ANNEX B

Local Property Tax (LPT)

The Local Property Tax (LPT) will come into effect from 1 July 2013 with a half year charge applying for 2013. The LPT will be administered by the Revenue Commissioners.

The main features of the Local Property Tax are as follows:

1. 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.

- 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.

2. Assessment System

- The Local Property Tax 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.

3. 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 (see Table 1, page B25):

    - The initial band covers €0-€100,000.
    - Then bands of €50,000 width up to €1,000,000 in value thereafter.
    - The tax liability will be 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.

4. Valuing Property

- Liable persons will self-assess the market value of their 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.

5. Rates

- For the first 18 months (up to 31 December 2014) the national central tax rate will be **0.18% up to €1 million and 0.25% on excess value over €1 million.**

- 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 Government.

6. Payment Methods

The LPT may be paid in full by a Bank Single Debit Authority or by Debit/Credit Card. Alternatively the tax may be paid by instalment through deduction at source, direct debit or by cash payments. Liable Persons may choose from the following payment options:

- Deduction at source from salary/occupational pension or certain payments from the Department of Social Protection, the Department of Agriculture, Food and Marine

- Direct Debit

- Bank Single Debit Authority

- Credit Card/Debit Card

- Cash Payments through certain service providers

7. Compliance

- The Revenue Commissioners are developing a comprehensive register of residential properties in the State. It will contain approximately 1.9 million 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 LPT remains outstanding, a charge will attach to that property. This charge will have to be discharged on the sale/transfer of the property.

8. Exemptions

Certain properties will be exempt from assessment. These exemptions largely correspond to exemptions from the Household Charge, and include:

- Newly constructed but unsold residential property
- Where ownership is vested in a public body or an approved charitable body and used to provide accommodation to people with special housing needs such as the elderly or people with disabilities
- Where a 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

New exemptions will apply in the case of:

- New and previously unused properties that are purchased between 1 January 2013 and the end of 2016 will be exempt until the end of 2016
- Second-hand property purchased by a first time buyer between 1 January 2013 and 31 December 2013 will be exempt until the end of 2016

However, local authority housing and social housing will not be exempt unless it is provided to people with special housing needs such as the elderly or people with disabilities. Liability will rest with the local authority or social housing organisation as owner.

9. Deferrals (see Table 2, page B26)

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

- Where the 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 the end of 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 income limit (€15,000/€25,000) to permit deferrals of up to 50% of LPT liability.
- Interest will be charged on deferred amounts but at a lower rate (i.e. 4% per annum) than the rate charged in default cases (i.e. 8% per annum). The deferred amount, 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.

10. Local Authority Funding

- Revenue from the LPT 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.

11. Household Charge/Non-Principal Private Residence (NPPR) Charge

a. 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.

b. 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.

c. From 1 July 2013, any outstanding Household Charge will be increased to €200 and added to the 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 the Household Charge will be put in place for the collection of any arrears of NPPR.

12. Communication

- The Revenue Commissioners will engage in a comprehensive public communications campaign throughout the first half of 2013 involving the publication of comprehensive guidelines on the operation of the LPT, valuation procedures and payments methods.

13. Key Dates

2012

December Budget Announcement; Bill published and debated in Oireachtas.

If passed:

2013

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

1 May	Property Valuation Date – value valid up to and including 2016
7 May	LPT Return Forms due to Revenue
28 May	LPT 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)
15 July	First Direct Debit Payment date
21 July	Bank Single Debit Authority Payments deducted

14. Estimated Yield

The yield from the LPT is estimated to be €250 million in 2013 (half year charge) and €500 million in a full year. No one methodology is used. Instead, the yield is a blended average of three approaches:

- An approach based on the data used in the report of the taskforce chaired by Dr. Don Thornhill updated to include regional variation in property prices;
- A similar approach based on data from the property price register; and:
- An approach based on the ESRI tax-benefit model 'SWITCH'.

The estimation approach in the Thornhill report was used to illustrate indicative yields only using unpublished CSO data based on mortgage transactions and the CSO's property price index. In making the Budget forecast this was updated to include regional valuation in house prices and stock using data for county level housing stock, and regional variation in values from the CSO property price index. This results in a higher yield because of the higher weighting of higher value properties in counties with larger volumes of properties.

