TSG 10/09

Tax Strategy Group

Taxation of Property

Introduction

1. This paper deals with the taxation of immovable property. In particular, it considers a number of issues relating to the practical/operational challenges of the possible development of such a tax to meet the Government's stated commitment in this regard. These including, *inter alia*, the feasibility of introducing such a tax and its inter-relationship with Stamp Duty on property transactions. Other property-related taxes such as Capital Gains Tax and Capital Acquisitions Tax are covered in the earlier paper on Capital Taxation (TSG 10/05).

2. Although a number of possible options for a tax are explored, a particular focus is placed on certain specific policy choices including: the commitment for a Site Valuation Tax in the *Renewed Programme for Government,* an Annual Residential Property Tax recommended by the Commission on Taxation, and a number of other potential models ranging from a flat-rate to a combination of building size and valuation to a mixture of a flat-rate charge with an element of building size and valuation. Consideration is also given to the development along the lines of the domestic rates in Northern Ireland and a Land Value Tax based on 'Land Value Zones'.

3. The introduction of a property tax would be a major and overdue structural reform of taxation in Ireland and could provide a stable long-term revenue flow.

Background – Property Taxation in Ireland

Position, 1978-97

4. A notable feature of Irish taxation policy over the recent decades has been the almost complete absence of a recurring or annual taxation of residential property in comparison to other EU and OECD jurisdictions. Developments in this policy area since 1978 covering the abolition of domestic rates on residential property – (1978), Residential Property Tax (1983-97) and Farm Tax (1986-87) are summarised in Appendix A.

5. In conjunction with the absence of a property tax, the OECD has reported that Ireland "has some of the most generous tax provisions for owner-occupied housing" as Ireland is the only country to allow tax relief on rent, mortgage interest payments, capital gains and capital acquisitions.

Non-Principal Private Residence charge (NPPR) - 2009

6. The absence of a recurring or annual taxation of residential property was somewhat addressed with the introduction of the non-Principal Private Residence (NPPR) charge under the Local Government (Charges) Act 2009. This is an annual €200 charge on non-principal private residences (rental, holiday and vacant properties) with the revenue provided to the Local Authorities where the property is located. Properties exempted from the charge include: new unsold properties, local authority and social housing; persons moving home; "granny flats"; and mobile homes used for holidays. If a house is divided into a number of rental properties, each of those properties is liable to a €200 charge.

7. On a basis of some 340,000 non-Principal Private Residences, €66m has been collected in respect of 2009 with €60m to date for 2010; this greatly exceeds its estimated yield when first introduced. While the NPPR charge can be regarded as a success on this basis, it is still in its early stages and it is not clear that everyone who is liable to pay the tax has in fact done so. However, the late payment charge of €20 per month is a significant incentive to pay the tax on time.

8. Apart from the NPPR, the only other form of recurrent property tax is Local Authority rates on commercial premises; this system, which mirrors the abolished domestic rates[1], is outside the ambit of this paper.

Rationale for introducing a property tax

General Arguments

9. In general terms, there are a number of arguments both for, and against, the introduction of a property tax in Ireland.

   Arguments in favour include:
   - Ireland is the only OECD member without an annual property tax;
   - The generous tax regime for owner-occupied housing through the provision of tax relief on rent and mortgage interest payments, combined with other exemptions, distorts housing decisions;
   - Annual property taxation is seen as less economically distortionary than taxes on labour or capital; and
   - Revenue generated from immobile assets will be far more stable than from property transaction taxes such as Stamp Duty and CGT.

   Arguments against include:
   - Any liability will have to be paid from individuals' after-tax income, which might reduce spending in the economy;
   - Necessary infrastructure for the operation of the tax (such as up-to-date property valuations and a robust assessment methodology) is not in place; and
   - Ireland has a long and troubled history with property taxation which may lead to hostility to its introduction (see Appendix A).

10. Given the compelling need to restructure and stabilise taxation in Ireland, it is necessary to confront the arguments 'against' a property tax.

Arguments specifically in support of a property tax

11. In the specific context of tax policy in the immediate term, there is a strong three-fold rationale for the introduction of an annual property tax on residential property.

    Economic impact of a property tax

    (i) The taxation of property through a recurring annual tax is less economically distortionary than the imposition of tax on either income or capital. This is supported by economic literature and recent OECD analysis.

    The OECD has highlighted that annual taxes on land and buildings have a relatively small adverse impact on economic performance because of the following factors:

[1] There are two elements: (i) rateable valuation (tax base) of a property, determined by the Commissioner of Valuation and based on net annual letting value of a property, and (ii) an annual rate on valuation (tax rate) that is determined by the Local Authority as part of its budgeting process.

- lack of a direct effect on labour, either supply or demand;
- with a stable tax base, there is a predictable tax yield; and
- an immobile tax base is less likely to distort economic behaviour.

Property tax as a reliable and sustainable source of revenue

(ii) An annual property tax provides a reliable and sustainable source of revenue for the Exchequer as compared to the transaction taxes on property which characterised Ireland's approach to property taxation. Stamp Duty on property transactions, which is dependent on transaction levels and values, is particularly subject to fluctuations, especially in times of buoyant property prices and markets which characterised the 2003-10 period. Capital Gains Tax and Capital Acquisitions Tax which involve taxing the appreciation of an asset on sale or inheritance are also subject to fluctuations closely related to changes in asset values and the level of transactions in the property market.

In the period since 1998, the strong relationship between economic growth and the resultant increase in taxation based on property transfers and rising asset values led to an over-reliance on this source of revenue. This over-reliance has led, in turn, to serious difficulties for the Exchequer in the context of the decline in economic activity which particularly impacted on the property market in recent years with an associated sharp decrease in property transfers and values.

