

20 Assessment and collection of Local Property Tax

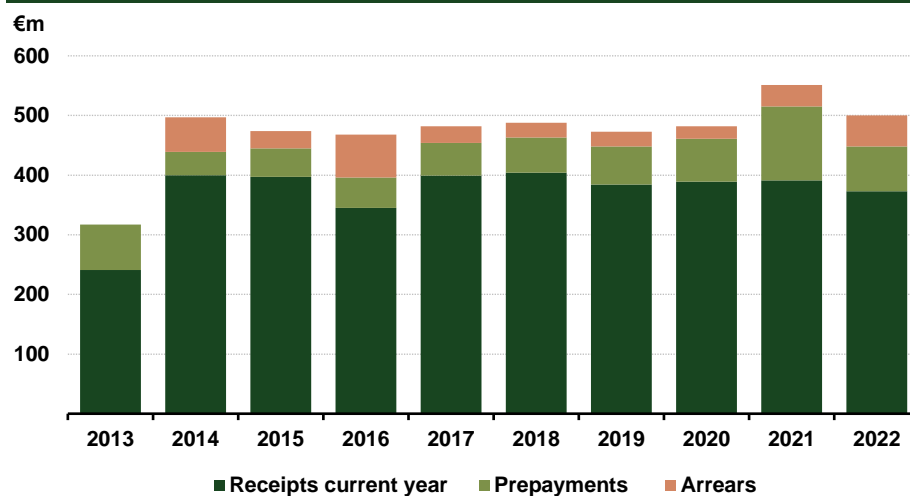
- 20.1** Local Property Tax (LPT) on residential properties in the State was introduced in 2013 under the Finance (Local Property Tax) Act 2012 (the Act). The Revenue Commissioners (Revenue) are responsible for the collection of LPT.
- 20.2** The amount of LPT due each year is based on the market value of a property as at the valuation date.¹ Because it is a self-assessed tax, the property owner is responsible for assessing the current market value of their property at the relevant valuation date.
- 20.3** The first valuation date of 1 May 2013 determined the amount of LPT due from 1 July 2013 to December 2016. When the tax was introduced, it was envisaged that homeowners would be required to revalue their properties every three years i.e. 2016, 2019, etc. However, following reviews of LPT in 2015 and 2019, the revaluation date was postponed to 1 November 2020.² Due to the global pandemic, revaluation was again deferred and took place in November 2021. As a result, the first valuation date of 1 May 2013 dictated the amount of LPT liability for each year 2013 to 2021.
- 20.4** In parallel with the 2021 revaluation process, a number of changes were made to the way LPT operates. The following changes were provided for in the Finance (Local Property Tax) (Amendment) Act 2021
- 1 November 2021 was set as the new valuation date for LPT purposes for the period 2022 to 2025, with property values to be reviewed every four rather than every three years.
 - Certain valuation bands were widened by 75% from 2022 onwards.³
 - A number of exemptions to the payment of LPT were ended (e.g. for certain properties purchased in 2013 and houses in unfinished housing estates) and properties built since 2013 were brought into the charge for the first time.
 - Income limits to qualify for LPT payment deferrals were increased and interest charged on deferred payments was reduced from 4% to 3%.
- 20.5** Operational changes were also made to the conditions when seeking clearance from Revenue prior to the sale or transfer of a residential property to take account of a second valuation period.
- 20.6** Between 2013 and 2022, just over €4.7 billion was collected by Revenue — an average of around €470 million per year (see Figure 20.1). However, the receipts indicate some significant variations in the amounts of prepayments and arrears of LPT. There was a surge in prepayments in 2021 in respect of 2022 liabilities — an additional 200,000 payments, compared to 2020 or 2022. This may reflect taxpayers' direct engagement in re-declaring property values in November 2021.
- 20.7** There is also a significant level of payment of arrears of LPT, especially marked in 2014, 2016 and 2022, when arrears amounted to 10%–15% of overall receipts.⁴ Revenue have attributed the surge in arrears in 2016 to the introduction of a new automated LPT compliance programme, and in 2022 to the resumption of compliance activity following the Covid-19 pandemic.

1 Market value is the price that would be agreed between a willing seller and a willing purchaser conducting a transaction at arm's length. The valuation date is the date by reference to which the chargeable value of a residential property is to be established.

2 Design of a local property tax, (the Thornhill report), 2015 and Review of Local Property Tax, by an interdepartmental review group in 2019.

3 Annex 20A sets out the valuation bands and charges for the first and second valuation periods.

4 A large portion (64%) of the arrears figure for 2014 related to arrears of the household charge which was payable from January 2012. From 1 July 2013, any outstanding household charges were converted to LPT and payable to Revenue.

Figure 20.1 Local property tax receipts, 2013–2022

Source: Revenue Fund Accounts 2013 to 2022

Focus of the examination

20.8 The operation of controls over LPT was previously examined and reported on in 2014.¹ Because of the substantial changes to LPT implemented in respect of 2022, it was considered timely to re-examine the operation of those controls. This report therefore focuses on Revenue's controls over

- the completeness of the database of residential properties
- the accuracy of the valuations declared by taxpayers
- the collection of LPT due from liable persons in a timely manner.

Completeness of Revenue's property register

20.9 It is challenging to maintain a fully up-to-date database on the scale involved for residential properties, which inevitably will have a degree of turnover each year, and which, in Ireland's case, contains many non-unique addresses.

20.10 When LPT was introduced in 2013, there was no existing complete database of all residential properties and their owners available to Revenue. Revenue therefore used a number of external sources of data to compile its property register including

- the Department of Social Protection
- the Residential Tenancies Board
- the Local Government Management Agency
- certain utility providers, for example, ESB
- GeoDirectory.²

20.11 Revenue also used data from its own internal sources including its systems for electronic stamp duty and tax relief at source for mortgage interest relief.

20.12 As at August 2023, Revenue's property register contained just over two million residential properties.

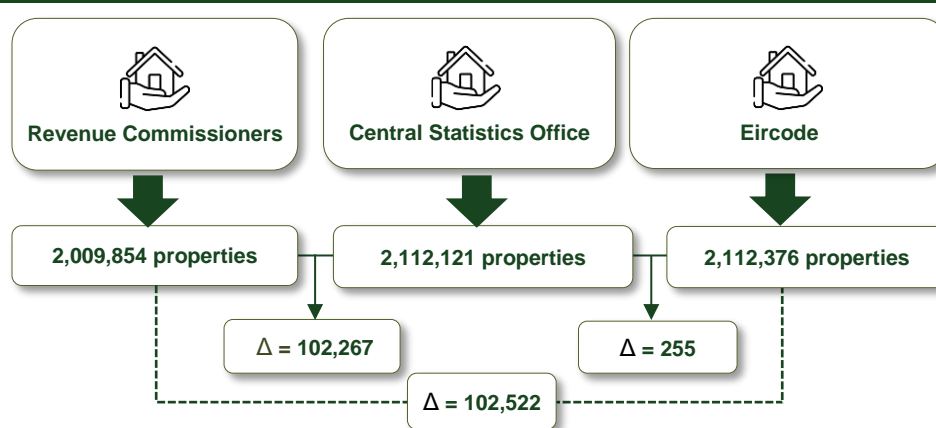
¹ See *Report on the Accounts of the Public Services 2013*, chapter 15, Local Property Tax.

² The GeoDirectory is a service, jointly established by An Post and Tailte Éireann that provides a geo-coded points database of all of the buildings that receive post in the State. Tailte Éireann is a state agency in Ireland responsible for property registrations, property valuation and national mapping services. It was established on 1 March 2023 from a merger of the Property Registration Authority, the Valuation Office and Ordnance Survey Ireland.

Data held by other Departments/State bodies

- 20.13** A number of government departments hold data on residential properties including the Central Statistics Office (CSO), and the Eircode system owned by the Department of the Environment, Climate and Communications. Both provided the examination team with information in relation to the number of properties on their property registers and how they were established and maintained.
- 20.14** Comparison of Revenue's property register with other national databases indicates a variance of up to 5% between the number of residential properties in the CSO and Eircode databases and the estimate of Revenue's residential properties (see Figure 20.2).

