €10m
- 76% of LPT returns were in the first three bands i.e. < €200,000 (and same for 2021 revaluation i.e. < €350,000), with the average (median) liable property in band 2
- As for self-assessment and the issue of underestimates, almost 80% of owners returned the same valuation or just one band higher or lower than the Revenue guidance
- Numbers of cases of non-compliance and sanctions imposed are not high

VII. 2021 REVALUATION

2016, 2019/20 revaluations were deferred *as property prices rose*

One commissioned and at least 3 other reports into revaluation

Finally, in Nov 2021 a revaluation took place

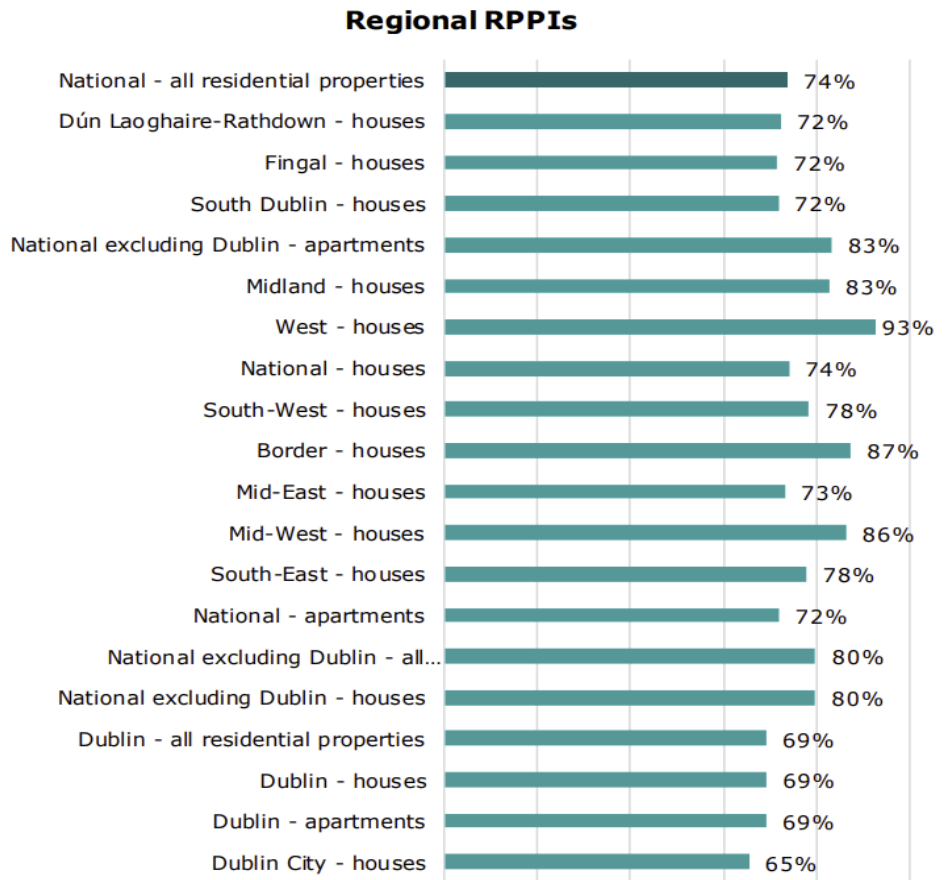
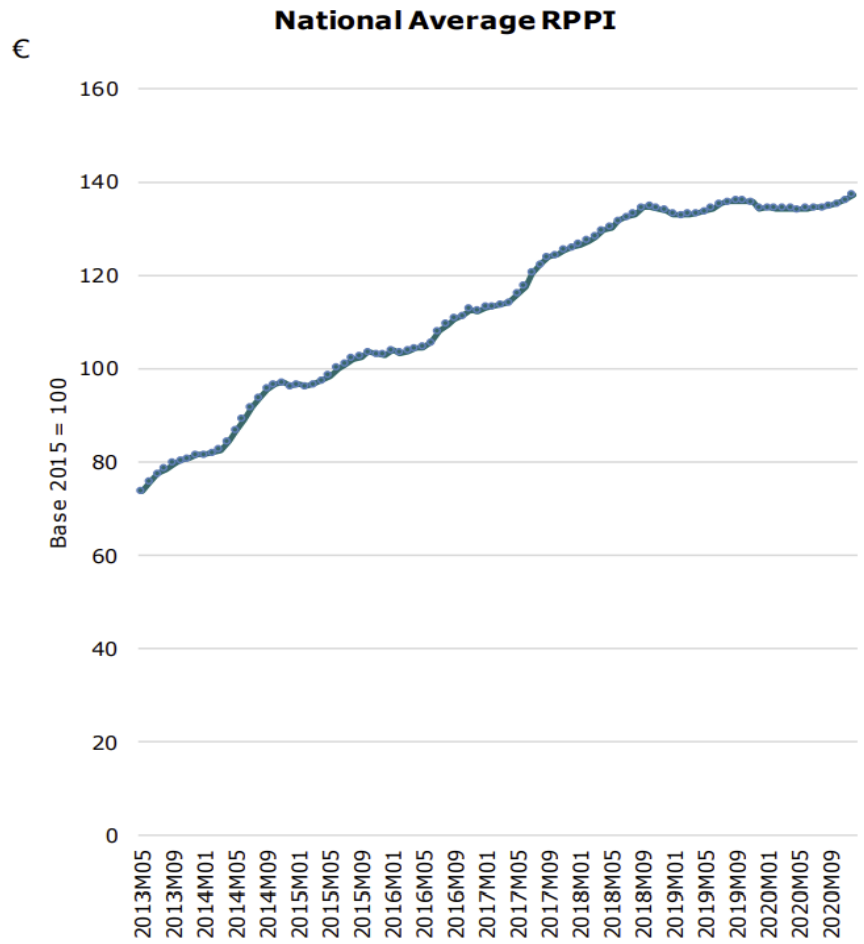
Self-assessment again, based on market value