Transaction Taxes (Stamp Duty and CGT): Impact on Yield, 2000-09

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
€ bn	1.9	2.1	1.8	3.1	3.6	3.7	6.8	6.3	3.1	1.2
% Tax	6.9	7.6	6.1	9.8	10.1	11.9	15.0	13.3	7.6	4.5

Valuable source of significant amounts of revenue

(iii) A property tax would constitute a valuable means of bridging the gap between revenue and expenditure.

On the basis of the Commission on Taxation's analysis[2] on a proposed self-assessed valuation tax (see Paragraphs 45-48), it was estimated that that a 0.3% rate would raise a potential €1.476bn (€1,112bn after exemptions) and a 0.25% rate would yield €1.231bn (€926m net), once allowance was made for exemptions for low income households[3]. Although these estimates may have fallen in the current decline in property values, they demonstrate the potential significant revenue yield from a property tax. The yield would perhaps be in the order of up to €500 million in 2010 terms.

Even the Commission's estimates are scaled back to an approximate range of €675m - €800m to reflect the current property market, the

[2] House Price Data for 2004 and data for 2009 covering the number of houses.

[3] This equates as €490m per 0.1% would be raised or €370m for each 0.1%.

potential contribution from the introduction of a property tax in terms of Budget 2011 equates to an 8% decrease in PAYE bands and credits or a circa 2% rise in the standard Income Tax rate (an extra circa 4.5% on the higher rate).

It can also be argued that a property tax can function as a quasi-Income Levy on residential property because it could cover all residences with few exemptions and all persons liable to pay the tax would pay it at a level proportionate to their means.

Commission on Taxation

12. A significant proportion (Part 6) of the Report of the Commission on Taxation deals with the taxation of property, the relevant recommendations of which are summarised in Appendix E. In overall terms, the Report recommends, as part of a "new configuration of taxation of property in Ireland", the introduction of "an annual property tax on all residential housing units" with a number of exceptions, including local authority and social housing (Recommendation 6.2).

13. The Commission considers, "as a matter of general principle", that all property should be subject to recurrent (annual) taxation, either through the local government rates system (commercial property) or an annual tax on residential property, with the development of an annual property tax (APT) on residences a key part of broadening the overall tax base.

Context of the Commission's recommendations on a property tax

14. The Commission's recommendation for an annual tax on residential property was not designed to be considered in isolation. Instead, it has to be considered in the context of its related recommendations on the discontinuation of Stamp Duty on purchases of principal private residences (6.3), its continuance for investors of residential units (6.4), and a number of related proposals, including a tax on zoned development land with a windfall tax on profits from development land ('betterment') - see Appendix E for full details.

15. The link between the various recommendations is reflected in the narrative surrounding the rationale for, and feasibility of, introducing a recurrent tax on residential property which is regarded as a fundamental element to a restructured system of property taxation. The Commission inextricably linked the introduction of a new annual property tax with the attainment of the other developments such as discontinuation of Stamp Duty on purchases of principal private residences. However, it has been noted by commentators that the combined impact of the recommendation for a property tax, with the proposal to discontinue Stamp Duty for most residences, may have the potential to create market uncertainty, as has happened in the past, which could impact on the recovery of the private housing market.

Government Programme Commitment on property tax

Programme for Government 2007 – 2012

16. Property tax was not mentioned in the *Programme for Government 2007 – 2012*. However, the *Renewed Programme for Government* (October 2009) contains a commitment to introduce a "Site Valuation Tax on non-agricultural land". The Renewed Programme indicates that the Site Valuation Tax (SVT) will be used to "offset Stamp Duty on residential property", which presumably means that it is intended to reduce or eliminate this charge.

17. The Renewed Programme does not explicitly link the SVT to Local Authority funding, but it does make a separate commitment to "introduce a new system for the financing of Local Government, ensuring the viability of local services and that Government policy for the reform of Local Government is implemented".

Budget Statement 2010

18. The Minister for Finance's Budget speech indicated that the Government had accepted the recommendation of the Commission on Taxation on the need for a property tax, but stated that considerable ground work would have to be done before a SVT could be introduced. The Minister also indicated that a property tax, like any proposed system of water charges and the NPPR charge, would be used to finance local services provided by Local Authorities.

19. In recent Parliamentary Questions on the introduction of a property tax, the Minister for Finance highlighted the importance of broadening the tax base. The Minister also indicated that a property tax represents a major structural change in the tax system and any such development would have to be considered in light of the overall tax burden on individuals, the need for base broadening measures and current market conditions. Specifically, the form of taxation on property will have specific regard to the commitment in the *Renewed Programme for Government* to introduce a Site Valuation Tax for non-agricultural land, following the necessary valuation and registration process.

