Submission to the Department of Finance re
Public Consultation on the Review of the Local Property Tax

May 2018

Introduction

Dublin Chamber welcomes this opportunity to make a submission to the Department of Finance on review of the Local Property Tax (LPT) and thanks Department officials for their ongoing regard for business concerns.

As the representative body for businesses in the Greater Dublin Area, Dublin Chamber is committed to enhancing both economic competitiveness and quality of life across the region. With a cross-sectoral membership base of 1,300 firms, spanning the spectrum from micro-enterprises to multinationals, and supporting 300,000 jobs across the Greater Dublin Area, the Chamber has a unique insight into the needs of both businesses and their employees.

Dublin Chamber wishes to highlight a number of concerns with respect to LPT and local authority funding generally; and requests that these concerns be taken into account by the Review Group as it considers possible actions for recommendation to the Minister concerning the yield from LPT and its contribution to overall tax revenue.

1. General Position on Local Property Tax

Dublin Chamber supports a responsible fiscal policy. We recognise that maintaining a diverse range of Government revenue streams is a key marker of the fiscal prudence that underpins long-term economic stability and success. The requirement for institution of a property tax as part of the EU/IMF Programme of Financial Support for Ireland was appropriate in this context.

The Chamber also notes with regret the tendency amongst local authorities towards overreliance on the collection of commercial rates revenue as a means of balancing accounts. The manner in which the discretionary variation in LPT has been exercised by Local Authorities since January 2015 is indicative of the attitude prevalent among local representatives, with three out of four Local Authorities in the Dublin Region choosing to reduce LPT by the full 15% permitted last year, without announcement of a concomitant proportional reduction in commercial rates obligations.[1] Meanwhile, commercial rates paid by the business community accounted for over a third (37%) of revenue last year in the Dublin City Council area, for example, and over 40% of income the previous year.[2] This

[1] Fingal County Council was the exception, reducing LPT obligations by 10%.
[2] Dublin City Council, Financial Statements 2016-2017, http://www.dublincity.ie/sites/default/files/content/YourCouncil/AbouttheCouncil/CouncilSpendingRevenue/Documents/Dublin%20City%20Council%20AFS%202016%20Audited.pdf;

policy trend likely owes more to electoral concerns than to a disinterested regard for budgetary prudence and the economic environment.

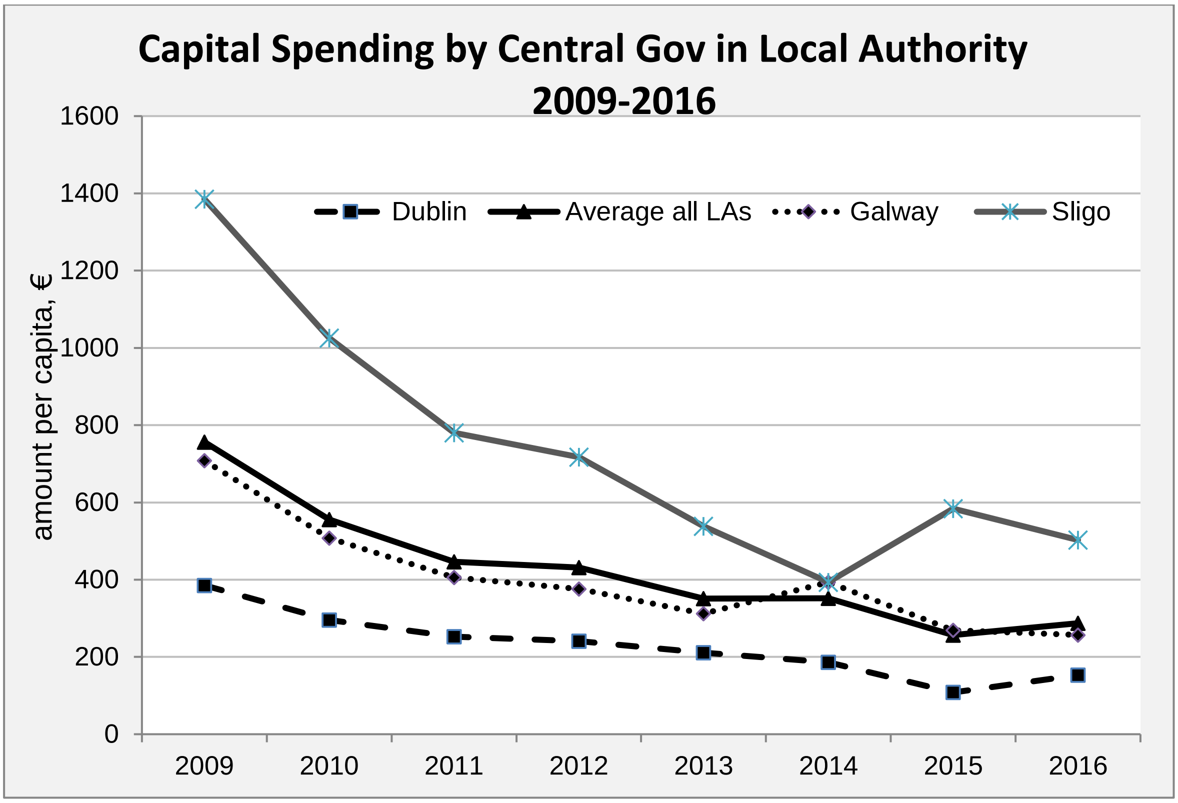
For these reasons, Dublin Chamber welcomes the presence of an alternative source of local authority funding, and encourages Government to promote a more balanced approach to revenue generation amongst local authorities.

