



Local Property Tax (LPT)

BUDGET 2013



An Roinn Airgeadais
Department of Finance



Liable Persons

- Owners of residential properties, including rental properties, will be legally responsible (“liable persons”) for payment of the tax.
- The liability will rest with the tenant in the case of long leases (over 20 years) or life tenancies.
- Co-owners will be jointly and severally liable for the tax.



Assessment System

- The Local Property Tax (LPT) will operate through a system of self-assessment and self-declaration by liable persons.
- The Revenue Commissioners will have responsibility for all administration, collection, enforcement and audit aspects of LPT.
- Normal Revenue enforcement and collection procedures will apply to the LPT.



Basis of Assessment

- The market value of residential properties will be the basis of assessment for the tax.
- There will be a system of market value taxable bands with the initial band covering €0-€100,000 and bands of €50,000 width thereafter up to €1,000,000 in value. The tax liability is calculated by applying the tax rate to the mid-point of the band.
- Houses valued over €1m will be chargeable to LPT on their market value, with no banding applied.



Valuing My Property

- Liable persons will self-assess the market value of their property.
- The Revenue Commissioners will publish guidance about valuing a property. Where Revenue guidance about valuing a property is followed, property valuations will not be challenged by the Revenue Commissioners.
- The initial valuation is valid up to and including the year 2016.



Rates

- For the first 18 months (up to 31 December 2014) the national central tax rate will be 0.18% for properties valued up to €1m.
- For properties valued over €1m, the first €1 million is taxed at 0.18% with any excess value over €1 million taxed at 0.25%.
- From 1 January 2015 local authorities will have discretion to vary the LPT rates by +/-15% of the national central rate.
- The national central rate **will not** be increased for the lifetime of the current Government.



Household Charge/Local Property Tax Charge 2012 –2014

Valuation band €	Mid-point of valuation band €	Household Charge 2012 €	LPT in 2013 (half year charge) €	Difference to 2012 charge (€100 HC)	LPT in 2014 (full year charge) €	Difference to 2013 charge €
0 to 100,000	50,000	100	45	-55	90	45
100,001 to 150,000	125,000	100	112	12	225	113
150,001 to 200,000	175,000	100	157	57	315	158
200,001 to 250,000	225,000	100	202	102	405	203
250,001 to 300,000	275,000	100	247	147	495	248
300,001 to 350,000	325,000	100	292	192	585	293
350,001 to 400,000	375,000	100	337	237	675	338
400,001 to 450,000	425,000	100	382	282	765	383
450,001 to 500,000	475,000	100	427	327	855	428
500,001 to 550,000	525,000	100	472	372	945	473
550,001 to 600,000	575,000	100	517	417	1,035	518
600,001 to 650,000	625,000	100	562	462	1,125	563
650,001 to 700,000	675,000	100	607	507	1,215	608
700,001 to 750,000	725,000	100	652	552	1,305	653
750,001 to 800,000	775,000	100	697	597	1,395	698
800,001 to 850,000	825,000	100	742	642	1,485	743
850,001 to 900,000	875,000	100	787	687	1,575	788
900,001 to 950,000	925,000	100	832	732	1,665	833
950,001 to 1,000,000*	975,000	100	877	777	1,755	878

*Properties valued over €1m will be assessed at 0.18% of the actual value up to €1m and 0.25% on the excess over €1m



Payment Methods

- The LPT may be paid in full by a Bank Single Debit Authority, by Debit/Credit card (online) or by cash through certain service providers.
- Alternatively the tax may be paid by equal instalments through deduction at source, direct debit or by cash payments. Liable Persons may choose from the following phased payment options:
 - Deduction at source from salary/occupational pension
 - Deduction at source from social welfare payments including contributory and non-contributory state pensions and other long-term schemes.
 - Deduction at source from scheme payments made by the Department of Agriculture, Food and the Marine.
 - Direct Debit.
 - Cash Payments through certain service providers.