Issues to be considered in the development of a property tax

20. A number of issues will have to be considered regardless of whatever form of property tax is introduced, these include:

    (a) Equity - general perception amongst taxpayers that the tax is equitable with assessment based on measurable criteria.
    (b) Types of property subject to a property tax: limited to residential or other non-commercial land-uses, the possibility of aligning the planning and taxation definitions of land may have to be considered.
    (c) Persons liable for payment: Owners or occupiers – even if a landlord pays, the tax would be passed onto tenants via higher rents.
    (d) Tax base: Coverage as wide as possible, but with possible exclusions for local authority and social housing.
    (e) Reliefs/exemptions: Based on ability to pay with either full or partial exemptions for persons on low incomes, the possibility of deferred payment until disposal of the property – treatment of people with mortgage difficulties or in negative equity.
    (f) Frequency: annual tax, but payable in a flexible (e.g. via the PAYE system or online) manner spread over frequent intervals over the year.
    (g) Rate - a low rate of tax which can be proportionate, progressive or flat.
    (h) Basis of taxation: either the market value of a property or its floor space or an amalgamation of both; may include a flat charge per property as an alternative.
    (i) Administration, collection, audit and enforcement: administered as a national tax for the Exchequer by the Revenue Commissioners or by the Local Authorities – includes issues relating to audit and enforcement (placing a charge on a property until the tax is paid).
    (j) Valuation and Assessment: either self-assessment (property owner) or direct assessment (Revenue, Local Authority or specialised agency: public or private) – requirement for up-to-date national property valuation register.

(k) Application of the revenue: If administered as a national tax, whether it is hypothecated or raised and spent locally by Local Authorities.

(l) Information: comprehensive database on properties covering ownership, locations, valuations and floor space, including details of sale prices – this would be updated on an ongoing basis.

(m) Transparency: Public availability of the property database and information used to construct the charge (i.e. valuations and assessment methods).

(n) Transaction tax: operation of a tax (Stamp Duty) on property transactions in conjunction with a property tax to secure some benefit to the State from such operations and to gather information on prices and levels of trading.

Policy options for the introduction of a property tax

Available policy options

21. Based on analysis of systems used in other jurisdictions[4], the commitment in the *Renewed Programme for Government* for a Site Valuation Tax and the Annual Residential Property Tax recommended by the Commission on Taxation, a number of policy options have been identified. This work also reflects a number of engagements over the last six months between the Department and State Agencies[5] who would be expected to be involved in the infrastructure necessary to underpin any potential property tax. This was limited to an examination of their available data sources and work process rather than any discussion on the merits of introducing a tax, *per se*. However, the feasibility and practicality of introducing particular options or the adoption of certain approaches were explored; this covered a Site Valuation Tax and options based on valuations and floor size. Discussions were also held with the Land and Property Services in Northern Ireland which is responsible for the domestic rates system in that jurisdiction.

Site Valuation Tax - Renewed Programme for Government commitment

22. Before considering other options, it is necessary to consider the introduction of a Site Valuation Tax, the commitment set out in the *Renewed Programme for Government*. The commitment is to introduce a “Site Valuation Tax (sic) on non-agricultural land” to be used to “offset Stamp Duty on residential property”.

23. As part of its work, the Commission on Taxation investigated the use of a Land or Site Value Tax as an alternative approach to the use of valuations or the floor space of buildings as the traditional basis for the taxation of property. Land or Site Value Tax (SVT) is a recurring tax on the land or site value of a property instead of the buildings situated upon it. Underpinning this approach is a principle that land is valued according to its optimum potential use (‘highest possible use’) as defined by the planning process rather than on the current use which is disregarded. Therefore, a site with a profitable commercial activity or an expensive house would be worth more (and would be liable for more tax) than less valuable land uses.

24. A Site/Land Value Tax has a number of theoretical attractions:
    - it is more equitable than other forms of property taxation – the value of land is usually the result of society’s efforts rather than efforts of the land owner, so society should reap the benefit of that value;

[4] This also took account of papers delivered at a Colloquium on Property Taxation (April 2009) and a follow-up seminar on Site Valuation Tax held in March of 2010 – both events attracted academics and practitioners from State Agencies, from both Ireland and abroad.

[5] Ordnance Survey Ireland (OSI), Valuation Office of Ireland (VO), Property Registration Authority (PRA) and the Central Statistics Office (CSO).

- it counteracts any market disincentive to develop the land;
- it encourages compact city centre development and the most productive use of high value land;
- less information and fewer inspections are needed for the calculations; and
- owners who have developed land are rewarded for so doing, while those who have not developed valuable land are encouraged to do so

25. The Commission on Taxation concluded that while there is an economic rationale for a SVT, it is rarely used for tax collection in other jurisdictions (most notably, parts, i.e. selected Local Authorities, of Sweden, Pennsylvania, New Zealand and Australia as well as Estonia and previously South Africa) because of some very real practical difficulties in its implementation including the existence of a comprehensive database of property ownership which is constantly updated for ownership, boundary and valuation changes.

26. There are existing data sources held by a number of State Agencies (primarily the Property Registration Authority and Ordnance Survey Ireland, the Valuation Office to a lesser extent), but they have been developed over time on an independent basis and a considerable degree of preparatory work is required before the required robust procedures and processes needed to underpin a SVT were in place.

27. In this Department's discussions with these State Agencies, the practical difficulties with introducing a SVT have been highlighted. In all cases, and mirroring the experience in other jurisdictions, it was highlighted that there would be very considerable infrastructural issues to be resolved in advance of developing an SVT that would be costly and time-consuming. While the introduction of a SVT was possible, it was stressed by the Agencies that an initial first-step could involve the development of a transitional property tax followed in time by a SVT.

28. For the reasons outlined in its analysis, the Commission considered that a long lead-in for this approach would be needed which would involve a long and sustained challenge for policy makers to implement. These factors probably explain why SVT is not widely found in other jurisdictions.

29. In addition, a number of other difficulties can be identified:
    - exclusion of improvements/buildings restricts the tax base;
    - insufficient sale price information to support assessed land values;
    - disputes about land values can lead to litigation and appeals;
    - LVT tends to be popular in developing countries, but becomes less popular as countries become developed because of he complex nature of property ownership and building development in those jurisdictions;
    - LVT is not sufficiently defendable or understandable as a basis for tax collection because the evidence is sparse and too variable; and
    - Much of the increased value of buildings as well as of land is attributable to society's efforts rather than simply those of the building owner or developer, but the increased value of buildings would not be subject to LVT.

