

# Announced Changes to LPT

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**On 22 July 2021, President Higgins signed into law the Finance (Local Property Tax) (Amendment) Act 2021, enacting changes to the LPT regime previously announced by Minister Donohoe in June this year.**

The main change for taxpayers will be that certain exempt / excluded properties will be brought within the charge to LPT. For those already paying LPT, it is expected that up to 53% of taxpayers should not experience any change in their LPT liability as a result of the new measures, whereas 11% of taxpayers should see a decrease in their liability. Of the remaining 36%, the liability of 33% of taxpayers should increase by no more than €100, with 3% expected to incur an increase of over €100.

The measures are expected to deliver an overall yield of approximately €560m, before the application of local adjustment factors to be applied by local authorities. As outlined in the Programme for Government, these funds will be retained within the county in which they are raised and will provide welcome funding to local authorities to support regional projects and initiatives.

## Valuations & Valuation Dates

The new measures specify 1 November 2021 as the next valuation date for LPT purposes. Thereafter, property valuations will be reviewed every 4 years (previously 3 years). A summary of the amended rates of LPT and the valuation bands to which the rates are applied are outlined in the table on page 3.

The Act provides that new properties will be brought within the scope of LPT charges from 2022 onwards, with the valuation in place at the previous valuation date (1 November 2021) to be applied in calculating the LPT liability. Revenue will provide guidance to assist property owners to determine this value with respect to properties that were not "residential properties" on the preceding valuation date because they were completed, or refurbished to a habitable condition, after that date. While not specified in the Act, it is understood that this valuation method will take account of general movements in property values since the valuation date and will ensure that the method will be equitable when compared with properties that are already chargeable to LPT. Detailed guidance from Revenue is to be provided in this regard. Such properties will then be valued on the normal basis from the following valuation date.

The new measures remove a previous commitment that, with

respect to properties worth less than €1m, Revenue would accept a taxpayer's self-assessment at 'face value' where the valuation was made in accordance with Revenue guidance. The heads of the Bill released in June 2021 noted that this previous commitment was provided in the context of LPT being a totally new and unfamiliar tax, but it is now appropriate to remove this measure as the system has now been in place for 8 years. Therefore, LPT self-assessments will be subject to the usual Revenue compliance checks that apply for other self-assessed taxes from 2022 onwards.

## Exemptions & Deferrals:

The new measures also introduce significant changes with respect to exemptions available in the LPT regime, including:

- In order to broaden the base of properties subject to LPT:
  - Various exemptions will lapse including exemptions for first-time buyers who purchased property during 2013, houses which were held as trading stock when LPT was first introduced in May 2013, and homes in "ghost estates", and
  - New homes constructed at or before the new valuation date of 1 November 2021 will also come within the charge.
- The temporary exemption in respect of certain pyrite damaged properties is to be phased out for new applicants. However, a new exemption has been brought in for certain homes that are eligible for the Defective Concrete Blocks Grant Scheme, with this exemption operating in a similar manner to the existing exemption for pyrite damaged properties.
- Currently, properties vacated by their owners due to illness can be exempt from LPT. However, this exemption applies only where the property is not occupied by another person. The Act removes this condition so that owners in these circumstances who make their property available for occupation by persons who are not themselves liable persons with respect to the property will be exempt from LPT. In addition to freeing-up residential properties for rental, it is intended that this measure will also enhance security of the premises and assist the maintenance of homes for vulnerable individuals.

- Finally, a new exemption has also been introduced with respect to properties owned by a North-South Implementation Body (e.g. Waterways Ireland, Food Safety Promotion Board, etc.).

The income thresholds for deferral of LPT (including marginal relief) have been increased for both single owners, as well as married and co-habiting couples. In addition, the interest on deferred payments has been reduced from 4% to 3% per annum, which is significantly less than the approx. 8% rate of interest that applies on the late payment of LPT in the absence of such a deferral.

## Transactions with Local Authorities and Approved Housing Bodies

The Act introduces new rules with respect to certain property transactions with local authorities and social housing bodies:

- At present, where a private owner of a residential property leases the property under a 20+ year lease to a local authority for social housing purposes, the owner ceases to be the liable person for LPT purposes. The new measures provide that in the case of long leases to a local authority or social housing body, the lessor will remain the liable person with respect to LPT.
- In most circumstances, where a property is transferred to another liable person during the valuation period, the purchaser should be entitled to use the valuation in place at the previous valuation date. However, the new measures provide that this treatment should not apply where a property is purchased from a local authority or approved housing body, and the purchasers of such properties will have to pay LPT based on the actual value of the property under the new rules. This is to ensure that purchasers of such properties cannot rely on the deemed valuation that is available to such bodies (which ensures that only €90 of LPT is payable with respect to residential property owned by them).

## Definition of Residential Property

The new measures also amend the definition of "residential property" for LPT purposes. Specifically, the part of the adjoining land to be valued with the house, where that land exceeds one acre, is specified to be the part that is most suitable for occupation and enjoyment with the house (to bring it in line with definitions elsewhere in tax law).

Although the heads of the Bill released in June 2021 suggested that a definition of "co-living" developments would be provided to come within the scope of residential property for the purposes of LPT, no such definition has been included in the Act. However, we believe to the extent that such a definition is introduced in the future, it would be important that the amendment provides that each individual unit in a co-living development is separately chargeable to LPT (rather than the development as a whole), as is the case at present for apartment developments.

## Compliance

The new measures also introduce some notable changes regarding the compliance obligations on liable persons with respect to LPT, including:

- A requirement for a return to be filed in respect of exempt properties going forward and that the return should include a claim to such exemption. Previously, no return was required with respect to exempt properties and exemptions were deemed to apply without a specific claim.
- The surcharge for late filing of a return has been reduced from the full amount of LPT liability to 50% of the tax payable.
- Information regarding vacant properties will need to be included in an LPT return going forward.
- Additional information confirming whether the residential property is the individual's sole or main dwelling
- Appeals relating to the valuation of property will now be decided by a specialist body called the Land Values Reference Committee rather than by the Tax Appeal Commission. Appeals against LPT assessments relating to non-valuation disputes will continue to be decided by the Tax Appeal Commission.



**Table 1:**

The table below compares the LPT valuation bands and associated charge under the current and new rules:

Previous Band Structure		Updated Band Structure		
	Band		Charge	
1	0 – 100,000	90	1 -200,000	90
2	100,001 – 150,000	225	200,000 -262,500	225
3	150,001 – 200,000	315	262,501 - 350,000	315
4	200,001 – 250,000	405	350,000 -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	1,190
13	650,001 – 700,000	1,215	1,137,501 – 1,225,000	1,409
14	700,001 – 750,000	1,305	1,225,001 – 1,312,000	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	2,065
17	850,001 – 900,000	1,575	1,487,501 – 1,575,000	2,284
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	Over €1m		1,750,001+	2,830+

#### Notes:

- The number of bands is maintained at 20, although the ranges of each band have been amended as per the table above.
- The LPT charge is fixed at the current charge for Bands 1 & 2 (€90 and €225 respectively).
- For properties in bands 3-19, a mid-point rate of 0.1029% is charged.
- For properties valued at between €1m and €1.75m (bands 12-19), a mid-point rate of 0.1029% is charged on the first €1.05m and 0.25% on the balance over €1.05m.
- For properties worth over €1.75m, they will be charged as per properties in bands 12-19 as outlined above on the first €1.75m of their value, with a higher rate of 0.3% on the property's value in excess of €1.75m.

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