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Relate

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Local Property Tax

Introduction

The Local Property Tax is the official name of the new tax on residential property which becomes payable for the first time in July 2013. The tax is being collected by the Revenue Commissioners. The proceeds of the tax will be allocated to local authorities to enable them to provide local services. The Finance (Local Property Tax) Act 2012, as amended by the Finance (Local Property Tax) (Amendment) Act 2013, provides the legal basis for the new tax. An Inter-Departmental Group on Property Tax was established to design the tax and most of its recommendations have been accepted by the Government. Its report is available at: environ.ie/en/LocalGovernment/LocalGovernmentAdministration/LocalGovernmentFinance/Inter-DepartmentalGrouponPropertyTax/

The new tax is self-assessed. This means that, if you are liable for the tax, you are obliged to assess the value of your residential property and pay the appropriate amount of tax on that value. The Revenue Commissioners are providing guidance on the value of property, but it is guidance only. The primary responsibility for assessing the value of the property rests with the owner who is liable for the tax – see 'Liable person' below. The Revenue Commissioners have extensive powers to enforce the payment of the tax. If you are not liable because your property is exempt, you are still obliged to make a return to the Revenue Commissioners indicating which exemption condition you satisfy.

The Local Property Tax replaces the €100 Household Charge which was levied in 2012. The rules of the new tax are different in a number of respects to the rules governing the Household Charge – see *Relate*, February 2012.

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The following outlines the main points about the new tax.

Important dates

1 May 2013: You are likely to be liable for the LPT if you own a residential property on this date. In subsequent years, you will be liable for the LPT if you owned residential property on 1 November of the preceding year. For example, you will be liable in 2014 if you own residential property on 1 November 2013. These dates are known as the *liability dates*.

7 May 2013: If you own residential property on 1 May 2013 and you are making a **paper** return, you are obliged to make this return to the Revenue Commissioners before 7 May 2013. This return must include your assessment of the market value of your property and a statement about which method of payment you intend to use. If you make your return **electronically** (some people make their return electronically and everyone is encouraged to do so), you have until 28 May to do so. This is known as the *return date.* The next return date will be 7 November 2016 and every three years after that.

1 July 2013: This is the date by which the tax is due. You must have made an arrangement to pay in full or by instalments or deduction at source by this date, if you want to avoid incurring late payment interest and charges. The precise date on which the tax is paid varies depending on the chosen method of payment, but a payment will be due in July.

1 January 2014: This is the due date for the tax due in respect of 2014. Again, the precise date on which the tax is paid varies depending on the chosen method of payment.

Who has to pay the tax

In general, you are liable for the new tax if you own residential property in Ireland. This is the case whether or not you live in Ireland. However, some residential properties are exempt, which means that no tax is payable. In some cases, you are liable to pay but you may be entitled to defer payment of all or some of the tax – in effect, you are liable but you do not have to pay immediately.

Liable person

In general, the owner of the property is the *liable person* for the Local Property Tax. Joint owners are jointly and severally liable for the tax. This means that the Revenue Commissioners may pursue the owners jointly or individually for the amount due.

You are liable if you have a leasehold interest of 20 years or more or if you have a life interest in the property. The trustees and beneficiaries are jointly and severally liable in the case of property held in trust. If you are living in property rent-free and there is no proof of ownership, you as the occupier are liable. If there is an issue about ownership, the legislation provides that the Revenue Commissioners do not have to prove ownership – in practice, that means that you have to prove that you do not own it.

Exempt properties

Certain residential properties are exempt from the Local Property Tax.

These include:

- Registered nursing homes
- Mobile homes, vehicles or vessels
- Properties which are used wholly as dwellings and which are liable for commercial rates
- Certain properties which are covered by the legislation in relation to diplomatic immunity
- Properties used by charitable bodies as residential accommodation in connection with recreational activities that are an integral part of the body's charitable purpose

Other property may be exempt because of the circumstances of the owner – see below.

There is no general exemption for people who are receiving Mortgage Interest Supplement from the Department of Social Protection as there was in respect of the Household Charge. They may be eligible to defer payment of the LPT – see 'Deferred payments' below.

People with special needs

Properties that are owned by a charity (for example, a voluntary housing body) or a public body (for example, a local authority) and used to provide accommodation for people with special needs (for example, people with disabilities, older people, people who have been homeless and victims of domestic violence) are exempt.

There is no automatic exemption for people with disabilities who own their own homes. However, your property may be exempt if you meet particular conditions.