30. The Government commitment to apply a SVT to non-agricultural land also undermines its value because of its restricted nature – for SVT to work on an optimal basis, it should cover all land.

Alternatives (or stepping-stones) to the Renewed Programme for Government SVT commitment

31. A number of policy options can be considered as an alternative to the *Renewed Programme for Government* commitment for the introduction of a Site Valuation Tax. The options are divided into short-term options and longer-term options:

    Short-term options

    (i) Flat-rate residential property charge (FR-RPC) levied on each residential unit in a manner similar to the NPPR.

    (ii) Commission on Taxation's proposal for an 'Annual Residential Property Tax' (ARPT) which is self-assessed and banded by property valuations.

    (iii) Household charge, self-assessed and based on a combination of floor size and valuation.

    or

    Household charge, self-assessed and based on either the floor size or valuation.

    (iv) Combined flat-rate charge per property plus a charge based on a mixture of floor size and valuation.

    Longer-term options

    (v) Site Valuation Tax as set out in the commitment in the *Renewed Programme for Government* – covered in Paragraphs 22-30, above.

    (vi) A discrete residential property tax, using valuation data (which is similar to the current system in Northern Ireland).

    (vii) Land Value Tax based on 'Land Value Zones'.

    Each option will be discussed in sequence (Paragraphs 31-68, below). The options are not exhaustive, but are representative of the type of systems which could be introduced.

32. The short-term options are options which could be introduced reasonably quickly with a short lead-in/preparatory stage enabling realisation of a revenue stream to the Exchequer at a relatively early stage - even as early as 2011 for one option. In some cases, these options can be used as an initial step toward a more sophisticated property taxation system at a later stage through, for example, gathering information on areas such as: ownership, building types and size, locations and valuations.

33. Adoption of a short-term option would probably benefit from being set within a more medium term framework in order to ensure that any perception of unfairness could be presented as simply transitional.

34. The longer-term options are essentially systems which could not be introduced *de novo* without a considerable degree of preparatory work; this factor would militate against their introduction to raise significant amounts of revenue for the Exchequer over the next 1-5 years. In overall terms, they should not be seen as 'better' than some of the short-term options; instead, they are different systems which tend to be more sustainable over time than some of the short-term options.

(i) Flat-Rate Residential Property Charge (FR-RPC) similar to the NPPR

35. Based on the current NPPR (Paragraphs 6-8), this Flat-Rate Residential Property Charge (FR-RPC) would be the simplest and quickest option to introduce. It

would be a relatively low flat-rate charge levied on all properties, regardless of size and value. Its main advantage would be that it provides an almost immediate yield to the Exchequer and has a strong degree of certainty built into its design.

36. The FR-RPC would be paid by all households with the exception of non-Principal Private Residences (NPPRs) which will continue to be covered by the existing charge on those properties. However, the NPPR charge would have to be increased substantially to ensure that non-Principal Private Residences were charged at a higher rate than Principal Private Residences.

37. If there was no allowance for waivers/mitigating measures (covering issues such as: unemployed or disabled householders; low income households; householders in mortgage arrears/negative equity; or off-setting Stamp Duty paid by purchasers in the last 7 years), the yield from the FR-RPC can be tentatively estimated[6] for a range of proposed charges:

FR-RPC on all Principal Private Residences*

Rate	€m Est. 2011 Yield	€m Est. Full Year Yield
€100	150	150
€150	225	225
€200	300	300
€250	375	375
€300	450	450
€350	475	475
€400	500	500

* This excludes properties subject to the current non-Principal Private Residences (NPPR) charge.

38. If waivers were allowable[7], there would be a reduction of 675,000 properties to give a potential property tax base of 1.259m houses which further decreases to 0.919m houses once the current level of NPPRs (340,000) is taken in to account; this base of 0.919m is considerably lower than the base used for the estimated yields in the above Table and the overall impact would be as follows:

FR-RPC on all Principal Private Residences (with a waiver)

Rate	RPC – all houses 2011 €m	RPC – all houses Full Year €m	RPC – waiver** 2011 €m	RPC – waiver** Full Year €m
€100	150	150	90	90
€150	225	225	138	138
€200	300	300	183	183
€250	375	375	230	230
€300	450	450	275	275
€350	475	475	320	320
€400	500	500	365	365
€450	525	525	410	410
€500	550	550	460	460

* This excludes properties subject to the current non-Principal Private Residences (NPPR) charge.
** Application of the 25% waiver from the Commission on Taxation data (see note 9) – for estimate purposes, it is assumed that the waiver is a straight reduction rather than focussed on specific valuation bands.

6 Based on the Commission on Taxation figure of 1.934 million residential units (incl. estimated 136,000 local authority and social housing), using Dept. of the Environment, Heritage & Local Government data for housing units in 2009, less 340,000 NPPRs with some allowance made for emigration, etc.

7 The Commission estimated a waiver rate of 25% for houses valued below €750,000 and 10% for those valued between €0.75m and €1.5m - there would be an overall waiver rate of 35% because the Commission's waiver was weighted towards the valuation bands with the largest number of houses.

39. There are a number of options for increasing the NPPR charge above its current rate of €200 per property in order to ensure that non-Principal Private Residences were charged at a higher rate than Principal Private Residences:

Non-Principal Private Residence (NPPR): Possible Rate Increases

Rate	€m 2011	€m Full Year
€200*	68	68
€250	85	85
€300	100	100
€350	120	120
€400	135	135
€450	150	150
€500	170	170

* Current rate - €68m collected to date.
** No sell-off of second homes by their owners as a reaction to an increased charge is assumed.