2. Severe Underfunding in Ireland's Capital City

The Greater Dublin Area is the engine of the Irish economy and the largest population hub on the island, home to over 40% of the population of the State.[3] Dublin's success is critical to Ireland's success, and this reality should inform fiscal policy at both national and local level. However, analysis conducted by Dublin Chamber demonstrates that, far from being a favoured location for Government investment, the four Dublin Local Authorities receive significantly less than everywhere else in the country on a per resident basis. Overall, the capital city region has received far less investment in its productive infrastructure than is required for it to remain a competitive location in the long-term.

Despite the considerable demographic pressure on its productive and social infrastructure, Dublin received the second lowest level of capital investment per head from central government of any county from 2009-2016. It received less than half of the national average and less than a third of the amount received by higher per capita recipients such as Kilkenny, Mayo, and Sligo.

Table 1: Capital Spending by Central Govt. in Local Authority 2009-2016



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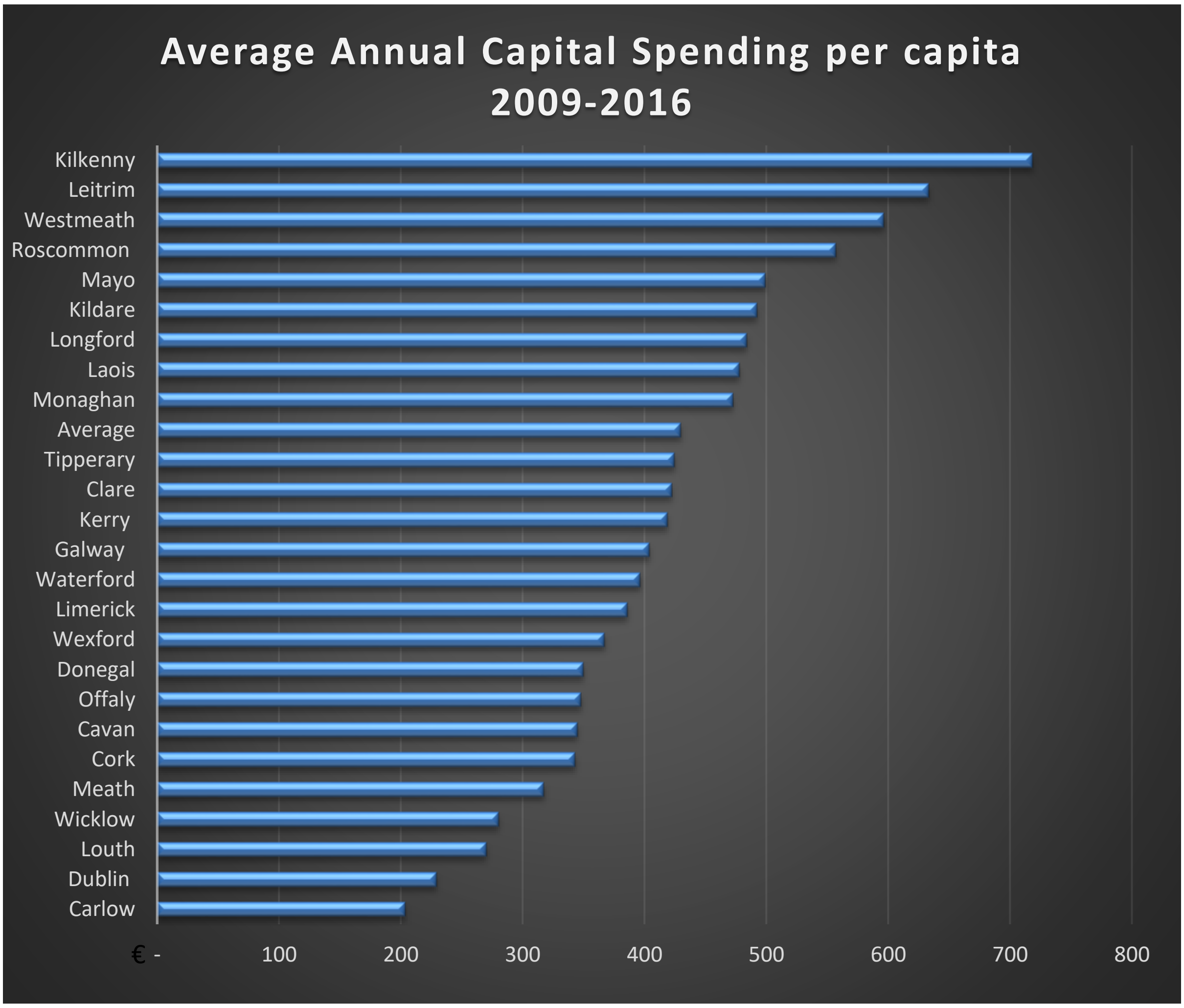
http://www.dublincity.ie/sites/default/files/content/YourCouncil/AbouttheCouncil/CouncilSpendingRevenue/Documents/Full%20Unaudited%20Accounts%202017.pdf