Projected revenue increase was modest, with majority of taxpayers seeing no change in liability

Bands were widened and rate was reduced

Exemptions were reduced, and new properties were included in the tax net

Figure 1: Property Price Changes 2013 to 2020



Source: CSO.

VIII. IRELAND VS. ENGLAND

	Residential Property Tax		Non-residential Property Tax	
	Ireland	England	Ireland	England
Name	LPT	council tax	commercial rates	business rates
Base	residential	domestic	commercial and industrial	non-domestic
Liability	owner	occupier	occupier	occupier
Rate	central but with local variation	local but subject to central thresholds/caps and local referenda	local	central and uniform
Assessment	self-assessed	central valuation office	central valuation office	central valuation office
Valuation	capital value, with bands. Re-banding and revaluation in 2021	capital value (as of April 1991), with bands. No general re-banding or revaluation since 1991	rental value rolling revaluations	rental value periodic revaluations
Collection	central, with a portion retained locally and the remainder pooled and redistributed.	local	local	local, with a portion retained and the remainder pooled and redistributed.

IX. VERDICT

Commendable, given...

Focus on...

Success (against what?)...

Normal...

Not perfect...

X. FUTURE CHALLENGES AND REFORMS

Short-term

Regular revaluations?

Increase the rate?

Vacant and under-utilised properties?

Medium-term

Valuation bands?

Self-assessment?

Burden on non-residential properties?

Better communication to taxpayers/residents on the services that LPT contributes to/pays for

XI. LESSONS I

According to Revenue (2013; 2016)

- Importance of political support, leadership, communication and IT/digital systems
- Importance of tax administration
- Underestimated vested interests
- Things will go wrong

- Keep it simple
- Easy to pay – multiple payment methods
- (including I would add, deduction at source, and mandatory deduction at source for a non-LPT return, and the default ‘Revenue Estimate’)

XI. LESSONS 2

More generally

- One size does not fit all, so tailored designs are important
- Be cognisant of the disconnect between theory and practice (next slide), and between the economics and politics of property tax and property tax reform
- Balancing act, with trade-offs
- Like in so many other jurisdictions, the importance of tax administration, and that in the Irish case Revenue was given responsibility

More specifically

- The importance of regular revaluations and to avoid long delays
- The importance of online tax services and electronic filing/paying
- The importance of sensible, credible but not draconian sanctions for non-compliance



THE FIRST ECONOMIST

THANK YOU

www.revenue.ie

www.localauthorityfinances.com

Questions?