These are:

- The property was your sole or main residence but you have left the property for a year or more because of long-term mental or physical infirmity (certified by a doctor). An exemption can also be given if you have left your property for less than a year and a doctor considers that you are unlikely to return. In both cases, the exemption does not apply if another person occupies the property.

- You are incapacitated and the property was bought or adapted for use as your sole or main residence where an award was made by the Personal Injuries Assessment Board or a court or you are permanently and totally incapacitated and the property was bought from a trust which was established for your benefit.*

* In these cases, the property must have been acquired for or adapted to make it suitable for occupation by an incapacitated individual. If it has been adapted, the adaptation costs must be greater than 25% of the market value of the property before such work took place. The exemption ceases to apply if the property is sold and the incapacitated individual no longer occupies it as his or her sole or main residence.

Reduced value for adapted property

The market value of a property may be reduced for the purposes of assessing LPT in cases where the property has been adapted for a person with a disability and that adaptation has been grant-aided by the local authority. The amount of the reduction is either the market value of the adaptation work or the maximum grant payable under the scheme, whichever is the lower. This reduction ceases to apply if the property is sold or transferred unless the person with the disability continues to live in it.

New properties and new owners

Residential properties that were constructed by a builder or developer, but remain unsold and have not yet been used as a residence, are exempt.

You are exempt if you are a first-time buyer of a residential property (whether new or second-hand) in 2013. The property must be your sole or main residence. The exemption remains up to and including 2016 provided it continues to be your sole or main residence. This exemption applies provided one of a couple is a first-time buyer – one may not be.

You are exempt if you buy a newly built property from a builder or developer between 1 January 2013 and 31 October 2016. This exemption applies up to and including 2016. You need not be a first-time buyer.

Ghost estates

Properties in unfinished (ghost) estates may be exempt in certain circumstances. The Minister for the Environment, Community and Local Government has made Regulations listing such estates in accordance with the criteria set out in the legislation.

Pyrite-affected houses

Houses which have a certain level of pyrite damage may be exempt from the tax. The Minister for the Environment, Community and Local Government will make regulations setting out the precise technical requirements. Certificates will be issued to the relevant property owners. The exemption may be claimed for three consecutive liability dates. This does not apply where the pyrite damage has been repaired.

Deferred payments

There are certain circumstances in which you may defer the payment of the LPT. Deferred payment means that the payments do not have to be made on the due date but they do have to be made at a later stage. An interest rate of 4% a year is charged.

All claims for deferrals must be made on your return with supporting documentation. You may appeal against any decision to refuse a deferral. You may make a full or partial payment of the deferred amount at any time. Any outstanding deferred amounts remain a charge on the property. The maximum total amount that may be deferred is the value of the property.

The deferral arrangements are mainly for people on low incomes or in financial difficulties.

Low income

In order to qualify for a deferral the property must be your sole or main residence and you must have an income of less than €15,000 for a single person and €25,000 for a married couple, a co-habiting couple or civil partners. You may defer up to half of the tax if your income is less than €25,000 or €35,000 respectively. The income in question is the income that is reasonably foreseeable on the liability date – in effect, on 1 May 2013, you must assess what your gross income is likely to be for 2013. On 1 November 2013 you must assess what your gross income is likely to be in 2014 and similarly in subsequent years. The gross income of the couple is taken into account, even if one is not an owner.

If you have a mortgage, these limits may be increased by 80% of the mortgage interest payment (this provision will end at the end of 2017). Where one of a couple dies and the other no longer meets the conditions for deferral, the deferral arrangement may continue until the next valuation date – see ‘Valuing your property’ below.

People in insolvency arrangements

You may be able to defer the payment of the tax if you are in a Debt Settlement Arrangement or a Personal Insolvency Arrangement under the Personal Insolvency Act 2012. The deferral may last while the insolvency arrangement is in effect.

Unexpected financial loss

You may be able to defer payment if you are unable to pay, without excessive hardship, as a result of a significant and unexpected financial loss or expense. In order to avail of this particular deferral, you must apply to the Revenue Commissioners in writing and you must make a full disclosure of your financial circumstances. The Revenue Commissioners will publish guidelines setting out the criteria that will apply. This deferral cannot apply until you have been told that it is allowed. The Revenue Commissioners may allow such a deferral but may impose conditions on it.

Liable person who has died

If a liable person dies, liability for the LPT rests with the personal representative. The personal representative may be able to get a deferral if the deceased was the sole owner of the property. If the deceased was not the sole owner, the other owner(s) are liable for the tax.

The personal representative may get a deferral in respect of the LPT that was due and unpaid at the time of the liable person's death; that was deferred by the deceased liable person; or that falls due in the three years immediately following death. The deferral period ends three years after the death, or earlier if the property is transferred to the beneficiaries or sold.