[3] CSO Press Statement 14 July 2016, Census 2016 Preliminary Results

Table 2: Average Annual Capital Spending per capita 2009-2016[4]



Severe levels of underinvestment have occurred in Dublin's local infrastructure and capital maintenance, including in Transport, Environment, Development Management, Education and Employment Services, Recreation and General Purpose Grants. Dublin also received below-average current funding for local services and below-average total spending by central government in the 2009-2016 period.

Perhaps the most egregious example of underinvestment has been in the Housing category. Dublin is the epicentre of the accommodation crisis. It has proportionally the highest social housing waiting lists in Ireland, and the highest number of households reliant upon social housing supports such as HAP or Rent Supplement. Yet despite having the greatest housing needs in the country, Dublin has received one of the lowest capital investments in housing by the Central Government over the 2009-2016 period.

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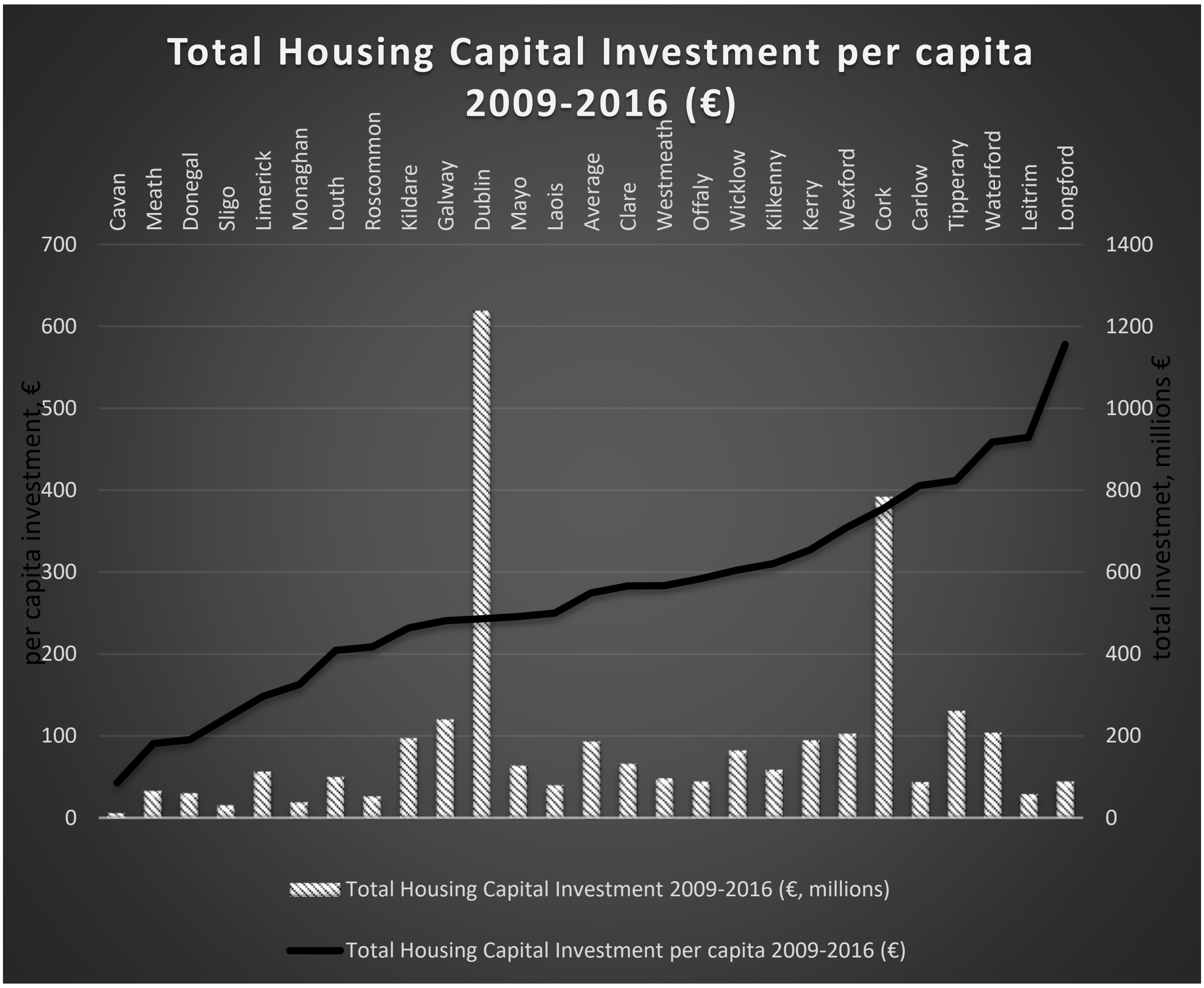
[4] Includes 1) Income Received by Local Authorities for Capital Spending in Six Budget Service Categories including transport (37%), housing and urban regeneration programmes (34%) and general purpose grants (16%); 2) allocations from Transport Infrastructure Ireland for National Roads in each county. Does not include: 1) One-Off Capital Spending on National Infrastructure Projects (such as Hospital Buildings and Primary Care Centres) that is difficult to geographically localise and mainly takes the form of availability payments on PPPs.

Table 3: Total Housing Capital Investment per capita 2009-2016 (€)



