Minister for Finance (Michael Noonan):

In structuring the local property tax (LPT) consideration was given to household incomes, as I will outline in my reply. At present I am not considering other ways of taking into account household income when calculating an individual’s liability to LPT.

The Inter-departmental group, chaired by Dr Don Thornhill to consider the design of a property tax (the “Thornhill Group”), had due regard to issues such as ability to pay and considered the provision of waivers or deferrals for households unable to pay the tax or where a payment requirement would cause hardship. The Thornhill Group commissioned the ESRI to assist in this regard and the ESRI was charged with analysing a residential property tax which would yield specified annual revenue yields.

When considering reliefs, the Thornhill Group had regard to the following issues:

· The arrangements for payment of tax due arising from the ownership of properties should have regard to the ability of the owners to pay.

· Reliefs create costs which have to be paid for – either by taxpayers not benefiting from them, or by reductions in public expenditure.

· Reliefs should be designed to address clear economic and social policy needs.

· Considerable care would need to be taken in designing reliefs to ensure that the gains from the reliefs are targeted based on need and that there are not unintended and inequitably distributed gains.

· The LPT will not be assessed on incomes.

The Thornhill Group favoured allowing voluntary deferrals rather than waivers. Deferrals focused on particular categories of householders can address cases where there is an inability to pay the LPT. The Government agreed with this recommendation of the Thornhill Group.

The Finance (Local Property Tax) Act 2012 provides for the possibility of deferring the charge to LPT for individuals on low incomes in certain cases. To qualify for a deferral, the residential property must be occupied as a sole or main residence. The gross income thresholds for a full deferral will be €15,000 for a single person and €25,000 for a couple, whether married persons, civil partners or cohabitants. A person may claim a deferral if their gross income will not “as can reasonably be foreseen at the liability date” exceed these thresholds in that year.

An increased gross income threshold applies in the case of properties occupied as a sole or main residence and subject to a mortgage. In such cases, the gross income thresholds may be increased by 80% of the mortgage interest payments. A deferral option in qualifying cases in this regard will apply until the end of 2017 and will assist individuals currently in mortgage distress.
A deferral of up to 50% of the LPT liability will be possible where the gross income of the liable person does not exceed €25,000 for a single person or €35,000 for married persons/civil partners/cohabitants.

A deferral of 50% of the LPT will also be available where gross income does not exceed the above thresholds (€25,000 single, €35,000 couple) as increased by 80% of the gross mortgage interest payments that a liable person expects to make by the end of the year for which the gross income is being estimated. This type of deferral will also be available until 31 December 2017.

Where a liable person no longer satisfies the necessary conditions, amounts deferred prior to the date on which eligibility ceased may continue to be deferred. Interest of c. 4% per annum will apply to any amounts deferred. The deferred amount, including interest, will attach to the property and will have to be paid before the property is sold or transferred.

The deferral thresholds were based on the recommendations of the Thornhill Group. In recommending the thresholds the Group had regard to the analysis it commissioned from the ESRI. An income level of €25,000 for joint and co-owners/spouses/civil partners/cohabitees was recommended in order to enable most households in the lowest 40% of income levels to have the option of deferral. This is considered appropriate, having regard to the findings in the ESRI study regarding potential impacts on households and having regard to the need for balance and equity in terms of the burden thereby imposed on those with higher (but still average or below average) incomes. The ESRI report notes that increasing the income thresholds will have an impact on the rate of property tax that will be applied. As the income threshold increases the rate will also be required to increase to achieve the same revenue yields.

The Government accepted the gross income thresholds recommended for a full deferral and adapted the recommended gross income thresholds for a partial deferral so that they are €10,000 rather than €5,000 above the thresholds for a full deferral.

Gross income from all sources consists of total income before any deductions, allowances or reliefs that may be taken off for income tax purposes and includes income that is exempt from income tax and income from the Department of Social Protection but excludes Child Benefit.

I appreciate that some property owners may find themselves unable to pay Local Property Tax but do not qualify for a deferral under the existing legislation. For this reason, the Finance (Local Property Tax) (Amendment) Bill 2013, as passed by both Houses of the Oireachtas, provides that a person who has entered into an insolvency arrangement under the Personal Insolvency Act 2012 may apply for deferral of the LPT that is due during the period for which the insolvency arrangement is in effect.
The 2013 Bill also provides that a person who suffers both an unexpected and unavoidable significant financial loss or expense, as a result of which he or she is unable to pay their LPT without causing financial hardship, may apply for full or partial deferral. Claims for this type of deferral will require full disclosure of the person’s financial circumstances, supporting documentation and any other information required by Revenue and following an examination of the information provided, Revenue will determine whether deferral should be granted. The detail of how this type of deferral will operate and the criteria that will be used to determine eligibility will be set out in guidelines due to be published by the Revenue Commissioners shortly.