Compliance

- The Revenue Commissioners are developing a comprehensive register of residential properties in the State. It will contain approximately 1.9m properties.
- During March 2013, information will be sent by the Revenue Commissioners to liable persons advising them of their obligations in relation to the LPT and how to comply.
- **In the absence of a return the Revenue Commissioners will pursue collection of an estimated amount of LPT, which will have been notified to the taxpayer.**
- In the absence of a return or an election by the taxpayer for a particular method of payment, as far as possible, deduction at source will be the default means of collection.
- In the case of the self-employed, the Revenue Commissioners will not issue a tax clearance certificate where there is unpaid LPT. Late delivery of an LPT return will be linked to the filing of an income tax return, thus exposing a self-employed taxpayer to the penalty of an income tax surcharge.
- Where property tax remains outstanding a charge will attach to that property. This charge will have to be discharged on the sale/transfer of the property.



Exemptions

- Newly constructed but unsold residential property
- Where ownership is vested in a public body or approved charitable body and used to provide accommodation to people with special housing needs such as the elderly or people with disabilities
- Where principal private residence is unoccupied by reason of long term mental or physical infirmity
- Mobile home, vehicle or a vessel
- Property fully subject to commercial rates
- Houses in certain unfinished developments as prescribed by law
- Properties enjoying protection in other legislation – diplomatic or similar property
- **Certain new and previously unused houses that are purchased between 1 Jan 2013 and 31 Dec 2016 are exempt until end 2016**
- **Second hand property purchased by a first time buyer between 1 Jan 2013 and 31 Dec 2013 will be exempt until end 2016**



Deferrals

A system of voluntary deferral arrangements for owner-occupiers will be implemented in specific conditions to address cases where there is an inability to pay the LPT:

- Where gross income does not exceed €15,000 (single) and €25,000 (couple).
- For income stressed owner-occupiers who have an outstanding mortgage, an adjusted gross income limit will apply – where gross income less 80% of mortgage interest falls below €15,000/€25,000 a deferral option will be available up to end 2017 (when mortgage interest relief also ends).
- Marginal relief will apply for owner-occupiers where the income or adjusted income is €10,000 above the full deferral income limit of €15,000/€25,000, i.e €25,000/€35,000, to permit deferrals of up to 50% of LPT liability.
- Interest will be charged on deferred amounts but at a lower rate than the rate charged in default cases. The deferred amounts, including interest, will be a charge on the property. Deferred property taxes and interest will have to be discharged on the sale/transfer of the property.



Sample Adjusted Income Thresholds

Mortgage Value €	Deferral Income Limit € Single/Couple	80% of Mortgage Interest Charge @ 2.75%*	Adjusted Deferral Income Limit** € Single/Couple	80% of Mortgage Interest Charge @ 3.50%*	Adjusted Deferral Income Limit** € Single/Couple	80% of Mortgage Interest Charge @ 4.25%*	Adjusted Deferral Income Limit** € Single/Couple
200,000	15,000/25,000	4,288	19,228/29,228	5,448	20,448/30,448	6,600	21,600 /31,600
300,000	15,000/ 25,000	6,432	21,432/31,432	8,170	23,170/33,170	9,900	24,900 / 34,900
400,000	15,000/ 25,000	8,580	23,580/33,580	10,892	25,892/35,892	13,200	28,200 / 38,200
500,000	15,000/ 25,000	10,720	25,720/35,720	13,616	28,616/38,616	16,500	31,500 / 41,500

*Based on average interest payments for a 25 year mortgage.

**Indicative values only. Liable persons should refer to their own personal circumstances to ascertain if the adjusted income thresholds apply to their own situation.



Local Authority Funding

- Revenue from the LPT will accrue to local authorities and will support the provision of local services.
- Internationally, local services are administered by local authorities and financed by local service charges.
- In Ireland, local authorities are responsible for, among other services, public parks; libraries; open spaces and leisure amenities; planning and development; fire and emergency services; maintenance and cleaning of streets and street lighting. These facilities benefit everyone.