Figure 20.2 Registers of residential properties, 2022^a



Source: Revenue Commissioners. Central Statistics Office. Department of the Environment, Climate and Communications.

Note: a Revenue as at March 2022, Central Statistics Office as at April 2022 and Eircode as at Quarter 1 2022.

Census address register

- 20.15** The CSO carries out periodic censuses of population and housing, normally every five years. It uses its census address register (CAR) for delivery of the census forms. The CAR from the previous census is the starting point for each census cycle and it is augmented by data from the GeoDirectory database. The CSO combines additional data from external sources, within the framework of the Statistics Act 1993, to verify and enhance the register. External sources include *inter alia*
- Health Information and Quality Authority
 - Dublin Regional Homeless Executive
 - local authorities
 - Fáilte Ireland
 - Higher Education Authority and universities
 - An Garda Síochána
 - the Irish Prison Service
 - Ordnance Survey Ireland Prime2 buildings database.

- 20.16** The latest census, on 3 April 2022, found that the housing stock of 2,112,121 had increased by 5% between 2016 and 2022. Housing stock is defined as the total number of permanent residential dwellings that were available for occupancy at the time of the census. It consists of permanent private households, holiday homes and vacant houses or apartments.
- 20.17** Revenue noted that a direct comparison between the CSO's CAR and Revenue's property register is difficult as the criteria used in each are different. For example, the CSO's criteria includes dwellings such as mobile homes and shared residential care facilities which may be exempt from or not liable for LPT.

Eircode database

- 20.18** The Eircode database contains state-owned intellectual property from An Post, Tailte Éireann and the Department of the Environment, Climate and Communications, accessed through the GeoDirectory database. Information contained in the GeoDirectory database is used to assign Eircodes and develop the Eircode database and is updated each month. As of the quarter 1 2022 update, there were 2,285,580 property addresses with an Eircode on the Eircode database. Of these, 2,112,376 related to residential properties.
- 20.19** The difference between the Revenue register and the Eircode database at quarter 1 2022 was also over 100,000 premises, or around 5% as there are now minimal difference between the Eircode and CSO databases.
- 20.20** In October 2022, a comparison between the properties added to the Eircode database and Revenue's property register in the previous 12 months found almost 4,000 properties on the Eircode database without a match on Revenue's property register. Revenue concluded that these properties did not represent 'residential properties' under the terms of the Finance (Local Property Tax) (Amendment) Act 2021 as they were not yet habitable. Properties are added to the GeoDirectory database by An Post for the purpose of obtaining an Eircode. Many service providers require an Eircode as it solves the significant challenges associated with identifying the 35% of all properties in the State that share non-unique addresses. LPT liability in a calendar year only applies to properties that were habitable on 1 November of the preceding year.

Variances between databases

- 20.21** In October 2022, a National Residential Property Register Cross Departmental Group was established with representatives from Revenue, the CSO and the Department of the Environment, Climate and Communications. The initial terms of reference focussed on developing a greater understanding of the reasons for the differences in the residential property databases.
- 20.22** Revenue confirmed that the group has evolved and has become a valuable network with associated tangible outputs. For example, the CSO used ESB Networks data to produce a report in February 2023 on vacant dwelling indicators based on metered electricity consumption and the group has facilitated collaboration to ensure that Revenue uses the same methodology in establishing its preliminary vacant homes tax register.
- 20.23** Revenue has proposed that the terms of reference for the group should be amended so that it will continue to meet and to collaborate on an ongoing basis.

Maintaining the property register

- 20.24** As LPT is a self-assessed tax, Revenue relies, in the first instance, on notifications from property owners when there is a change in circumstances for their property e.g. a transfer of ownership, or a change of use. These notifications lead to a review by Revenue in all cases in order to improve the integrity and accuracy of its property register and to reduce the risk of duplicates. For example, in some cases, both spouses may separately register a property, or a builder and the new owner may each register a property subject to a sale. In addition to information received from homeowners, Revenue also uses electronic stamp duty updates from its own systems to assist with updating its property register.
- 20.25** Revenue stated that additional properties are also identified from a range of sources on an ongoing basis. These include searches for new developments, virtual checks on existing housing estates using Google maps and notifications in respect of newly liable property owners when they register their property online. While additional properties have been added to the property register following these checks, Revenue cannot confirm the number added because data is not maintained on this work.
- 20.26** Revenue also carries out specific projects to improve the accuracy and completeness of its property register (see Figure 20.3). While the main aim of the projects is to verify data already held on the register, they can also contribute towards the identification of properties that should be on the register.

Figure 20.3 Revenue projects to update its property register^a

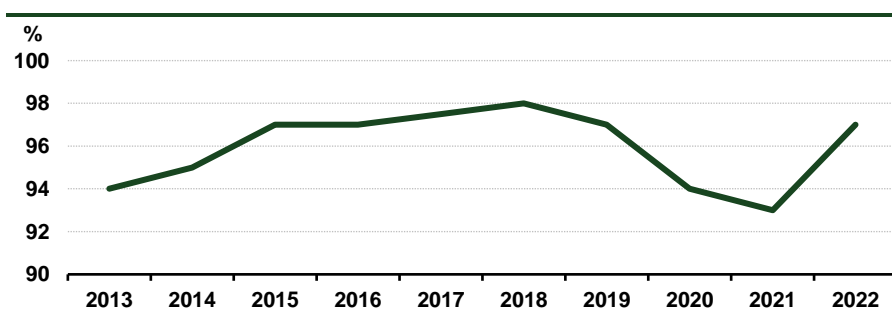
Project	Outcome
<p>Eircode project, October 2020 – September 2021</p> <p>Around 829,000 properties (42%) on Revenue's property register with no Eircode. Revenue conducted a data matching exercise between the GeoDirectory and its property register.</p>	<p>As at August 2023 — 89% of properties on the property register were matched to an Eircode. As the purpose of the exercise was to identify Eircodes for properties already on Revenue's property register, very few new liable properties were identified.</p>
<p>GeoDirectory list, July – August 2021</p> <p>Revenue carried out a matching exercise between the GeoDirectory and its property register — 1,411 cases were identified as requiring further work.</p>	<p>57 additional properties registered for LPT. Revenue identified that just one of these properties was deemed to have been liable, and should have been registered, with effect from May 2013. The other properties became liable from November 2021.</p>
<p>Uninhabitable list, August – October 2021</p> <p>A list of 16,136 cases which had an 'uninhabitable' marker on Revenue's property register were extracted for review.</p>	<p>The review identified 361 cases that were no longer regarded as uninhabitable, and are liable to LPT from 2022 onwards. The remaining 15,775 cases remained on the property register marked as uninhabitable.</p>
<p>Ceased stamp duty list, August – September 2021</p> <p>A list of 6,621 properties where a stamp duty document was filed since 2013 using a ceased property ID was reviewed.</p>	<p>329 ceased residential properties were reactivated and became liable for LPT from 2022 onwards.</p> <p>Data was not readily available to confirm if any of these properties was liable to LPT in 2013, but a spot check did not identify any such cases.</p>
<p>Properties with uninhabitable status, January 2023, phase 1 completed March 2023, phase 2 is ongoing^b</p> <p>There are approximately 18,000 properties marked as uninhabitable on the property register — a planned 200 of these were selected for review with the aim of checking compliance with the criteria required to retain uninhabitable status.</p>	<p>243 cases were reviewed in total.</p> <p>88 (36%) of the properties reviewed were accepted as fulfilling the criteria for uninhabitable status; 59 taxpayers (24%) have filed returns or taken some action to reach compliance and 96 taxpayers (40%) made no contact.</p>

Source: Office of the Comptroller and Auditor General

- Notes:
- a Revenue did not complete specific LPT projects in 2022 due to implementing systems and processes to meet its obligations in relation to the revaluation process that year.
 - b This project is being completed in preparation for the introduction of the Vacant Homes Tax.