40. While some consideration will have to be given to the impact of introducing a Residential Property Charge (RPC) on a flat rate basis in conjunction with an increase in the existing €200 charge on non-Principal Private Residences (NPPRs), it is possible to provide estimated yields of different rates on a combined basis.

41. In framing any eventual decision on this matter, the issue of equity between owners of Principal Private Residences and owners of non-Principal Private Residences will have to be addressed. For example, there may be problems of equity in regard to charging a higher rate on a Principal Private Residence as compared to the charge for a non-Principal Private Residence which could be used by its owner to provide an additional source of income either as purely rented premises or rented on a periodic (holidays) basis.

42. This interplay of the FR-RPC and the NPPR charge is not fully explored in the estimated yields and, as a result, the combined impact of the different RPC and NPPR rates is provided for illustrative purposes only – it assumed that the NPPR will be higher than the FR-RPC on grounds of equity.

Combination of a FR-RPC and increased NPPR

FR-RPC Rate	€m FR- RPC* 2011	€m FR- RPC* Full Year	NPPR Rate	€m NPPR 2011	€m NPPR Full Year	€m Combined 2011 Yield	€m Combined Full Year
€100	90	90	**€200**	68	68	158	158
€100	90	90	**€250**	85	85	175	175
€150	138	138	**€300**	100	100	238	238
€200	183	183	**€350**	120	120	303	303
€250	230	230	**€400**	135	135	365	365
€300	275	275	**€450**	150	150	425	425
€350	320	320	**€500**	170	170	490	490
€400	365	365	**€550**	185	185	550	550
€450	410	410	**€600**	200	200	610	610
€500	460	460	**€650**	220	220	680	680

* Includes waiver

43. Introducing a flat-rate residential property charge (FR-RPC) would have the advantages of:
    - easy to administer and understand;
    - an immediate yield to the Exchequer;
    - the NPPR charge, also a flat-rate, has been perceived to be a success;

- far less information is needed to administer the tax – inspections would only be required to verify the existence of a residence.

44. Notwithstanding the administrative advantages, there are considerable disadvantages to consider:
    - A flat-rate tax would be perceived as inequitable because the same amount of tax would be levied on expensive and inexpensive properties - this perception would be greatly reduced by the use of waivers and exclusions;
    - Given its application to all households in the State, regardless of valuation or size, some allowance would have to be included for low income households, etc;
    - Introducing a simple system does not help collect, collate and use valuable data to put in place a more sustainable system.
    - Once this was introduced as an initial first step, it may be difficult to development a more complicated, sustainable, system.

(ii) Commission on Taxation's 'Annual Residential Property Tax' (ARPT)

45. The Report of the Commission on Taxation provided an illustrative model for an annual, self-assessed, property tax based on the valuation of a residential property. The Commission proposed that properties be grouped in eight valuation bands (five bands of €150,000 each from €0 to €750,000 (i.e. €0 - €150,000 and €150,001 - €300,000, etc); €750,001 to €1,000,000; €1,000,001 to €1.5 million; and over €1.5 million) with properties were taxed at the midpoint of the valuation band. A small allowance could be made available to householders who wished to secure the services of a property-valuer: this could be set-off against the first year's tax.

46. Based on tentative rates of 0.25% and 0.3%, using house price date from 2004, the Commission estimated that the 0.25% rate would yield €1.231 billion if no waiver was applied, and €926 million if a waiver of 25% applied to the five lowest bands; it was estimated that the 0.3% rate would yield €1.476 billion before a waiver and €1.112 after a waiver. In both cases, no yield was estimated for properties valued over €1.5 million because values for those properties were not available.

47. The advantages of this proposal include:
    - Perceived as 'fairer' than a flat-rate charge on all households;
    - Self-assessment allows a relatively easy and fast collection of valuation data;
    - Unlike other options, it is not based on unavailable information; and
    - Over time, the system could be developed into a more accurate system (i.e. external assessment by the Agency administering the system) which did not rely on self-assessment.

48. The disadvantages of this proposal include:
    - Self-assessment is likely to lead to inconsistent estimation of property values;
    - While self-assessment has advantages, a relatively small portion of the population is currently subject to self-assessment, so imposing self-assessment on basically the entire population is likely to pose problems;
    - Problems with self-assessment which could be addressed through audit checks by the Agency administering the system;
    - The system could be difficult to move to a more developed (i.e. external assessment by the Agency administering the system) once it is implemented;
    - It does not allow for future improvements to accuracy;

- Information about building use is not currently available, which would hinder the enforcement and compliance of the tax;
- Potential difficulties with valuing properties which are close to the edges of the bands; and
- Any tax based solely on valuations would probably be higher in the Dublin area and, to a lesser extent, other urban areas, so the tax could be open to similar criticisms to the old RPT.

(iii) Household charge, self-assessed and based on a combination of floor size/plot size and valuation ('combined' charge) or a Household Charge based on either the floor size or valuation ('alternative' charge)

49. This is relatively similar to the Commission on Taxation's illustrative model for an Annual Residential Property Tax, but goes beyond using valuations. Under this option, taxpayers would self-assess a household charge consisting of, and based on, a mixture of floor size and valuation of the property (i.e. part of the charge is based on floor size and part on valuation) this is denoted as the 'combined' household charge system.

