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Report to the Finance Strategic Policy Committee

Local Property Tax and Joint Oireachtas Committee on Housing Planning and Local Government

Background

At its meeting held in March 2018, the Finance Strategic Policy Committee approved the submission of a report by PMCA Consultants on the review of the Local Property Tax being undertaken by the Select Committee on Budgetary Oversight.

Invitation to Present

An invitation to attend the Joint Oireachtas Committee on Housing Planning and Local Government was issued to the Finance Strategic Policy Committee Chairperson. It was agreed at the Corporate Policy Group meeting held on 27th April that Councillors Ruairi McGinley, Paddy McCartan and Ciaran Cuffe would attend. It was further noted that Dr. Pat McCloughan, PMCA Consultants and Kathy Quinn, Head of Finance would also attend.

Details of Presentation

Councillor McGinley gave an opening statement (copy attached) to the Committee on 9th May 2018. The session lasted for under an hour and gave an opportunity for a useful exchange of viewpoints.

Kathy Quinn

Head of Finance

With Responsibility for Information & Communications Technology

Opening Statement

Dublin City Council Finance Strategic Policy Committee (SPC) welcomes this opportunity to meet the Joint Committee on Housing, Planning and Local Government and would like to thank the Chairperson, members and secretariat in facilitating this presentation.

The issue of Local Property Tax is a topical one both Nationally and Locally.

The Finance SPC had commissioned a study by Dr Pat McCloughan on the topic. This study covers much of the ground that the Report of March 12th of the Budgetary Oversight Committee on Local Property Tax Revaluation has covered.

I believe that there is significant additionality to the work of Finance SPC and also a greater emphasis on Local aspect of Tax.

Our SPC has adhered to the terms of reference set by Minister for Finance and has left aside arguments as regards LPT or possible alternatives.

Our discussions have focussed on legitimacy of tax as perceived by the electorate in the context of Local elections and the changes we see as desirable. People were promised additional services in 2013 which have not been forthcoming. Dublin City Council nett benefit from LPT is €4m in the context of a €900m Budget and €80m LPT collected per annum. In effect just 5% of monies paid by Dublin households have been made available to fund new services in Dublin. Substitution of LPT receipts for previously used tax revenues is a practice only applied in the Dublin area and other major cities. The true level of "equalisation" applied via the LPT is distorted and far removed from what the electorate understands it to be. Dublin City Council applies the maximum 15% discount every year. This flows directly from the electoral mandate of councillors in 2014 and hence it reflects the opinion of the electorate. The CEO and some political parties, most notably the Green Party and the Labour Party, have sought to reduce the 15% discount on the basis of generating funds for services.

The two main factors affecting legitimacy of tax is the lack of 'Local' resourcing from the tax and the fact that 20% of the money collected flows by way of equalisation to other counties in an arbitrary obscure fashion. There is also a concern that certain postal districts are disproportionately affected by the tax and that this tendency will increase in future. There is also disquiet around the lack of direct correlation between movements in property valuation and income, although the tax implies there is. The LPT framework, as structured, further embeds the inequity between the living costs of a similarly paid worker (teacher, nurse, Garda) in rural Ireland and those in Dublin. This could cause our capital to be avoided as a place to live and work owing to a perception of a high living cost environment. One the main points of our report is the need for equalisation on financial grounds for cross subsidising poorer Local Authorities no longer exists and the removal of equalisation would be a positive step forward. To be clear National government should fund this aspect of Local Government funding.

Dublin City Council contains both some of the more affluent areas of the State and also some of the most socially disadvantaged areas. The progressive nature of the tax is dealt with in our report as is the high rate of compliance. The high rate of compliance is a factor in thinking that this tax will remain in place for the future.

Removing the current exemptions particularly for new build will increase the level of resources available for Local Government. Resources are still very scarce as can be seen by the condition of footpaths and road surfaces in the Capital City. These spending areas were the discretionary spending areas reduced in time of financial crisis and they have yet to recover to levels needed for sustainable renewal programmes.

The area of deferral arrangements needs to be looked at. Our SPC had a view that the deferral arrangements were written in a context when a short life for the tax was foreseen. This is not the case, and deferral periods need to be extended beyond current 3 years, and are in need of general review having regard to real issues of people on low income living in valuable properties. Low

income can be associated with aging and also with disabilities, hence the need to take account of this in the scheme of taxation.

We agree with the recommendation of Budget Oversight Committee that a revaluation take place and that valuation factor be adjusted to take account of need for price stability. This is vitally important in the case of Dublin City which has seen property price increases of 100% since the low point of 2012. Tax should be fair to the greatest degree possible, consistent with need to raise funds for local services. The consultation process is an important element in the transparency required for changes post 2019.

Our committee operates on a political cross party basis and the report reflects the views of all members of SPC.

Cllr Ruairi McGinley
Chair of Finance SPC
Dublin City Council