LPT payment compliance rate

20.27 The LPT payment compliance rate reported by Revenue for 2022 was 97% (see Figure 20.4). This indicates a return to the payment compliance rates reported between 2015 and 2019, following a dip to 94% and 93% in 2020 and 2021.

Figure 20.4 LPT payment compliance rates reported by Revenue, 2013 to 2022

Source: Annual reports of the Revenue Commissioners

- 20.28** The LPT payment compliance rate for each year is published by Revenue in its annual report, which normally issues in quarter 2 of the following year, and reflects the position at that point in time. The compliance rates for individual years can increase further over time as a result of the compliance programmes carried out by Revenue.
- 20.29** Revenue's normal compliance activity for LPT includes the issuing of automated compliance letters reminding homeowners of their obligations. Automated letters were not issued in 2020 or 2021 due to the suspension of Revenue's general enforcement activity as a result of the Covid-19 pandemic. This coincided with a 3%-4% reduction in payment compliance rates reported for those years when compared with 2019.
- 20.30** Revenue resumed the issuing of automated compliance letters to homeowners in 2022, including those who had outstanding returns and/or payments for 2020 and 2021. As a result, payments of LPT were made in respect of arrears, and the payment compliance rates for both 2020 and 2021 had increased to 98% at August 2023.

Calculation of LPT payment compliance rates

- 20.31** Figure 20.5 sets out the basis of calculation of the LPT payment compliance rate for 2022. The rate takes account of
- almost 176,000 properties that paid LPT and do not need to submit a return — local authorities and approved housing bodies
 - almost 24,000 payments received but no LPT return was filed
 - just over 45,000 properties where an annualised payment arrangement is in place but an LPT return was not filed
 - an estimated 10,000 properties that are assumed will result in payment, but as yet processing is incomplete.

Figure 20.5 Calculation of LPT compliance rate for 2022, as at August 2023

Properties registered on Customer Registration System	2,018,671	
Less identified uninhabitable properties	(19,089)	1,999,582
Properties with return filed and payment made		1,697,245
Paid and fully filed compliance rate		85%
Estimate of unprocessed compliant cases ^a	10,000	
Local authority-owned properties	148,578	
Approved housing bodies' properties	27,336	1,883,159
Return compliance rate		94%
Payment received with no return yet	23,868	
Annualised payment properties	45,536	1,952,563
Payment compliance rate		98%
Non-engagers	47,019	2%

Source: Revenue Commissioners

Note: a As at August 2023, there were approximately 60,000 work items related to LPT in progress or awaiting attention. Revenue include a notional number in respect of work items in the calculation to represent homeowners that may have submitted a return/payment that is included in the work items but that has not yet been processed by Revenue.

20.32 By August 2023, the owners of only around 47,000 identified liable properties had not engaged (equivalent to 2% of the liable properties). Based on the LPT charge of €225 per property for the average valuation band (band 2), nearly €11 million in LPT receipts may not yet have been collected as a result of non-compliance for 2022. Any outstanding LPT amounts remain as a charge on the property.

Accuracy of property valuations

20.33 As a self-assessed tax, property owners are obliged to value their property (or properties) at the statutory valuation date, for LPT purposes. The value is declared by reference to valuation bands specified by law.

20.34 In 2013, Revenue developed an online interactive valuation guide to help property owners determine the market value of their property (or properties). This provided an estimated valuation band for residential properties in each area, as at May 2013. The valuation guide informed the 'notice of estimate' issued by Revenue to property owners at that time.¹ Revenue's estimated valuation band did not relieve property owners of their responsibility for valuing their property, and the notified band was displaced on submission of a return filed by the property owner.

20.35 The second valuation reference date was November 2021, which is effective for the LPT liability for the calendar years 2022 to 2025 inclusive. One of a number of changes to the LPT regime implemented by the Finance (Local Property Tax) (Amendment) Act 2021 was the adjustment of the LPT bands and the associated payment amounts, in view of the substantial increase in house prices since 2013, with the intention that most homeowners would face no increase in their LPT liability.² Adjustments to the rate of LPT payable were implemented in a progressive manner.³ While increasing the aggregate LPT yield was not the general aim, some increase in yield was expected as certain exemptions that applied for the 2013-2021 period are not available from 2022, and some properties that were outside the charge to LPT became liable to the tax for the first time from 2022.

20.36 The change to the valuation bands broadly involved a 75% increase in the band thresholds based on movements in the CSO's annual residential property price index (RPPI) from 2013 to 2020. Revenue has stated that due to a requirement for legislative amendments as well as the need for essential technical and administrative preparations, decisions by Government on changes to the valuation bands had to be made as early as possible to ensure readiness for the November 2021 revaluation date.

20.37 Notwithstanding the long-term price trend indicated by the RPPI, the increase to the LPT bands did not include a forward projection to attempt to account for the further increase in property prices that was likely to occur between the reference period upon which the new bands were based and the November 2021 valuation date (see Figure 20.6 below).

20.38 While the data for 2021 was not available at the time the decision was made to widen the bands, subsequent CSO data shows that

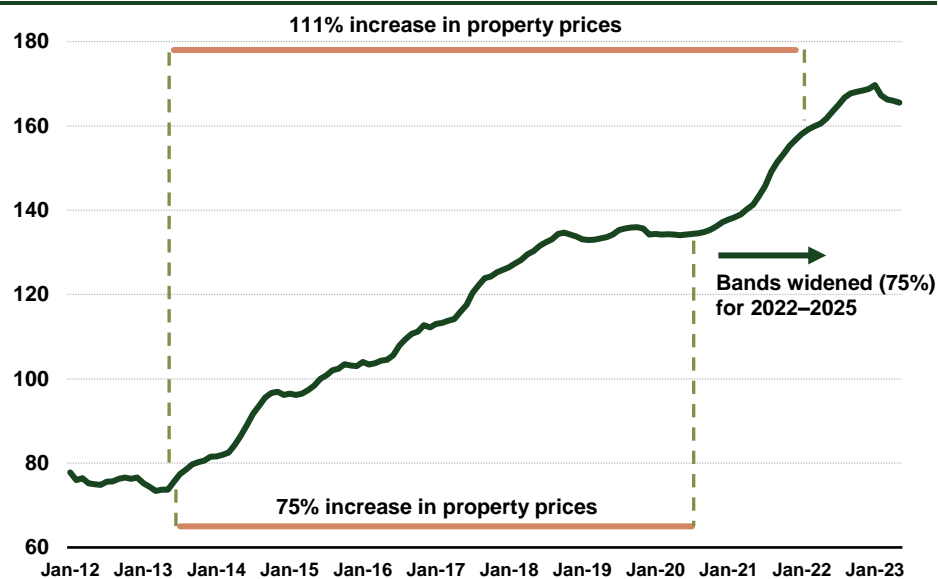
- the annual RPPI indicates that, on average, residential property prices increased by around 90% from 2013 to 2021
- the monthly RPPI indicates that average residential property prices increased by around 111% from May 2013 to November 2021.⁴

¹ A 'notice of estimate' is an estimated valuation band that is applied by Revenue until an LPT return is filed by the homeowner.

² Statement by the Minister for Finance on publication of the Finance (Local Property Tax) (Amendment) Bill 2021, June 2021 (see [here](#)).

³ While the LPT charges for the first 11 bands remained the same, the amounts payable for properties in higher valuation bands increased.

⁴ The CSO advises care should be taken when interpreting monthly changes which may indicate residual short-term volatility rather than underlying change in longer-term price trends.