50. Householders would assess the floor size of their property in accordance with a straight-forward methodology and then relate their results to a matrix of floor size bands and charges. Similarly, and in a manner reflecting the Commission on Taxation's model for an Annual Residential Property Tax, householders would assess the valuation of their property, relating the results to a matrix of valuation bands and charges. The overall charge would be the combination of the two results, but it should be noted that there could be low value houses with a large floor size and vice versa. A small allowance could be made available to householders who wished to secure the services of a property-valuer: this could be set-off against the first year's tax. It is envisaged that the tax base for this charge would be relatively wide with low fixed rates – there would be very limited scope for waivers and/or exclusions.

51. The following Table illustrates how the Household Charge could be developed – the precise floor size bands and valuation bands would have to be developed in accordance with how they occur in reality – data from the Department of the Environment, Heritage & Local Government and the CSO would be used as a guide. The weighting of the charge attributable to floor size and that attributable to valuation may be difficult and would reflect policy needs (i.e. discourage larger houses which may be of low valuation – as located in rural areas as one-off houses).

Illustrative Household Charge combining floor size and valuations*

A Floor Size Band Ft^2	B Floor Size Charge €	C Valuation Band €1,000	D Valuation Charge €	E Household Charge (i.e. B +D)** €
0 - 500	10	0 – 100,000	40	50
501 - 950	20	100,000– 200,000	50	70
951- 1,000	30	200,000– 250,000	60	90
1,000 – 1,500	40	250,000– 300,000	80	120
1,501 – 1,800	60	300,000– 350,000	100	160
1,801 – 2,000	80	350,000– 400,000	120	200
2,001 – 2,500	100	400,000– 450,000	140	240
2,501 – 3,000	150	450,000– 500,000	160	310
3,001 – 4,000	200	500,000– 550,000	180	380
4,000 +	300	550,000– 600,000	200	500
		600,000– 650,000	220	
		650,000– 700,000	240	
		700,000+	250	

* The Floor Size bands and valuation bands are provided for illustrative purposes
** For illustration only, the sum of B+D have simply been added so that €10 + €40 = €50; in reality, there could be low value houses with a large floor size and vice versa.

52. Given the time constraints in developing this TSG Paper, it was not possible to construct estimates for the yield from this option; however, the rates could be set to ensure that the yield was comparable to that from the other systems explored as possible alternatives or stepping-stones to a SVT.

53. As an alternative, householders would be able to choose between using the lower amount of a charge based on either floor size or valuation – this is denoted as the 'alternative' household charge system. In this case, the Household Charge could be calculated by reference to set rates: for example, €5 per full square metre of floor space or €2 per full €1,000 of value. Once a householder has calculated their charge on the basis of floor size and valuation, they choose whichever method was more advantageous to them (i.e. lower) and pay on that basis. Again, the weighting of the charge attributable to floor size and that attributable to valuation may be difficult and would reflect policy needs.

54. The proposed system has a number of advantages:
- Self-assessed and relatively easy to administer, although a 'combination' method might prove more slightly more complicated.
- It should be easy for taxpayers to measure their property or obtain a cheap valuation.
- The urban/rural divide issue would be avoided under the 'combination' system, because part of the liability will be based on property size, and part on value.
- This urban/rural divide issue would be avoided under the 'alternate' system because taxpayers could choose whatever system would produce the lower value (probably size for urban dwellers and valuation for rural dwellers).
- If the graduations in the amount payable were made small (as in the example above, €2 per €1,000 of value or €5 per full square metre) there would be a lower likelihood of a serious underestimate of liability.
- Either system would also collect valuable data (building use, building size, and valuation) which could be fed into refining the system or producing a more sophisticated system, if required.

55. In terms of possible pitfalls:

- There is no known example of a similar system.
- The 'combination' system might prove tricky to explain and to set.
- Equally, the actual rate chose would have to be carefully determined to obtain the required yield and to set the tax at an acceptable rate for most taxpayers.
- Perceived problems with self-assessment could be addressed through audit checks by the Agency administering the system.
- Self-assessment is likely to lead to inconsistent estimation of property values and many of the shortcomings of the RPT.
- While self-assessment has advantages, a relatively small portion of the population is currently subject to self-assessment, so imposing self-assessment on basically the entire population is likely to pose problems.
- Perceived problems with self-assessment which could be addressed through audit checks by the Agency administering the system.
- Difficulties about valuing properties which are close to the edges of the bands.

(iv) Combined flat-rate charge per property plus a charge based on a mixture of floor size and valuation

56. This option combines the features of the existing NPPR charge (or the proposed Flat-Rate Principal Residence Charge as detailed in Paragraphs 35-44, above – Option (i)) with the proposed House Charge 'combined' approach detailed in Paragraphs 49 – 55, above – Option (iii). Under this model, every household would pay a charge consisting of three elements:

    (a) flat-rate residence charge for every household regardless of size or valuation
    (b) variable charge based on floor size – as detailed for option (iii)
    (c) variable charge based on valuation – as detailed for option (iii)

57. For an individual household, the charge would look like the following illustrative example:

<u>Illustrative Household Charge combining floor size and valuations</u>*

A Flat Household Charge €	B Floor Size Band Ft^2	C Floor Size Charge €	D Valuation Band €1,000	E Valuation Charge €	F Household Charge (i.e. B +D)** €
50	0 - 500	10	0 – 100,000	40	100
50	501 - 950	20	100,000– 200,000	50	120
50	951- 1,000	30	200,000– 250,000	60	140
50	1,000 – 1,500	40	250,000– 300,000	80	170
50	1,501 – 1,800	60	300,000– 350,000	100	210
50	1,801 – 2,000	80	350,000– 400,000	120	250
50	2,001 – 2,500	100	400,000– 450,000	140	290
50	2,501 – 3,000	150	450,000– 500,000	160	360
50	3,001 – 4,000	200	500,000– 550,000	180	430
50	4,000 +	300	550,000– 600,000	200	550
50			600,000– 650,000	220	
50			650,000– 700,000	240	
50			700,000+	250	

* The Floor Size bands and valuation bands are provided for illustrative purposes
** For illustration only, the sum of A+C+E have simply been added so that €50+ €10 + €40 = €100; in reality, there could be low value houses with a large floor size and vice versa.