In Autumn 2012, a national register of property values was published for the first time based on actual transactions in the years 2010-2012. The register is updated on an on-going basis. The distribution from the register results in a higher incidence of higher value properties. Using the same indicative rates, an analysis based entirely on the register would result in a much higher yield compared with the method above. However, caution has been applied to this approach given the low number of transactions, the high percentage of non-mortgage (i.e. cash transactions) and the possible bias in recent transactions towards transactions of higher quality housing stock which may not represent the generality of housing valuations in the State.

A final method of estimation is based on the ESRI tax-benefit model SWITCH. In the SWITCH model, data on house prices come from the self-assessed value provided by the respondents to the Survey on Income and Living Conditions (SILC) in 2010 with these values indexed to adjust to 2012 prices. The SILC data are based on a sample of all private households, giving it the potential to provide a broader picture than one based on transactions or mortgages. The SWITCH model produces an estimate lower than the first method. However, the sample size in SWITCH is based on survey data and is smaller than the other two methods. In addition, SWITCH allows a maximum of ten value bands compared to twenty bands that are part of the LPT. Outputs from SWITCH may therefore under-estimate the impact of higher value properties.

The overall yield is a blended average of the approaches described above.

Table 1
Household Charge/Local Property Tax Charge - Changes from 2012 to 2014 for property values up to €1 m*

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**

***It is estimated that 85% to 90% of properties will fall within the first five bands.**
****Properties valued over €1m will be assessed at the actual value (no banding will apply) at 0.18% on the first €1m in value and 0.25% on the portion of the value above €1m**

Table 2
Sample Adjusted Income Thresholds

Mortgage Value €	**Deferral Income Limit € Single / Couple**	**80% of Interest Charge @ 2.75%***	**Adjusted Deferral Income Limit** € Single / Couple**	**80% of Interest Charge @ 3.5%***	**Adjusted Deferral Income Limit** € Single / Couple**	**80% of 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 personal circumstances to ascertain if the adjusted income thresholds apply.

Administration of property tax by the Revenue Commissioners

The following is a brief outline of how the Revenue Commissioners plan to administer property tax.

1. Register of residential properties

The Revenue Commissioners are developing a comprehensive register of residential properties in the State. It will contain about 1.9m properties.

2. Valuation and return

During March 2013, a notice will be sent to all liable persons. This notice will advise liable persons of their obligations in relation to property tax and how they should complete the property tax return. Where a person meets the 'ownership' test and the property is not an exempt property on 1 May 2013, the person is a liable person and has to submit the return to the Revenue Commissioners on or before 7 May 2013. Liable persons who submit their returns electronically through the Revenue website will have an additional three weeks to submit the return.

In the return, liable persons will include their assessment of the market value band of their property, claim a deferral of payment where they are eligible to do so or elect for a specified payment method. The return that is submitted in 2013 will be valid for 2014, unless the liable person's circumstances change or unless he or she wishes to select an alternative payment method.

The first date on which property is to be valued will be May 2013. The Revenue Commissioners propose to allow the valuation on this date to be used as a basis for calculating the property tax for 2014, 2015 and 2016. A new basis valuation date will be set on 1 November 2016 for the next three-year valuation period.

The Revenue Commissioners will provide indicative property values that liable persons can rely on to assess the valuation band for their property. Alternatively, a liable person can self-assess or use a competent valuer. Where the Revenue indicative value is selected, or where certain procedures (such as engaging a professional valuer) which will be published in guidelines or regulations, are followed by liable persons, property valuations will not be challenged by the Revenue

Commissioners. This, and the 3-year valuation date, will provide certainty for liable persons in relation to valuation.

Where a return is sent to a person who is not the liable person in respect of the property, he or she may lodge an appeal, firstly, to the Revenue Commissioners, and if the matter cannot be resolved at that stage, then to the Appeal Commissioners.

3. Revenue estimate

Each return sent out by the Revenue Commissioners will also include a notice of the 'Revenue estimate' of the tax due. Where the liable person does not submit a return, the Revenue estimate will become payable by default and Revenue will collect the amount due in the normal ways – by deduction at source, attachment orders etc.. The estimate will automatically be displaced on submission of the return containing the self-assessed amount.