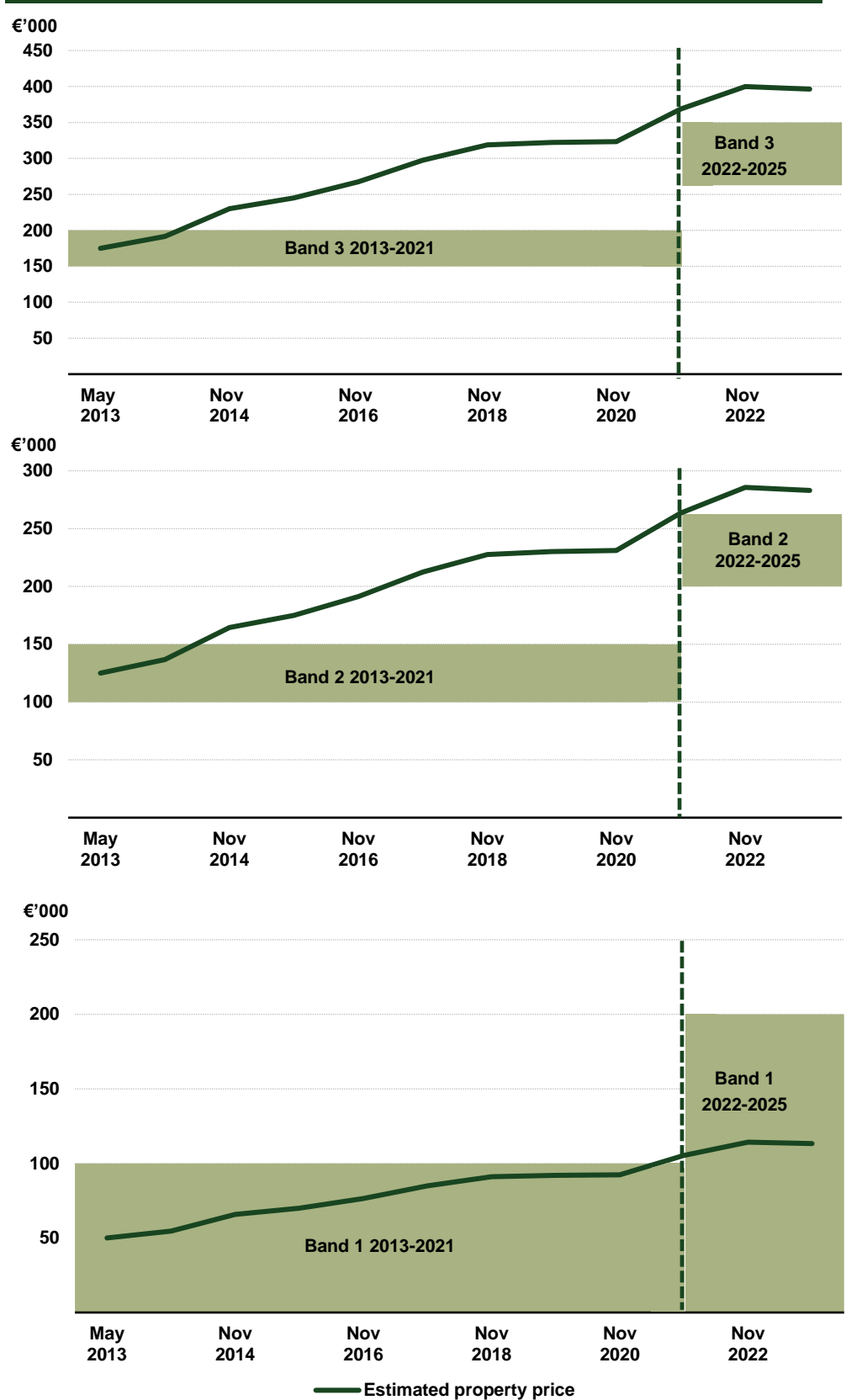
Figure 20.6 Monthly residential property price index, January 2012 to May 2023

Source: Central Statistics Office, analysis by the Office of the Comptroller and Auditor General

- 20.39** Because average house prices, as tracked by the CSO's RPPI, increased more between the valuation dates than the LPT bands, a significant proportion of properties registered in a band as at May 2013 may have needed to move up to a higher band as at November 2021. For example, if a property with a value at the mid-point of band 2 in May 2013 had increased in value in line with average market prices, it would have been just within the upper limit of band 2 at November 2021 (see Figure 20.7). A property at the mid-point of band 3 in 2013 would have been above the upper limit of band 3 in November 2021. On that basis, it could reasonably be expected that properties with values in the upper halves of most LPT bands in 2013 would have moved up a band in November 2021.
- 20.40** Properties registered in band 1 would be less likely to require upward adjustment, because the upper limit for that band was increased by 100% (from €100,000 to €200,000) for the November 2021 valuation. As a result, properties in this band with a market value of up to approximately €95,000 in May 2013 would be expected to remain in band 1 following the revaluation.
- 20.41** As taxpayers were obliged to declare the valuation band of their properties based on their property's market value as at November 2021, the discrepancy between the band widening and the movement in the monthly RPPI suggests that a significant level of up-rating of properties — moving to a higher LPT band — would have been expected for the period 2022 to 2025, with a consequent increase in aggregate annual LPT receipts.
- 20.42** When the changes in the LPT regime, including the band widening, were announced in June 2021, it was estimated (based on economic modelling) that 53% of homeowners would remain within the same valuation band; 11% would move down at least one band, and 36% of homeowners would move up by one band or more.¹

¹ Statement by the Minister for Finance, 2 June 2021 [here](#).

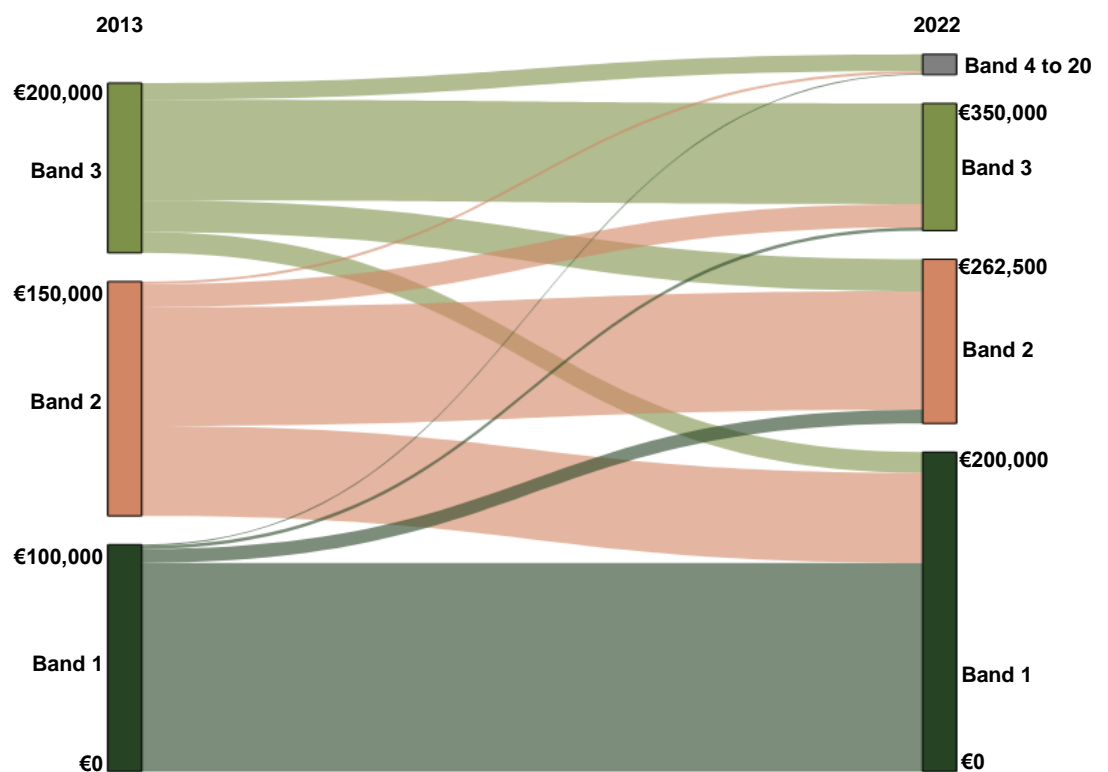
Figure 20.7 Impact of the increase in property prices between May 2013 and November 2021 on band values



Source: Office of the Comptroller and Auditor General

- 20.43** Using data held on Revenue's property register, the examination team sought to establish where properties that declared in valuation bands 1 to 3 in May 2013 (around 1.46 million properties) had been declared in November 2021. We found that the number of properties in band 1 had increased by over 40% (from 526,257 to 740,685) between 2013 and 2022.
- 20.44** The majority of this increase relates to properties (208,555) moving from band 2 (LPT €225) in 2013 down to band 1 (LPT €90) in 2022 (see Figure 20.8).