58. As with option (ii), householders would assess the floor size of their property in accordance with a straight-forward methodology and then relate their results to a

matrix of floor size bands and charges. Similarly, and in a manner reflecting the Commission on Taxation's illustrative model for an Annual Residential Property Tax, householders would assess the valuation of their property relating their results to a matrix of valuation bands and charges. The overall charge would be the combination of the two results, but it should be noted that there could be low value houses with a large floor size and vice versa. A small allowance could be made available to householders who wished to secure the services of a property-valuer: this could be set-off against the first year's tax. As noted in regard to Option (ii), the weighting of the charge attributable to floor size and that attributable to valuation may be difficult and would reflect policy needs.

59. Again, it was not possible to construct estimates for the yield from this option because of the time constraints in developing this TSG Paper - the rates could be set to ensure that the yield was comparable to that from the other systems explored as possible alternatives or stepping-stones to a SVT.

60. The proposed system has a number of advantages:
- Self-assessed and relatively easy to administer, although a 'combination' method might prove more slightly more complicated.
- It should be easy for taxpayers to measure their property or obtain a cheap valuation.
- The urban/rural divide issue would be avoided because part of the liability will be based on property size, and part on value.
- Either system would also collect valuable data (building use, building size, and valuation) which could be fed into refining the system or producing a more sophisticated system, if required.

61. In terms of possible pitfalls,
- There is no known example of a similar system.
- The flat-rate element may lead to perceptions of unfairness.
- The 'combination' system might prove tricky to explain and to set.
- Equally, the actual rate chose would have to be carefully determined to obtain the required yield and to set the tax at an acceptable rate for most taxpayers.
- Perceived problems with self-assessment could be addressed through audit checks by the Agency administering the system.
- Self-assessment is likely to lead to inconsistent estimation of property values and many of the shortcomings of the RPT.
- While self-assessment has advantages, a relatively small portion of the population is currently subject to self-assessment, so imposing self-assessment on basically the entire population is likely to pose problems.
- Perceived problems with self-assessment which could be addressed through audit checks by the Agency administering the system.
- Difficulties about valuing properties which are close to the edges of the bands.

(vi) A discrete residential property tax, using valuation data - similar to the current system in Northern Ireland

62. A discrete residential property tax would be along the lines of the current domestic rates system in Northern Ireland – a system based on the capital value of property, which involves discrete or individual property valuations and direct assessment by an Agency rather than self-assessment. The Land and Property Services in Northern Ireland conduct a large amount of valuations each year, based on site visits and sales data, to assess the rates. The system is very robust with very few appeals or attempts to evade.

63. As previously noted for the other options, it was not possible to construct estimates for the yield from this proposed system.

64. The advantages of this system are:
    - Property values will be more accurately assessed than under a self-assessed system;
    - Can be used as part of the process to create a Site Valuation Tax; and
    - Individual valuations means the system can be seen to be fair.

65. The disadvantages include:
    - Heavy reliance on information which is either currently unavailable or difficult to obtain, such as current asking and sale prices, or mortgage/loan to value ratios, (if it was decided to make allowance for such factors in striking the rate);
    - The process involved are complex and would take a long time to implement; and
    - Could not be introduced from scratch – another system would have to be put in place first before the necessary valuation infrastructure was in place.

(vii) Land Value Tax based on 'Land Value Zones'

66. An alternative method of introducing a Land Value Tax could be to use geographic information currently available under the existing *GeoCode* system, developed by the OSI for An Post (essentially a form of postcode system under which each individual property, such as units at one address e.g. industrial premises, has a unique identifier), in an integrated computer assessment system to generate 'Land Value Zones'. Each of these zones could be valued at representative points within them to measure zone boundaries and provide the value of units within the zone (i.e. a sample of houses within a homogeneous estate would be surveyed externally and the subsequently fact-checked using a variety of sources. Each residence would not be valued individually, but would be valued as a proportion of the size of the 'Land Value Zone'. Again, it was not possible to construct estimates for the yield from this proposed system.

67. The advantages of this system include:
    - a significant portion of the work would already have been done under the existing *GeoCode* system – it would only require an extension of this work;
    - it would be the most accurate representation of land values;
    - it would not rely on historic or out of date data or on unavailable information about building use, etc;
    - its accuracy could be improved by adding data each year; and
    - this system would also avoid some of the pitfalls mentioned above of traditional LVT systems – sale price information would not be required and the system would have a large amount of evidence available to back up valuations.

68. The disadvantages of this system include:
    - that it would require significant input from property-valuers throughout the process;
    - it would require a longer timeframe for implementation; and
    - not all boundary areas are conclusive, so area bands would be needed to address this problem.

Conclusion – Policy Options

69. The examination into the *Renewed Programme for Government* commitment for the introduction of a Site Valuation Tax, combined with analysis into other jurisdictions and initial work undertaken by a number of State Agencies, highlights a number of issues which hinder the short-term introduction of a SVT.