The LPT is regarded as part of the expenses of the estate of the deceased and, like other taxes and liabilities, must be discharged before the estate is distributed among the beneficiaries.

Local authority and voluntary housing body properties

Residential properties owned by local authorities and voluntary housing bodies were exempt from the Household Charge, but are not automatically exempt from the Local Property Tax. Instead, the local authorities and voluntary bodies themselves will be liable for the LPT on these properties – unless they are exempt because they meet any of the conditions described above.

For the period up to and including 2016, the value of all residential properties owned by local authority and voluntary housing bodies will be deemed to be €100,000 or less. This means that the tax payable will be €45 in 2013 and €90 in each subsequent year. Local authorities and voluntary housing bodies may pay their 2013 liability together with their 2014 liability, that is, on 1 January 2014.

Local authorities and voluntary housing bodies may decide to pass on the costs of the LPT to their tenants. Some local authorities are considering varying their differential rent schemes so that the cost of the LPT can be recouped from the tenants.

If you are buying your property under the local authority Shared Ownership Scheme, you are regarded as the owner and are liable for the Local Property Tax.

Private rented properties

The landlord as the owner is liable for the Local Property Tax on rented property (unless there is a lease of 20 years or more). The landlord could recoup the amount involved from the tenant if this is allowed by the terms of the lease. The legal liability for paying the LPT to the Revenue Commissioners remains with the landlord. Any dispute about recouping the LPT from the tenant is a matter of landlord and tenant law and not an issue for the Revenue Commissioners.

The Inter-Departmental Group on Property Tax recommended that the Local Property Tax paid in respect of a rented property should be deductible for income tax or corporation tax purposes, in a similar manner to commercial rates. This is not provided for in the current legislation, but the Minister for Finance has said that it is the intention of the Government to introduce such a provision on a phased basis. It has not been decided when this will happen. (The Household Charge and the Non-Principal Private Residence charge are not deductible for income tax or corporation tax purposes.)

What you have to do

The Revenue Commissioners contact all property owners known to them. You should receive an LPT return, an information booklet and Revenue's estimate of the value of your property and how much you should pay based on that value. Most people will get this information by post, but people who are personally (not through a tax adviser) using the Revenue On-Line Service (ROS) are contacted through that system. If you are liable for the LPT and are not contacted by Revenue, you are still obliged to make a return.

Completing the LPT return

You must complete this tax return. If you do not own property or you consider that you are not liable for the tax for other reasons, you are obliged to reply to Revenue within 30 days telling them this.

You are encouraged to use the ROS system to make a return and pay the tax. Some people must use it, such as owners of multiple properties. Certain people who are already obliged to use ROS for taxes such as income tax and VAT must also use ROS for the Local Property Tax. Otherwise, you may make the return in paper form.

The return requires you to state the value of your property, the tax due and the method of payment which you choose.

Revenue will update its register of residential properties from the information in these returns as well as information from other sources.

Valuing your property

The tax is based on the market value of the property on the valuation date. The valuation date is 1 May 2013 for the period up to and including 2016. So, you must pay the tax in July 2013, January 2014, January 2015 and January 2016 based on the market value of the property on 1 May 2013. The valuation for these years will not be affected by any changes to the property, such as improvements or extensions, or any general increase/decrease in property values. After that, the valuation date will be 1 November 2016 and the valuation at that date will apply for three years from 1 January 2017. If the liable person changes between valuation dates, for example, because the property is sold, the valuation continues to apply until the next valuation date.

The market value of the property is the price which the property would reasonably be expected to get if sold on the valuation date. You are required to assess what the value is within a range of €50,000 bands, or the precise value if it is over €1m. The Revenue Commissioners have issued guidance on the value but you are entitled to substitute your own assessment.

As well as the Revenue guidance, you may also use the information available from the property price register produced by the Property Services Regulatory Authority. The register includes the date of sale, price and address of all residential properties sold in Ireland since 1 January 2010. It is compiled from declarations made to the Revenue Commissioners for stamp duty purposes.
Website: **propertypriceregister.ie**

If you assess the market value honestly and fairly in accordance with the Revenue guidance and pay the amount of tax due on the basis of that assessment, the Revenue Commissioners will not seek to replace this self-assessment with a Revenue assessment. This provision does not apply to properties valued at more than €1 million.