This anomaly is both socially inequitable and economically unsound. If sustained, it will seriously exacerbate existing social problems and undermine Dublin's international competitiveness as a city in which to live, work, invest, and do business.

It must be noted that this analysis is based solely on Dublin's resident population. It does not take account of those resident outside of Dublin who utilise Dublin's infrastructure every working day. An additional 116,000 people commute into Dublin to work on a daily basis, and many more for education and public services.[5] Moreover, the capital city is the reception point for the overwhelming majority of Ireland's tourist population, with Dublin Airport receiving 82% of overseas visitors to Republic of Ireland,[6] and 68% of holidaymakers spending time in Dublin before travelling on to other parts of the country.[7] Taking these further pressures into account, it is clear that the abovementioned spending figures are merely a conservative representation of the inadequacy in funding for Dublin.

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[5] Analysis of CSO Census 2016 data privately supplied to Dublin Chamber.
[6] Dublin Airport, *North Runway: Potential to connect, compete and grow*, p. 4 https://www.dublinairport.com/docs/default-source/North-Runway-Docs/potential-to-connect-compete-and-growd6ad438b73386836b47fff0000600727.pdf?sfvrsn=0#page=4
[7] Tourism Ireland, Facts & Figures 2016, p. 4, https://www.tourismireland.com/TourismIreland/media/Tourism-Ireland/Press%20Releases/Press%20Releases%202017/Facts-and-Figures-2016.pdf?ext=.pdf#page=4

Dublin Chamber considers the review of LPT an important opportunity to begin to redress the situation outlined above. The Chamber asks that the Review Group, and Government, recognise the urgent need to allow the capital city to reinvest locally generated revenue in local services and local infrastructure.