Figure 20.8 Where properties declared in bands 1, 2 and 3 in 2013 ended up in 2022



Source: Analysis by the Office of the Comptroller and Auditor General of data held on Revenue's property register

- 20.45** Clearly, the value of an individual residential property is affected by factors other than general market price movements. Rates of property price change can vary between regions. Extension, retrofitting for energy efficiency reasons or other improvements may result in a very sizeable increase in the value. Conversely, inadequate maintenance, property damage or adverse impacts on the adjacent amenities may result in falls in value. Nevertheless, since these factors also affect the value of properties that are actually traded, movements in market prices are likely to be the best available indicator of how property values overall have moved.
- 20.46** Revenue stated that the widening of the bands was a policy matter and as such their role is to implement the legislation in place and the legislation in this instance was amended on foot of a policy decision.

Verification of valuations by Revenue

- 20.47** The ‘notice of estimate’ issued by Revenue was an estimated valuation band for each property, rather than an actual assessment of the property’s market value. Taxpayers self-declare and (in most cases) value their property within a valuation band, which may be different to Revenue’s estimated valuation band for that property.¹ There is no requirement on taxpayers to submit supporting evidence when declaring a different valuation.
- 20.48** Revenue analysed the 2013 valuations returned by property owners used to determine LPT payments from 2013 to 2021 and found that
- 43% of property owners self-assessed the same valuation as Revenue’s notice of estimate
 - 57% self-assessed a different valuation band — 41% returned a lower valuation and 16% returned a higher valuation.²
- 20.49** A similar analysis was also carried out on the 2021 valuations and Revenue found that
- 65% of property owners self-assessed the same valuation as Revenue’s notice of estimate
 - 35% self-assessed a different valuation band — 22% returned a lower valuation and 13% returned a higher valuation.³
- 20.50** In December 2021, Revenue published findings of an analysis it carried out comparing the average LPT valuation band returned by property owners for the 2022-2025 LPT to the average sales prices for September 2021, by local authority area.⁴ Nationally, the average valuation band for LPT was band 2 (€200,001 – €262,500) and the average sales price as per the CSO was €295,000 — about 12% higher than the upper limit of band 2.⁵
- 20.51** Revenue’s analysis found that the average September 2021 sales price fell within the average LPT valuation band returned in 25 local authority areas. In the remaining six areas, the average sales price was higher than the upper limit of the average valuation band returned, by up to 13%.⁶
- 20.52** Revenue stated that differences between the (November 2021) LPT valuations and the (September 2021) CSO average sales prices are to be expected given the nature of the two data sources and possible differences in the characteristics of the properties sold. Revenue further stated that the results of this analysis give confidence that property owners made reasonable efforts to determine the appropriate valuation band for their property.

1 From 2022 to 2025, for property values over €1.75 million, owners are required to declare an actual valuation which is assessed at 0.1029% on the first €1.05 million in value, 0.25% of the portion of the value between €1.05 million and €1.75 million and 0.3% of the portion of the declared market value above €1.75 million.

2 *Local Property Tax (LPT) Valuation for 2022 – 2025 Technical Paper, Revenue Strategy, Evaluation and Reporting Branch, September 2021.*

3 *Local Property Tax (LPT) Statistics update, preliminary analysis of valuations, April 2022.*

4 *Local Property Tax (LPT) Statistics update, preliminary analysis of variations, December 2021.*

5 The CSO average sales price of €295,000 was based on 4,300 sales in September 2021.

6 Dublin city (13%), Cork county (12%), Wicklow (7%), South Dublin (6%), Dun Laoghaire/Rathdown (4%) and Offaly (4%).

Property sale or transfer

20.53 When a property is being sold or transferred, confirmation that all LPT obligations on the property are correct and up-to-date is an important due-diligence issue for the purchaser. Any outstanding liability for unpaid, or underpaid, LPT remains a liability associated with the property.

20.54 The steps required by Revenue to ‘clear’ a property in respect of LPT liability depend on the sale price, relative to thresholds that have been adjusted over time. Clearance for LPT purposes may be ‘general’ or ‘specific’. Up to the end of October 2021, general clearance applied where

- the sale price was less than €350,000, or
- the sale price did not exceed 50% of the upper limit of the LPT valuation band declared if the property is located outside Dublin, or 80% for properties located in Dublin.¹

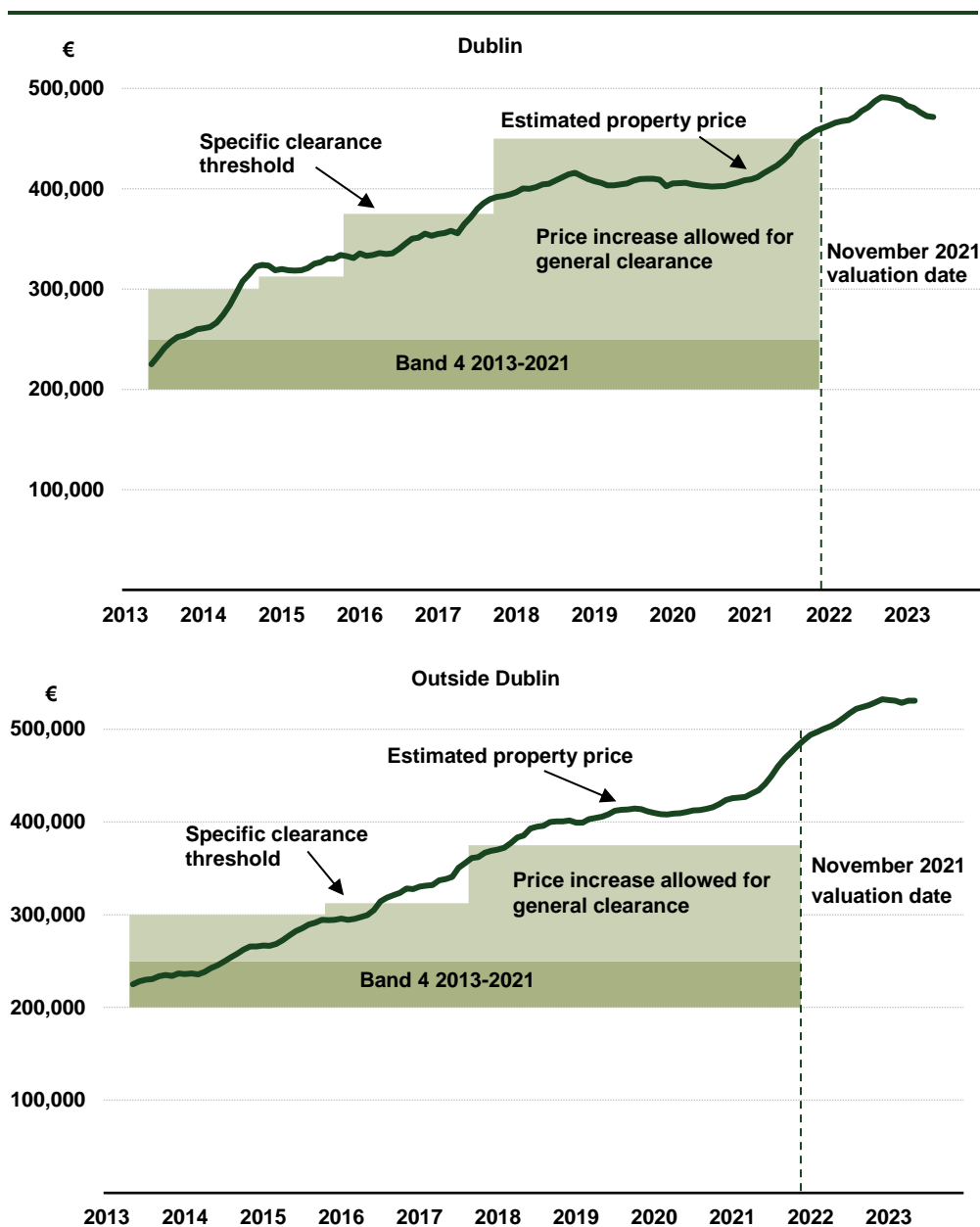
Where the sale price of the property exceeded the limits set for general clearance, purchasers are advised to make an application to Revenue for specific clearance. This may require provision of additional information to explain why a property has increased in value e.g. significant refurbishment costs incurred since 2013.