Household Charge/NPPR

- The Household Charge is to be abolished from 1 January 2013
- The arrears of the Household Charge for 2012 will be capped at €130 if paid to the Local Government Management Agency before 30 April 2013.
- From 1 May to 30 June 2013 normal Household Charge collection, late payment fee and interest procedures will apply. The cap of €130 will no longer be available.
- From 1 July 2013, any outstanding Household Charge will be increased to €200 and added to Local Property Tax due on the property. In effect, the arrears of the Household Charge will be converted into LPT and collected through the LPT system. The Revenue Commissioners will pursue this additional liability when the LPT system is fully operational. Interest and penalties under the LPT system will apply to the additional €200.
- The annual NPPR charge will apply for 2013 and the NPPR will be abolished thereafter
- Similar provisions as for arrears of Household Charge will be put in place for the collection of any arrears of NPPR.



Key Dates

2012

December Budget Announcement; Bill published and debated in Oireachtas

2013 (If passed)

March Revenue Commissioners will issue return forms and a detailed explanatory booklet to Liable Persons.

1 May Property Ownership and Property Valuation Date – Value valid up to and including 2016

7 May Return Forms due to Revenue

28 May Return forms due if filing electronically

From 1 July Phased payments such as direct debit or deduction at source payments commence

(From 1 January in subsequent years)

21 July Single Debit Option Payments deducted
(21 March in subsequent years)



Thornhill Report – Recommendations

In February 2012, the Minister for the Environment, Community and Local Government established an Inter-Departmental Group under the chairmanship of Dr. Don Thornhill – the “Thornhill Group” – to consider the structures and modalities for a full property tax. The key recommendations are:

- The tax should be described and legislated for as the Local Property Tax (LPT)
- Owners of residential properties, including rental properties, should be legally responsible for payment of the tax. Co-owners should be jointly and severally liable for the tax
- Certain properties should be exempt from assessment for the LPT
- Market value of residential properties should be the basis of assessment for the tax
- The LPT should operate through a system of self-assessment and self-declaration by liable taxpayers
- There should be a system of market value taxable bands of €50,000 width with the tax liability calculated by applying the tax rate to the mid-point of the band
- All revenue from the LPT should accrue to local authorities with consequent offsetting reductions in financial support from the Exchequer
- A substantially greater part (of the order of 65%) of the revenues arising from the taxation of properties should be assigned to the local authorities in which the taxable properties are situated. The balance of the revenues should be distributed by the Minister for the Environment, Community and Local Government in favour of local authorities with weaker funding bases
- The tax should incorporate a locally determined element based as a percentage of the market value, with yield assigned directly to the authorities concerned.



Thornhill Report – Recommendations contd.

- The development of a comprehensive database of residential properties in the State should be undertaken as a priority project
- A system of voluntary deferral arrangements focused on particular categories of householders should be implemented to address cases where there is an inability to pay the LPT
- The NPPR should be absorbed into the LPT as a separate supplemental tax in addition to the LPT at the existing level applying to non-principal private residences
- The Revenue Commissioners should be given responsibility for all aspects of LPT including administration, collection, enforcement, and audit – in Government decision of July 2012.
- LPT should be collected at source from payroll and from recurring and lump sum payments made by Government Departments
- The rate of interest that should apply to late payments of LPT is the rate that applies to unpaid tax generally
- Interest and penalties in respect of the evasion of LPT should count for consideration for publication in the same way as any other tax or duty evaded
- The Revenue Commissioners should develop a secure website that would show the LPT status of each registered property in the State
- The Office of the Revenue Commissioners, with the Department of Finance and the Department of the Environment, Community and Local Government should develop a comprehensive implementation plan to include the development work necessary to identify liable properties in Government decision of July 2012.



For more information please go to:

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