3. Assessment of Recommendations in the Thornhill Report

Dublin Chamber acknowledges the complexities involved in determining the appropriate yield from LPT and the potential impact of changes on urban living costs and the general economic environment. There is understandable concern about the potential impact of recent property price inflation on LPT liabilities in the capital. Any update to the LPT regime should be informed by the need to maintain cost competitiveness in Ireland's largest city. The Chamber broadly welcomes the findings of the 2015 Thornhill report on the review of the Local Property Tax, and agrees that policy should aim for 'relative stability' in LPT liabilities over both the short and medium terms.[8]

Dublin Chamber particularly welcomes the Thornhill report's focus on establishing a clearer connection between Local Property Tax and local services, a theme discussed in Chapter 5,[9] and itemised in the Executive Summary as follows:

> **Recommendation 8**: Local authorities should be more engaged in supporting the Office of the Revenue Commissioners in the LPT process and also to provide the general public and individual households with programmatic and other useful information on how they spend the public funds available to them and the proportionate contribution made by the LPT.
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> **Recommendation 9**: Over the medium term, the Government should consider moving to a system whereby local authorities retain 100 percent of the LPT revenues raised in their areas. Authorities with weaker tax bases would consequently need to receive supplementary Exchequer funding.
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> **Recommendation 10**: In line with the retention of 100 percent of LPT revenues by individual local authorities, LPT should be re-designated as the Local Council Tax (LCT) to emphasise that it is a tax raised to pay for local council services.

Dublin Chamber has long argued that revenues raised locally should be spent locally. This is vitally necessary to address the aforementioned underfunding issues in Dublin, and also to improve popular 'buy-in' of local government.

The experience of commercial ratepayers is instructive in this regard. Despite the scale of the business contribution to local services through commercial rates, just 1 in 4 businesses report knowing what their commercial rates are used to pay for.[10] Unsurprisingly, in this context, only a third of businesses (34%) believe that they get value for money in return for

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[8] Don Thornhill, Review of the Local Property Tax (LPT), July 2015, http://www.budget.gov.ie/Budgets/2016/Documents/Review_of_Local_Property_Tax_pub.pdf

[9] Don Thornhill, Review of the Local Property Tax (LPT), July 2015, p. 48, http://www.budget.gov.ie/Budgets/2016/Documents/Review_of_Local_Property_Tax_pub.pdf#page=48

[10] Dublin Chamber Quarterly Business Trends Survey Q4 2016

their commercial rates.[11] This points to a wider 'disconnect' between taxpayers and local government, which is unlikely to be limited to the business community.

The implementation of Recommendations 9 and 10, relating to a transition towards 100% retention of LPT revenues in each local authority in the medium-term, would represent an important step in the right direction. The Chamber concurs with the Thornhill assessment that this would enhance accountability at local level and thereby strengthen local democracy.[12]

In recent times, the Finance Strategic Policy of Dublin City Council has also argued for local control over locally generated taxes, and has called for this in its submission to the Commission on Taxation.[13]

In light of the above, Dublin Chamber strongly endorses Recommendation 9 of the Thornhill report. The Chamber requests that its implementation be given serious consideration by the Review Group, and by Government, along with Recommendations 8 and 10.

4. The Impact of LPT Exemption Rules on Housing Availability

The shortage of appropriate accommodation in Dublin is now a critical issue for the business community. The resulting rental and property price inflation threatens to undermine quality of life in Ireland's largest city while putting upward pressure on wage costs. Having outlined our principal concern with respect to LPT reform above, Dublin Chamber takes this opportunity to highlight the impact of LPT exemption rules on housing availability.

Properties vacated by their owners for more than 12 months due to illness or long-term care are exempt from LPT. Recent figures suggest there are over 7,000 such properties in the country and about 1,700 in Dublin alone. The exemption only applies so long as the property remains vacant, incentivising owners of property – or their adult children – to keep their property vacant rather than make it available in the rental market.

In the case of elderly homeowners who may be in long-term nursing home care and are unlikely to return to their properties, this rule represents an unnecessary restriction on the availability of rental accommodation. Elderly parents in nursing home should not be burdened with LPT, but nor should they be discouraged from renting out their property due to exemption rules.

In order to encourage best use of the existing housing stock, Dublin Chamber recommends that owners of properties qualifying for LPT exemption on grounds of long-term care should keep their exemptions if they subsequently rent their homes.

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[11] Dublin Chamber Quarterly Business Trends Survey Q4 2017
[12] Don Thornhill, Review of the Local Property Tax (LPT), July 2015, p. 48, http://www.budget.gov.ie/Budgets/2016/Documents/Review_of_Local_Property_Tax_pub.pdf#page=48
[13] Dublin City Council, *Funding the Dublin City Region: Issues, Strategic Options & Implications*, p. 63, http://www.dublincity.ie/sites/default/files/content//YourCouncil/AbouttheCouncil/CouncilSpendingRevenue/Documents/FundingtheDublinCityRegion.pdf#page=65