20.55 Applications to Revenue for general clearance are not required. Instead, a liable person can access the LPT online system and print the payment history showing that all LPT obligations are up-to-date for the property. This can be provided to the person purchasing the property (or their solicitor) as confirmation that the seller of the property is fully compliant for LPT purposes.

20.56 Figure 20.9 shows the impact of the increase in house prices on the specific clearance thresholds for a property valued at the mid-point (€225,000) of band 4 €200,001-€250,000 in May 2013. Using the CSO’s monthly property price index, the average price for a mid-point property had increased by approximately 104% in Dublin and 114% outside Dublin by November 2021. While the thresholds for specific clearance were increased in September 2017 from 50% to 80% for properties located in Dublin, the threshold for properties outside Dublin remained at 50%. This indicates that — if above a price of €350,000 — a residential property sale outside of Dublin would have been more likely to exceed the specific clearance threshold, given the significant increase in house prices since the first valuation date.

¹ As per LPT guidelines effective from 1 September 2017 to 31 October 2021 for the sale or transfer of ownership of a relevant residential property (see [here](#)).

Figure 20.9 Impact of house price increases on band 4 properties in Dublin and outside Dublin, May 2013 to May 2023



Source: Analysis by the Office of the Comptroller and Auditor General

20.57 The specific clearance thresholds for the 2022-2025 period have been revised, and there is no longer a distinction between properties in Dublin and those outside Dublin. Instead, the conditions focus on whether a property was liable for LPT on 1 May 2013 or only liable from 2022.¹ The sales price of the property must still be greater than €350,000, before specific clearance is required.

20.58 Residential property owners (other than local authorities, in certain circumstances) have a statutory obligation to complete a stamp duty return to Revenue containing details of any sale or transfer of property. As stamp duty obligations on the sale or transfer of a property are separate from LPT obligations, it is not a legal requirement for a vendor to seek clearance (general or specific) from Revenue prior to finalising a sale.

¹ The clearance procedures for the 2022-2025 period are explained [here](#).

- 20.59** However, since any outstanding LPT liability attaches to a property, and could transfer to a new owner, clearance is usually sought as part of due diligence prior to completion of a sale. Revenue stated that, in practice, the purchaser's solicitor should not finalise a sale until the process of LPT clearance has been completed to ensure that the purchaser receives an unencumbered asset. However, Revenue is aware that 861 properties changed ownership in 2022 with outstanding LPT liabilities. The issue of some solicitors failing to comply with the LPT clearance obligations was raised by Revenue with the Law Society and the Law Society issued a note to its members on this matter in June 2023.
- 20.60** The examination team reviewed a targeted sample of 43 properties with sales prices in excess of €350,000 — 28 sold in 2019 and 15 sold in 2022 — which was extracted from stamp duty data and met the criteria for specific clearance. The aim of the review was to determine whether specific clearance was sought from Revenue prior to the sale of properties and if adequate supporting documentation was provided by the taxpayer to support their application.
- 20.61** For five properties, specific clearance did not apply to the sale under review due to a previous sale of the property in the 2013–2021 period. Clearance is established in the first sale/transfer of the property in the relevant valuation period. In two of the five cases, general clearance applied to the first sale, so it also applied to the later sales of these properties. Specific clearance was applied for, and granted, at the time of the first sale in the other three cases.
- 20.62** An application for specific clearance had been made and granted for 19 properties.
- Two properties — the LPT band declared in 2013 was increased by one band as part of the specific clearance process. Interest on the arrears was applied in one case but not in the other. In the case where interest was not paid, the interest due (for the period 2013 to 2017) was approximately €120.
 - One property — the declared 2022 valuation for the property was increased by two bands as part of the specific clearance process. In this case, the increased valuation was notified to Revenue and the associated LPT was paid in full within the current year, therefore no interest was applicable.
 - Two properties — LPT and the household charge had not been paid for the properties prior to the 2019 sale. Payment of the outstanding LPT, household charge and interest was made as part of the specific clearance process.
 - One property — the homeowner amended the LPT declaration made in 2013 from band 4 to band 5 and paid the additional LPT due. The homeowner then applied for specific clearance and it was granted. Interest of €295 due for the 2013 to 2021 period was not paid in this case.
- 20.63** No application for specific clearance had been made for 12 of the properties. Revenue confirmed that these cases will be included in their 'sold without clearance' programme of work which includes writing to the vendors and requesting an application for clearance along with supporting documentation for the sale. One of these cases also had an outstanding amount of €1,400 due for the household charge since 2012.¹ Revenue confirmed that it intends raising a charge for this.
- 20.64** For seven properties sold in 2022, the declared LPT valuations had been amended by the property owner on the LPT online system prior to the sale. In all seven cases, additional LPT liabilities were paid in arrears; and while interest applied in four cases, it was only paid in full in one case and part-paid in another.

¹ The household charge was €200 per residential unit. This charge refers to seven units.

20.65 The examination team noted that although Revenue's LPT and stamp duty systems are linked so that the ownership details of a property are updated following the sale/transfer of a property, they are not linked for valuation purposes. This means that there is no automated detection or notification when there are significant variations between the valuation bands declared and the actual sales prices of properties, which may warrant investigation.

Identifying the liable persons

20.66 In general, the owner of a property is responsible for payment of LPT. Landlords are liable for LPT in relation to short-term leased properties. However, in cases where a lease is over twenty years, the lessee is liable for payment.¹

20.67 On receipt of a stamp duty return, Revenue may identify previously unidentified owners. Ownership is not verified in each individual case when an LPT payment or return is received as LPT is a self-assessed tax. Where a caseworker decides that confirmation of ownership is needed when reviewing an LPT case, a range of sources are used including

- the Land Registry/Registry of Deeds
- stamp duty records
- Capital Acquisitions Tax (CAT) records
- Capital Gains Tax (CGT) records.

20.68 Local authorities and approved housing bodies are also liable for LPT in relation to social housing within their control, unless an exemption applies. However, all local authority and approved housing body properties are liable to LPT based on valuation band 1, regardless of the location or market value of the property.

Local authorities and approved housing bodies

20.69 Thirty-one local authorities and seven approved housing bodies are categorised as 'super users' of the LPT system. Each such owner has a specific 'super user ID' for LPT administration purposes, and rather than submitting individual returns for each property, they submit spreadsheets listing their housing stock in bulk.

20.70 Solicitors who act on behalf of local authorities in the purchase of properties are not legally obliged to file stamping documents. As a result, Revenue is dependent on local authorities submitting complete and accurate listings. Revenue has a dedicated team that works with local authorities in relation to their LPT liabilities. Local authorities submit annual listings to Revenue to identify residential properties which have been bought or sold. Revenue stated that because of the ongoing and significant engagement with local authorities to verify properties in their ownership, the register of properties deemed to be 'local authority housing stock' is considered to be accurate.

¹ The only exception to this is where the lessee is a local authority or approved housing body, in which case the landlord remains liable to pay LPT regardless of how long the lease is for.