Amount of tax

Properties worth less than €1 million are valued using valuation bands of €50,000 and you pay tax of 0.18% of the mid-point of the band. For example, properties valued between €150,001 and €200,000 will be assessed at 0.18% of €175,000 and will be liable for €157 in 2013 and €315 in 2014, 2015 and 2016. Properties valued at less than €100,000 will be assessed at 0.18% of €50,000. So, the minimum payable is €90 (€45 in 2013) – this applies even if the property has no market value.

For properties valued at over €1 million, the rate of the tax is 0.18% on the amount up to €1 million. The amount over €1 million is assessed at 0.25% of the actual amount – there are no bands.

In 2013, half of the annual tax is payable.

Local adjustment factor

The legislation allows for local authorities to increase or reduce the tax on properties in their area by a *local adjustment factor*. This factor cannot be more than plus or minus 15%. This provision comes into effect on 1 May 2014 and could apply for the first time in respect of the tax payable in 2015.

Methods of payment

You may choose to pay the tax in a number of different ways. Some of these methods allow you to pay by instalments. You pay the same amount whether you pay in one transaction or in instalments – there are no extra administrative or interest charges for paying by instalment. Some methods of payment may involve bank or other transaction charges. Deduction at source from employment income, pension payments or State payments does not involve any charge to you. You must select your method of payment when you make your LPT return. The rules about methods of payment apply to people who are entitled to a partial deferral in the same way as to people who are not entitled to any deferral.

Single debit authority

If you decide to pay the Local Property Tax in one transaction you can give the Revenue Commissioners what is called a single debit authority. This is effectively an electronic cheque and it allows the Revenue to debit your bank account by the amount authorised. If you agree to grant this, the amount of the tax will be taken from your account on 21 July 2013; for 2014, the amount will be taken on 21 March 2014.

Debit or credit cards

You may pay in full online using a debit card or credit card. You may use one of these cards to pay by instalments through the approved payment service providers – see below. You have to pay a service charge if you pay by credit card.

Direct debit

You may set up a direct debit with your bank for payment in monthly instalments. The direct debit must start on 15 July 2013 and be payable on the 15th of each subsequent month.

In cash

You may pay in cash in full or by equal instalments through approved payment service providers, for example, post offices and other retail outlets which have made agreements with Revenue. You may not pay cash directly to the Revenue Commissioners. You may, of course, send a cheque, bank draft or postal order to the Revenue Commissioners.

Deduction by employers and pension providers

You may choose to have the tax payment deducted at source by your employer or pension provider. If you choose this option, the Revenue Commissioners will direct your employer or pension provider to deduct the LPT from your pay or pension. This is also an enforcement option available to the Revenue Commissioners – they may direct such deductions if you fail to make a return or if you default on a payment arrangement.

The amount that is deducted can be the amount you have agreed to have deducted, the amount that the Revenue Commissioners have assessed as your liability or an unpaid amount (including interest) if you have defaulted on a payment or if there is an amount outstanding from the previous year. The amount will be deducted evenly over the course of a year. The rules about remitting the money and keeping records apply in the same way as for the deduction of PRSI and PAYE.

Deductions under court orders, such as maintenance orders, will have priority over the LPT deduction if the court order was issued before the direction to deduct LPT was issued by the Revenue Commissioners.

Deduction from social welfare and other State payments

You may choose to have the tax deducted from certain long-term social welfare payments.

These are:

- State Pension (Contributory, Non-Contributory or Transition)
- Widow's/Widower's or Surviving Civil Partner's Contributory or Non-Contributory Pension
- One-Parent Family Payment
- Invalidity Pension
- Carer's Allowance
- Disability Allowance
- Blind Pension

If you choose this option, the Revenue Commissioners will direct the Department of Social Protection to deduct the tax. Again, Revenue may make such a direction if you have not made a return or you are in default on a payment arrangement.

The Department is not obliged to deduct the amount if this would reduce the payment below a minimum amount – that is the rate of weekly Supplementary Welfare Allowance (SWA) applicable to your circumstances. The current weekly SWA payment for a single person is €186 a week so the maximum that a single person receiving Disability Allowance could have deducted is €2 a week.

Similar provisions apply for the deduction of the LPT from payments to farmers by the Department of Agriculture, Food and the Marine. The Minister for Finance may make orders providing for deduction at source by other Government Departments and State bodies.

Phased payment options made by way of deduction at source will start from 1 July 2013.

Enforcement and penalties

The Revenue Commissioners have extensive powers to enforce the collection of the Local Property Tax. These include powers to establish who owns a property and to find out what the property is worth. They have powers to charge interest and penalties and to order the deduction of any LPT due from various payments, including salaries and State payments.

