

From: Minister for Finance <finance-mo-correspondence@cloud.gov.ie>

Sent: Thursday 14 July 2022 13:25

To: Mary Fitzpatrick <Mary.Fitzpatrick@oireachtas.ie>

Subject: FIN-MO-02566-2022

Our Ref: FIN-MO-02566-2022

Dear Mary,

I refer to your recent correspondence of July 1st regarding Vacant Property Tax.

Addressing vacancy and dereliction, and maximising the use of the existing housing stock, is a priority objective of the Government. Housing For All outlines a suite of measures aimed at addressing vacancy in a coordinated, robust manner, and specifically includes an action for the Department of Finance to collect data on vacancy with a view to introducing a “Vacant Property Tax”.

According to the preliminary Census figures release two weeks ago, 166,752 vacant dwellings were recorded in Census 2022 - giving a rate of 7.8%. This is a decrease of 9% compared to 2016. It is an even further reduction of 12% compared to 2011, when 230,056 vacant dwellings were recorded.

It is important to note that the CSO highlight that this is a point in time measure of vacancy relating to the weeks either side of Census Night. The figures are not intended to be a measure of long-term vacancy, nor do they suggest these properties are available for re-use. These homes may well have been occupied again a few weeks after Census Night.

The Finance (Local Property Tax) (Amendment) Act 2021 enabled Revenue to collect certain information in relation to the occupancy status of residential properties in the Local Property Tax (LPT) return forms submitted by residential property owners in respect of the new LPT valuation period (2022-2025). In relation to vacant properties, the LPT returns requested information such as whether a property is vacant; the reasons for the vacancy; and whether the period of vacancy is 12 months or more. The return data provide a snapshot of vacant properties in Ireland as at the valuation date of 1 November 2021.

I welcomed the publication of Revenue’s Preliminary Vacancy Analysis based on the Local Property Tax returns on July 6th. The analysis shows that for LPT liable properties, owners reported just over 57,000 properties as vacant as of 1 November 2021, representing 3.2 per cent of properties for which returns have been filed. This indicates that levels of vacancy among LPT-liable properties are low across all areas and lie within a range that is considered to be in line with a normal functioning market.

I also note that the reasons given for vacancy (in both LPT and Census data) are often temporary, genuine and societally acceptable - for example, where a property is for sale or letting, undergoing refurbishment, or in cases where the owner is recently deceased or in long-term care. This figure differs from the preliminary Census figures on vacant properties released last week. However, I would note that while each model is valid for its primary purpose, the data collection methods used by the CSO and Revenue are different.

The preliminary LPT vacant property analysis is based on information provided to Revenue directly by property owners themselves based on their own self-assessment of the property’s status. The CSO preliminary results related to vacant dwellings are based on the classification of Census

enumerators. In addition, the Census will include properties that have not been in use since before LPT commenced in 2013 and which may be uninhabitable for the purposes of LPT

Indeed, in relation to the figures for Dublin you mention, it is relevant to note that of that vacancy figure of 30,000:

- 4,000 properties were up for sale;
- 5,000 were being renovated;
- 3,000 were vacant because the resident was in hospital or care;
- a further 3,000 were vacant because the resident was recently deceased, and lastly,
- 1,000 were new builds awaiting their first occupation.

This breakdown highlights the need to have a sound understanding of the quantity, locations and characteristics of vacant properties. It is also essential to identify the reasons for vacancy, and whether this is long or short-term in nature. There may be genuine and acceptable reasons for vacancy such as refurbishment work, the temporary absence of the owner for medical reasons or pending the grant of probate for a deceased person's estate.

The pressures on housing supply is well documented. Preliminary Census data show that Ireland's population increased 8 per cent between April 2016 and 2022. Factors such as Ireland's strong employment market and our commitment to support those fleeing the war in Ukraine continue to drive demand for housing in the State. As such, it is appropriate that the Government takes all actions necessary to address the gap between demand and supply. While overall vacancy level may be low, we know there are clusters of vacancy and dereliction in cities and towns in all areas of the country.

On foot of the publication of the vacancy analysis by Revenue, I announced my intention to bring forward proposals for a tax on vacant habitable residential properties (on the LPT register). It is important to note that LPT applies only to habitable residential properties, and derelict or properties unsuitable for use as a dwelling are not captured under the LPT system.

Work is ongoing in my Department on the design of a targeted measure that achieves an appropriate balance between incentivising owners of vacant habitable properties to bring their properties back into use, and ensuring any such tax does not arbitrarily or excessively penalise home-owners in a discriminatory way. There are some genuine and acceptable reasons for vacancy such as refurbishment work, the temporary absence of the owner for medical reasons or pending the grant of probate for a deceased person's estate.

It is not my intention to impose a tax in respect of vacant habitable residential properties, which are vacant on a short-term basis, such as for the purposes of refurbishment or while a property is between tenancies. Appropriate exemptions to this tax will be put in place, while ensuring the tax is designed to maximise the use of the existing housing stock. The purpose of a tax on empty habitable homes is not to generate revenue, but to encourage behavioural change.

Yours Sincerely, Paschal Donohoe TD
Minister for Finance