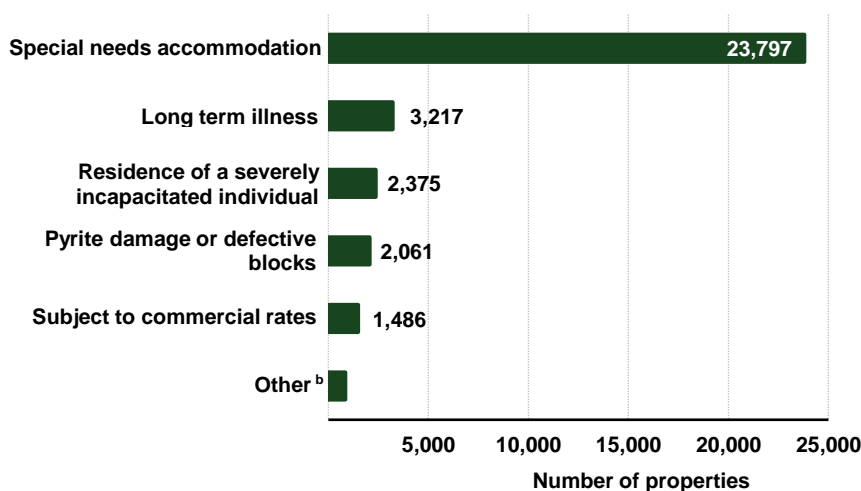
Unlinked properties

- 20.71** Each property recorded on Revenue's property register should be linked to a liable owner. However, as of July 2017 there were 42,000 unlinked properties on the register, with a corresponding LPT debt of €19.2 million. To address this issue, Revenue carried out a project targeting properties with no liable owner that resulted in the number of unlinked properties being reduced to 1,944 as of January 2020 with a corresponding debt of just over €1 million.
- 20.72** The examination team reviewed the 2021 unlinked properties as of May 2022 (when they stood at 1,523) and found that 95% have been on Revenue's property register since 2013. The LPT had been fully paid for 30 properties, and by July 2022, Revenue had linked owners in 28 of those cases. Attempts were made to confirm ownership for the remaining two cases, but these cases remain open. The number of unlinked properties as at August 2023 stands at 1,377 with a corresponding LPT debt of just over €1 million.

Exempt properties

- 20.73** While a number of classes of residential property are exempt from payment of LPT, a liable person has to submit an LPT return in order to claim an exemption. Changes introduced in 2021 resulted in a number of exemptions no longer applying. As a result, certain homes that had been exempt or outside the charge in the period 2013 to 2021 (in the case of properties built after 2013) came within the charge to LPT for the first time in 2022.
- 20.74** According to Revenue, approximately 137,020 properties were liable to LPT for the first time from 1 January 2022. The estimated additional LPT yield for 2022 from new and previously exempt properties is €34 million.
- 20.75** There were almost 34,000 exempt properties on Revenue's property register under various categories in 2022 (see Figure 20.10).

Figure 20.10 Categorisation of exempt properties for 2022^a



Source: Revenue Commissioners

Notes: a The 34,000 exemptions includes almost 14,000 properties that are in the ownership of local authorities and approved housing bodies.

b 'Other' comprises 842 exemptions, for example, relating to nursing homes, charitable recreational activities and diplomatic properties.

20.76 A random sample of 20 exempt properties for 2022 was examined to assess whether the exemption appeared reasonable. No issues were identified for 18 properties. For one property, Revenue confirmed the exemption (claimed on the basis of it being charity/public body owned for special needs) had been claimed incorrectly resulting in an LPT liability of €791. The full amount plus interest has since been paid. For the other property, the exemption no longer applied due to the death of the original property owner. This resulted in an LPT liability of €90 which is outstanding.

Timely collection of the LPT liability

20.77 Revenue offers a range of options for paying LPT. A liable person can opt to make a single payment or spread their payments over the course of a year. The date by which the LPT payment is due depends on the payment option chosen.

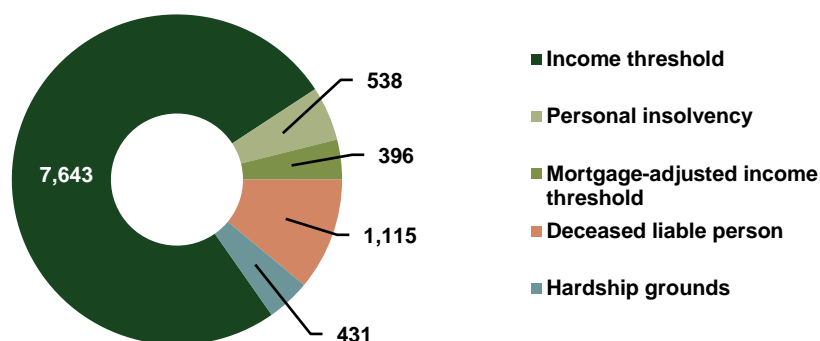
20.78 The timeliness of payments made for a sample of 20 properties was reviewed and no issues were identified in 18 cases. For two cases with late payments, interest had been applied and paid in one case and a minor amount of interest (less than €10) should have been but was not applied in the other case.

20.79 In practice, interest is only charged when cases are directly dealt with by a caseworker. Revenue exercises discretion, through applying care and management provisions, with regard to the charging of interest and to facilitate this, interest is not applied automatically on late payments. Revenue stated that, in the majority of cases, the potential interest due would be less than €20.

Deferral of payment

20.80 A full or partial deferral of LPT can be claimed if the property owner meets certain criteria. As a deferral is not an exemption, LPT is payable at a later date and remains as a charge on the property until it is paid. Interest accrues on the unpaid amount for the duration of the deferral. Interest at a rate of 4% applied during the period 2013 to 2021. From January 2022, the rate of interest reduced to 3% per year. The duration of the deferral varies depending on the category of deferral being applied and the circumstances of the homeowner applying for the deferral.

20.81 As shown in Figure 20.11, there were just over 10,000 claims for a full deferral of property tax in 2022 with almost 76% of them claimed on the grounds of income thresholds. Revenue stated that it does not verify this category of claim because it is a self-assessed tax, and the liable person is obliged to confirm that they meet the criteria of the deferral category being claimed. However, for all other deferral categories eligibility is verified by Revenue.

Figure 20.11 Deferral categories claimed for fully deferred properties in 2022

Source: Revenue Commissioners

Conclusions and recommendations

- 20.82** Following the introduction of LPT in 2013, Revenue quickly developed a substantial register of residential property. Because the period of validity of the initial valuation of property was extended, and the payment rates were broadly unchanged, LPT receipts have been relatively stable since then, at an average of around €470 million a year.
- 20.83** The key challenges for Revenue in exercising control over LPT receipts are to ensure
- completeness — all properties liable for the tax are identified and registered in Revenue’s management systems
 - accuracy — all identified properties are valued by taxpayers at the appropriate market value
 - timely collection — all liabilities for LPT are collected at the appropriate time, any deferrals or exemptions claimed are for appropriate reasons, and outstanding liabilities and interest charged are pursued.

Completeness of register

- 20.84** By the end of August 2023, Revenue’s property register contained just over two million residential properties. Comparison of this with the Eircode and CSO databases indicates a variance of 5% between the number of residential properties.
- 20.85** An inter-agency working group focused on reconciliation and synchronisation of the databases was established in October 2022. This is a useful exercise, especially in the context of changing demography and increasing development of housing units.

Compliance rate

- 20.86** Revenue has reported a consistently high payment compliance rate for LPT — around 97%-98% for most years — in its annual report. There was a decline in the payment compliance rate reported for 2020 and 2021, when it was 94% and 93% respectively of the liable amount received. This decline in payment compliance coincided with the suspension of Revenue's compliance work due to the pandemic.
- 20.87** The compliance rates can continue to increase over time as a result of the compliance programmes carried out by Revenue. For example, when Revenue's compliance programme recommenced in 2022 (after Covid interruption), it included those who had outstanding returns and/or payments for 2020 and 2021. As a result of this compliance work, the compliance rates for 2020 and 2021 had increased to 98% at August 2023. This is consistent with the collection of significant arrears of LPT in 2022.
- 20.88** As of August 2023, the figure for non-engagers in respect of LPT for 2022 stood at around 47,000 (2%). Based on an LPT charge of €225 per property for the average valuation band (band 2), this suggests that there could be almost €11 million in LPT receipts which have not yet been collected as a result of non-compliance for 2022. Any outstanding LPT amounts remain as a charge on the property.