Finding out about property

Revenue already have extensive knowledge about who owns property through the collection of other taxes, such as capital taxes and stamp duty. Under the LPT legislation, Revenue may require third parties, such as management and letting agents, lessees or occupiers of property, to provide a statement of information about residential property to them.

Revenue have the power to inspect a property for the purposes of establishing its chargeable value. They may also make enquiries about the ownership of a property.

Revenue may request information about properties and their ownership from a range of people and bodies. These include providers of gas and electricity, An Post, the Minister for Social Protection, the Minister for Agriculture, Food and the Marine, and local authorities. Failure to provide such information can result in a daily penalty of €100. The information from these bodies will assist in compiling the register of residential properties.

Penalties and interest

If you are liable for the LPT and you do not arrange to pay it by 1 July 2013 or by 1 January in subsequent years, you will have to pay the tax and late payment interest. The Revenue Commissioners have wide powers to deduct any unpaid LPT from salaries, social welfare payments, farm payments and other State payments – see above. Deductions may also be made from any repayment of income tax, PRSI or Universal Social Charge that is due to you.

If you fail to pay the LPT and you are not exempt or granted a deferral, you will not get a tax clearance certificate.

Enforcement arrangements, sometimes involving interest and penalties, may arise in a number of ways. The following are the main ways.

If you do not submit an LPT return by the due date, Revenue can enforce the collection of an estimated amount – this is the amount that Revenue have told you is their estimate and which you may displace by giving an honest alternative assessment.

If you are late in paying your Local Property Tax, you may be charged interest at the rate of 8% a year (0.0219% a day). This is the same rate as applies to overdue income tax. (It should be noted that the interest rate charged on deferred payments is 4%.)

If you do not submit a Local Property Tax return on time, you will be regarded as not having made an income tax or corporation tax return on time. This means that a surcharge may be added to your income tax or corporation tax liability.

You may be fined up to €3,000 for failure to submit a return or failure to provide all the required information, or for knowingly making a false statement in order to reduce the amount of LPT.

If you are liable for the Local Property Tax and you sell the property between valuation dates, (for example, between 7 May 2013 and 7 November 2016), you are obliged to give the buyer the details of the chargeable value returned by you on the first valuation date, along with any relevant documentation. You may be fined €500 if you fail to do this.

Any unpaid LPT and penalties will be a charge on the property. This means that the amounts involved will have to be paid if the property is sold and the sale cannot be completed until this is done. The property may be subject to other charges, for example, a mortgage. In general, when a property is sold, the charges on it must be paid in the order in which they arose. So, if your mortgage was taken out before you became liable for the LPT, the mortgage must be discharged first if the property is sold. If there is not enough left to pay off the LPT, then that liability remains as your personal debt.

Other property taxes

Household Charge

The €100 Household Charge applied to residential property in 2012. It does not apply after that. However, if you have not paid it you are still liable for the charge plus late payment fees and interest. There is a cap of €130 if you pay by 30 April 2013. If you do not, then from 1 July 2013, you will be liable for €200 and it will be treated as a local property tax. It will then be collectible by the Revenue Commissioners and can be deducted at source in the same way as the LPT and can be subject to the same penalties and interest.

About 1.6 million residential properties were liable for the Household Charge in 2012. Website: **householdcharge.ie**

The Citizens Information Board provides independent information, advice and advocacy on public and social services through citizensinformation.ie, the Citizens Information Phone Service and the network of Citizens Information Services. It is responsible for the Money Advice and Budgeting Service and provides advocacy services for people with disabilities.

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NPPR charge

The €200 Non Principal Private Residence (NPPR) charge is payable in 2013 in the same way as in previous years. Any outstanding amounts of NPPR in respect of the years up to and including 2013 will have to be paid. You must also pay LPT on any such residence in 2013. The NPPR was introduced in 2009. In 2012, it was paid in respect of over 340,000 properties.

Reviews and appeals

Most of the general rules about reviews and appeals apply to the Local Property Tax in the same way as they apply to income tax. The main relevant rules are:

There is a four-year time limit on getting any repayment of the LPT. So, if you pay and subsequently discover you were not liable or you paid too much, you must make a claim to that effect within four years.

You may have your dealings with the Revenue Commissioners reviewed by an internal or external reviewer if you consider you have not been dealt with in accordance with the Revenue's Customer Service Charter: **revenue.ie/en/practitioner/ebrief/2013/no-112013.html**

You may appeal to the Appeal Commissioners against various decisions of the Revenue Commissioners, for example, if there is a dispute between you and Revenue about the value of your property or whether or not you are entitled to an exemption or a deferral. The decision of the Appeal Commissioners may be appealed to the Circuit Court.

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