

## LOCAL PROPERTY TAX (LPT)

### BACKGROUND

The Local Property Tax (LPT) replaces the Household Charge which has been abolished from 1 January 2013.

The Finance (Local Property Tax) Act 2012 imposes an annual Local Property Tax (LPT) charged on all residential properties in the State. A half year payment will be due in 2013, with a full year payment due in 2014. If you own a residential property in the State you will be liable for payment of the tax

*Residential property* is any building or structure (or part of a building) which is used as, or is suitable for use as, a dwelling and includes grounds of up to one acre.

### Who is liable to pay LPT?

- All owners of residential property, including rental properties.
- People who have a long-term lease (20 years or more)
- People with a life interest or long-term right of residence (life or more than 20 years) in a residential property
- Local authorities or social housing organisations
- A person acting as a personal representative for a deceased owner (for example, as an executor/administrator of an estate). Trustees or beneficiaries are jointly liable where a residential property is held in trust.

### Joint owners:

If there is more than one owner, they need to agree who will make the LPT return and pay the tax. If no one pays the tax Revenue can collect the Revenue Estimate of the LPT liability from any of the owners.

### Rental properties:

Where the residential property is rented on a normal short-term (less than 20 year) lease, the landlord will be liable for LPT. Long-term leases (more than 20 years), life tenancies and situations where a person occupies a residential property on a rent-free basis over an extended period and without challenge to their right of occupation will be treated as if the occupant owns the property. In these circumstances, the occupant will be liable for LPT.

### Liability date

You are a *liable person* for the Local Property Tax if you own a residential property on the *liability* (or *ownership*) *date*. The liability date is 1 May 2013 for the year 2013 and, for following years, 1 November in the preceding year. Therefore, for 2014 the liability date is 1 November 2013.

### Exempt properties

The following properties are exempt from Local Property Tax.

1. New and previously unused properties that are purchased from a builder or developer between 1 January 2013 and 31 October 2016 will be exempt until the end of 2016 (even if sold again in that period).
2. Properties purchased by a first-time buyer between 1 January 2013 and 31 December 2013 will be exempt until the end of 2016. The exemption is subject to certain conditions, including that the property must be the person's sole or main residence. If the property is subsequently sold or ceases to be the person's main residence between 2013 and 2016, the exemption no longer applies. (This exemption applies to married couples, civil partners or cohabitants if one of the couple is a first-time buyer.)
3. Residential properties that were constructed by a builder or developer but remain unsold and have not yet been used as dwellings (known as trading stock).
4. Certain properties situated in unfinished housing estates (commonly called "ghost estates")
5. Properties that are certified as having a significant level of pyrite damage in accordance with regulations to be published by the Department of the Environment, Community and Local Government.
6. Residential properties that are owned by a charity or a public body and used to provide accommodation and support for people who have a particular need in addition to a general housing need to enable them to live in the community (for example, sheltered housing for the elderly or people with disabilities).
7. Registered nursing homes.
8. A property which was occupied by a person as his or her sole or main residence and has been vacated by the person for 12 months or more due to long-term mental or physical infirmity. An exemption may be available in situations where the property has been empty for less than 12 months, if a doctor (registered practitioner) is satisfied that the person is unlikely to return to the property. In both cases, the exemption only applies where the property is not occupied by another person.
9. Mobile home, vehicle or a vessel.
10. Property fully subject to commercial rates.
11. Diplomatic property.

The Finance (Local Property Tax)(Amendment) Act 2013 made some further changes including:

1. Exemptions for properties used for recreational purposes by charities (connected with its charitable purpose).
2. Exemptions for certain properties adapted for use by a permanently incapacitated person.
3. A reduction in the chargeable value of certain properties adapted for use by a person with a disability that were grant aided by a local authority.
4. Provisions relating to changes of ownership which oblige a seller to provide details of the chargeable value declared and the new owner to make a new return if the previous return did not give an accurate chargeable value.
5. All properties held by local authorities will be deemed to fall into the €0 - €100,000 band.
6. Deferrals for people who have entered into insolvency arrangements under the Personal Insolvency Act 2012 Deferrals in cases of significant financial hardship.

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Note that even if you own an exempt property you must still make a return to claim an exemption.

### **Valuing your property**

The tax will be based on the *chargeable value* of a residential property on the *valuation date*. The chargeable value is defined as the market value that the property could reasonably be expected to fetch in sale on the open market on the valuation date. The valuation date is 1 May 2013 for the 4-year period until 2016. This means that the valuation of your property for LPT purposes on 1 May 2013 will stay the same for 2013, 2014, 2015 and 2016 (even if you make improvements to your property).

Each property owner must consider the specifics of their own property when working out their valuation. If Revenue has reason to believe that their valuation guidance has not been followed, Revenue may query your valuation.

The Revenue Commissioners can legally enter a residential property for the purpose of ascertaining its chargeable value. The Revenue Estimate is automatically displaced when you submit a return with your self-assessed amount.

### Rates

The Local Property Tax is based on market value bands. The first band will cover all properties worth up to €100,000. Bands then go up in multiples of €50,000. If a property is valued at €1 million or lower, the tax will be based on the mid-point of the relevant band at a rate of 0.18%. For properties valued over €1 million the tax will be charged at 0.18% on the first €1 million of value and 0.25% on any balance in excess of €1 million, with no banding applied.

**Local Property Tax Table**

Valuation band, €	Mid-point	Rate	Property Tax for a full year	2013 Property Tax
0 - 100,000	50,000	0.18%	90	45
100,001 - 150,000	125,000	0.18%	225	112
150,001 - 200,000	175,000	0.18%	315	157
200,001 - 250,000	225,000	0.18%	405	202
250,001 - 300,000	275,000	0.18%	495	247
300,001 - 350,000	325,000	0.18%	585	292
350,001 - 400,000	375,000	0.18%	675	337
400,001 - 450,000	425,000	0.18%	765	382
450,001 - 500,000	475,000	0.18%	855	427
500,001 - 550,000	525,000	0.18%	945	472
550,001 - 600,000	575,000	0.18%	1,035	517
600,001 - 650,000	625,000	0.18%	1,125	562
650,001 - 700,000	675,000	0.18%	1,215	607
700,001 - 750,000	725,000	0.18%	1,305	652
750,001 - 800,000	775,000	0.18%	1,395	697
800,001 - 850,000	825,000	0.18%	1,485	742
850,001 - 900,000	875,000	0.18%	1,575	787
900,001 - 950,000	925,000	0.18%	1,665	832
950,001 - 1,000,000	975,000	0.18%	1,755	877

Properties worth more than €1 million will be assessed on the actual value at 0.18% on the first €1 million and 0.25% on the portion above €1 million.

### Making a return

If you own or have a long-term lease on a property on 1 May 2013, you are a liable person and have to submit your return to the Revenue Commissioners on or before 7 May 2013. People who own exempt properties must make a return to claim an exemption.

Note that if you have bought a new property since 1 January 2013 or if you are a first-time buyer who purchased a property as your main residence since 1 January 2013 an exemption from LPT applies. However you must still make a return.

If you have any questions in relation to any of the above, please contact McCullagh Higgins & Co. Solicitors.

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