4. Assessments

Where the Revenue Commissioners have reason to believe that the amount that has been self-assessed by the liable person does not reflect market value, they may raise an assessment on the liable person for a different amount, but only where the procedures outlined in section 2 have not been followed. This Revenue assessment may be appealed to the Appeal Commissioners where the liable person does not agree with it, provided the self-assessed amount has been paid. Revenue does not expect, initially, to challenge values other than in a small number of cases. The focus of Revenue's initial compliance programme is likely to be on making sure the Register is as complete as possible.

5. Payment methods

A comprehensive range of payment methods will be available. These include bank single debit instruction, direct debit, debit/credit card and deduction at source by employers, pension providers and certain Government departments. It will also be possible to make cash payments in a wide range of retail outlets and credit union offices, but not in post offices. In line with normal Revenue payment arrangements, the liable person will be liable for any charges arising from the various payment methods.

The liable person must select his or her preferred payment method when completing the return. Where the liable person opts for a single debit instruction, his or her bank account will be debited on 21 July 2013. However, where a liable person enters into a structured payment arrangement such as direct debit or deduction at source, payment can be spread evenly over the year.

Two categories of liable persons will be required to submit returns and pay property tax electronically through the Revenue website; those who own more than one residential property and those who are already required to submit returns in respect of other taxes and to pay those taxes electronically.

The late payment interest charge that applies to other taxes collected by the Revenue Commissioners will also apply to late payment of property tax.

6. Deduction at source

PAYE taxpayers can elect to pay property tax by deduction from their net pay or occupational pension, to commence from 1 July 2013 and from 1 January in each year thereafter. This facility will also be available to those who receive payments from the Department of Social Protection under certain social welfare schemes, such as the State pension, or who receive regular payments from the Department of Agriculture, Food and the Marine such as the single farm payment.

Where a liable person fails to submit a return, the Revenue Commissioners will instruct either the employer, pension provider, Department of Social Protection or the Department of Agriculture, Food and the Marine, as appropriate, to deduct the amount of the Revenue estimate when making payments to the liable person.

7. Self-assessed taxpayers

Many liable persons who are within the self-assessment system for income tax, such as the self-employed, do not receive the type of payments from which property tax can be deducted at source. In these cases, the liable person may opt to pay by means of a single debit instruction in July 2013 or opt for payment by direct debit or another payment option. If the self-assessed taxpayer does not meet the payment obligations, the usual Revenue collection processes, including late payment interest, tax clearance, penalties and publication in the tax defaulters' list may arise.

The Revenue Commissioners are also considering linking the timely submission of a liable person's property tax return and income tax return so that late, or non-submission of a property tax return would similarly impact on the income tax return which would, in turn, attract surcharges and other penalties.

8. Charges on property

Where any amount of property tax is outstanding in respect of a property, a charge will attach to that property and this charge will have to be discharged on the sale of the property. This will apply generally in the case of outstanding property tax and also in the case of deferred property tax owed by a liable person who qualifies for a deferral as outlined in section 9.

9. Deferrals

Liable persons who have gross income in a year that is below the thresholds recommended in the Thornhill report may be eligible to defer payment of their property tax liability until their financial circumstances improve or the property is sold. Liable persons who took out mortgages at the height of the property boom may avail of an increased threshold. The deferred amount, including interest charged at a lower rate than the standard Revenue late payment interest charge, will be a charge on the property.

10. Communication

The Revenue Commissioners will engage in a comprehensive public communications campaign throughout the first half of next year involving a direct mail-shot to all liable persons and the publication of comprehensive guidelines on the operation of property tax, valuation procedures and payment methods. The return which will issue to liable persons – see 2 above – will be accompanied by an explanatory booklet.

The Revenue Commissioners will communicate in Irish with any liable person currently on their case base who has indicated their wish to receive communications in Irish. The Revenue Commissioners will encourage any other liable persons who wish to receive communications in Irish to contact them before March 2013 so that this can be arranged in time for the issue of the return.