Accuracy of valuations

- 20.89** The LPT valuation bands were expanded for the new valuation period 2022–2025 to recognise the substantial increase in house prices since 2013, while ensuring — as a policy objective — that most homeowners would face no increase in their LPT liability. Properties that were previously exempt were also brought into the taxation system for the first time from 2022.
- 20.90** The change made to the valuation bands broadly involved a 75% increase in the band thresholds based on movements in the CSO's annual residential property price index from 2013 to 2020. In effect, this was the increase that occurred between mid-2013 and mid-2020. The adjustment did not include a forward projection of the trend to account for the additional property price increase that was likely to occur up to the November 2021 valuation date. As a result, the widening of the LPT bands did not fully reflect the market value of residential properties at November 2021.
- 20.91** Although the residential property price increases that occurred up to November 2021 suggest that a significant 'up-rating' of valuations for LPT purposes would have been expected, this does not appear to have occurred. Analysis carried out by Revenue on 2021 valuations returned by property owners found that 65% self-assessed the same valuation band as Revenue's notice of estimate. A further 22% of property owners returned a lower valuation.
- 20.92** Analysis of the properties that declared in valuation bands 1, 2 and 3 in 2013 to establish the band declared in 2022 found that the number of properties declaring in the lowest band 1 increased by over 40%. The majority of the increase related to properties moving down from band 2.

Transfer of residential properties

- 20.93** When a property is being sold or ownership is otherwise transferred, Revenue has an opportunity to test and to satisfy itself that all LPT obligations are up-to-date. Up to date compliance with LPT liabilities is a standard due diligence matter for purchasers of a property. While stamp duty must be paid on a sale, it is not a legal obligation to obtain clearance for LPT liabilities from Revenue prior to selling or transferring a property.
- 20.94** Clearance for LPT purposes may be 'general' or 'specific'. An application does not need to be made to Revenue for general clearance. Instead, the purchaser (or an agent) accesses the LPT online system and prints out the payment history screen to show that all LPT obligations are up-to-date for the property. If the conditions for general clearance do not apply, an application can be made to Revenue for specific clearance.
- 20.95** The seller of a property can amend the LPT valuation bands previously declared prior to a sale so that general clearance applies. The additional LPT arising can be paid, without contacting Revenue, and interest will not be automatically applied. It is also possible to sell a property without obtaining specific clearance, even when the relevant thresholds are exceeded — this was found to be the case in 12 of the 43 property sales reviewed.
- 20.96** While Revenue's stamp duty and LPT systems are linked in terms of updating ownership details on the sale or transfer of a property, they are not linked for valuation purposes.

Recommendation 20.1

Revenue should consider linking the sales consideration recorded on its stamp duty system with the valuation information recorded on its LPT system. This would flag cases where a review of LPT history may be warranted.

Accounting Officer's response

Agreed

Linking the values at stamping to LPT valuation dates will be of limited value as the sale price recorded when a property is stamped will differ from the property valuation provided at the respective valuation dates for various reasons, for example, property price fluctuations, or property improvements. However, such an exercise could identify material anomalies and, in that regard, a manual exercise to determine the value of linking stamp duty sales consideration to LPT valuations will be carried out before consideration of an automated system.

Timeline for implementation

Revenue will initiate a manual review in first half 2024 with a view to considering valuation anomalies arising from stamping returns as a risk identifier in the second half of 2024.

Exemption of properties from payment of LPT

- 20.97** An exemption for 'charity/public body owned for special needs' was claimed incorrectly by an individual. No discrepancy was raised by Revenue's systems to alert caseworkers.

Recommendation 20.2

Revenue should consider updating systems so that exemptions can only be claimed where applicable to a particular cohort of property owners who are registered appropriately, for example, public bodies/charities.

Accounting Officer's response

Agreed.

However, the cost effectiveness of a systems development is disproportionate to the risk involved. Of 10,982 exemptions claimed, 83 had been claimed by individuals. Revenue will implement a manual periodic risk identification programme to identify individuals who have incorrectly claimed an LPT exemption. These individuals will be contacted to correct their position.

Timeline for implementation

Immediate

Revenue has initiated manual checks to identify possible incorrect exemption claims.

Deferral of payment of LPT

- 20.98** A full or partial deferral of LPT can be claimed if the property owner meets certain criteria. The LPT liability remains as a charge on the property until it is paid and interest accrues on the unpaid amount. There are five categories of deferral, but by far the most commonly used category is based on income thresholds. Revenue does not check the income of property owners to confirm that they are within the income thresholds set for claiming a deferral. For all other deferral categories, an application form (reference LPT 2) must be submitted to Revenue and eligibility is verified.

Recommendation 20.3

Revenue should consider introducing a retrospective compliance exercise where a claim for a deferral is made on the grounds of income thresholds, for example, an automated cross check on its own systems to confirm the income of the property owner.

Accounting Officer's response

Agreed.

Revenue will apply a risk focused compliance check on cases where the income threshold deferral has already been claimed. It is noted that

- less than 1% (13,247) of the LPT case base has claimed a deferral at July 2023 for the period 2022 – 2025 and
- the LPT charge remains on the property and will become payable when the property transfers to a new owner.

Timeline for implementation

Immediate

Revenue has initiated manual checks to identify cases where the deferral on the grounds of income is no longer valid. Pending the outcome of those checks, Revenue will consider the cost effectiveness of an IT development to automatically cross check income levels where a deferral is in place to replace the manual checking process. These considerations will take place in the second half of 2024 once the results of the manual checking process are available.

Annex 20A Valuation bands and charges for the first and second valuation periods

Valuation band number	Valuation band May 2013 to end 2021	LPT charge basic rate	Valuation band 2022 to 2025	LPT charge basic rate
	€	€	€	€
1	0 – 100,000	90	0 – 200,000	90
2	100,001 – 150,000	225	200,001 – 262,500	225
3	150,001 – 200,000	315	262,501 – 350,000	315
4	200,001 – 250,000	405	350,001 – 437,500	405
5	250,001 – 300,000	495	437,501 – 525,000	495
6	300,001 – 350,000	585	525,001 – 612,500	585
7	350,001 – 400,000	675	612,501 – 700,000	675
8	400,001 – 450,000	765	700,001 – 787,500	765
9	450,001 – 500,000	855	787,501 – 875,000	855
10	500,001 – 550,000	945	875,001 – 962,500	945
11	550,001 – 600,000	1,035	962,501 – 1,050,000	1,035
12	600,001 – 650,000	1,125	1,050,001 – 1,137,500	1,189
13	650,001 – 700,000	1,215	1,137,501 – 1,225,000	1,408
14	700,001 – 750,000	1,305	1,225,001 – 1,312,500	1,627
15	750,001 – 800,000	1,395	1,312,501 – 1,400,000	1,846
16	800,001 – 850,000	1,485	1,400,001 – 1,487,500	2,064
17	850,001 – 900,000	1,575	1,487,501 – 1,575,000	2,283
18	900,001 – 950,000	1,665	1,575,001 – 1,662,500	2,502
19	950,001 – 1,000,000	1,755	1,662,501 – 1,750,000	2,721
20 ^a	Greater than €1 million	€1,800+	Greater than €1.75 million	€2,830+

Note: a For 2013-2021, for property values over €1 million, owners were required to declare an actual valuation which was assessed at 0.18% on the first €1 million in value and 0.25% on the portion of the value above €1 million. From 2022 to 2025, for property values over €1.75 million, owners are required to declare an actual valuation which is assessed at 0.1029% on the first €1.05 million in value, 0.25% of the portion of the value between €1.05 million and €1.75 million and 0.3% on the portion of the declared market value above €1.75 million.