70. While it remains possible to introduce a SVT in line with the commitment, there are some very real practical difficulties in its implementation, including the existence of a comprehensive database of property ownership which is constantly updated for ownership, boundary and valuation changes. This was the basis for the Commission's finding that a long lead-in for this approach would be needed which would involve a long and sustained challenge for policy makers to implement. These factors are probably also relevant for its non-implementation in most other jurisdictions with a scale of socio-economic development at a par with Ireland.

71. It is possible to develop and introduce a property tax based on one of the short-term policy options outlined in this paper which can provide a flow of revenue to the Exchequer in a relatively short time period. However, this advantage has to be balanced with a risk that the quicker a tax is developed and introduced, the greater the possibility that the nuances of the interplay between the valuation and size of properties may be lost while the chance of moving towards a tax charge/rate approximating to a flat-rate becomes stronger.

Stamp Duty on Property

72. Stamp Duty is a tax on documents or instruments. In the context of property, it is imposed on the instrument affecting the transfer of property and it is charged as a proportion of the value of the property transferred. It was initially introduced in the Seventeenth Century to monitor land transactions. Appendix B sets out the current levels of Stamp Duty for residential and non-residential (commercial) property and Appendix C sets out existing reliefs and exemptions.

73. Stamp Duty on property has been argued as a reason both for, and against, the introduction of a tax on residential property. In part, this contradiction relates to a degree of uncertainty about the continued existence of Stamp Duty on property once a property tax has been introduced.

74. In most other jurisdictions such as the UK, USA, Denmark and The Netherlands, an annual residential property taxation exists in conjunction with a transactions-based tax which operates in the same manner as Stamp Duty because it aims to secure some benefit to the State from property transactions, specifically the increased asset value over time[8].

75. In recent years, there have been substantial changes to the residential Stamp Duty regime as policy responses to changing market conditions (supply, affordability, investment, etc). In hindsight, it can be considered that these had conflicting objectives, for example: encouraging investors in residential properties (driving up prices) and then making concessions to owner/occupiers to make homes more affordable (i.e. to redress, among other things, the investor impact). Simplification of the regime was also an important concern. Appendix D details some of the main changes over the 1997-2009 period.

[8] The aim to capture increased capital asset value is, of course, a function of Capital Gains Taxation (upon a sale of an asset), but apart from the UK, most jurisdictions treat such capital gains under the Income Tax Code.

76. The Stamp Duty base and its value as a source of revenue for the Exchequer has been greatly diminished - it is estimated that 40% of all transactions[9] are currently exempt. At this juncture, the only owner occupiers currently liable to residential Stamp Duty are: (i) non first-time purchasers of second-hand homes valued over €127,000 and (ii) purchasers or new homes with an area above $125m^2$ ($1,346ft^2$). Investors are liable for residential properties valued over €127,000 as are all purchasers of commercial property (including sites) valued in excess of €10,000.

77. Stamp Duty on property transactions, which is dependent on transaction levels and values, is particularly subject to fluctuations, especially in times of buoyant property prices and markets which occurred over the 2003-07 period as can be readily seen in the following table:

Year	Residential	Commercial	Total	Charge: €/% (Y-on-Y)
2010*	47	44	91	-€93m (-51%) **
2009	150	179	329	-€716m (-67 %)
2008	445	600	1,045	-€1,336m (-56%)
2007	1,018	1,363	2,381	-€528m (-18%)
2006	1,311	1,678	2,909	+€908m (-45%)
2005	945	1,056	2,001	+€540m (+37%)
2004	752	709	1,461	+€386m (+36%)
2003	528	547	1,075	+€409m (+61%)
2002	349	317	666	-€5m (-0.8%)
2001	265	406	671	-€3m (-0.5%)
2000	282	392	674	+€123m (22.3%)
1999	263	288	551	-

* Out-turn to end-June, provisional figures
** In respect of H1 2010 versus H1 2009

Conclusion – Interaction of a property tax with Stamp Duty and the NPPR charge

Stamp Duty

78. As mentioned earlier, the interaction of any potential annual residential property tax with Stamp Duty and the non-Principal Private Residence charge are critical. In common with most other jurisdictions (notably the UK, Denmark and most States in the USA), it is suggested that the annual residential property tax operate in conjunction with Stamp Duty on transactions, albeit at a far lower rate than at present without any reliefs. Any reduction in residential Stamp Duty would have to be largely mirrored by a reduction in non-residential Stamp Duty.

79. As highlighted in the analysis of the various options for a property tax, it is important to ensure that the issue of equity between owners of Principal Private Residences and owners of non-Principal Private Residences will have to be addressed. There could be difficulties in charging Principal Private Residences with a higher or similar rate to that for non-Principal Private Residences. If the latter was to be increased in the context of a property tax, consideration might be given to having different rates of the NPPR charge for different types of property depending on policy requirements.

80. The Tax Strategy Group may wish to discuss.

Appendix A

[9] Exempt transactions must be submitted to Revenue for assessment.

Property Taxation in Ireland: Developments, 1978 – 97

Abolition of Domestic Rates: 1978

(i) Until 1978, a comprehensive millage system existed through the application of rates on commercial and domestic property which were used to fund Local Authorities. Rates were based on two elements: rateable valuation of a property (tax base), which reflected the net annual letting value, and an annual rate (tax rate) set by each Local Authority as part of its annual budgeting process. This system was in place since the mid-nineteenth century.

(ii) Domestic rates were abolished by the Jack Lynch-led Fianna Fáil Government in 1978 in line with a commitment in that party's 1977 General Election Manifesto. The funding shortfall was subsequently met by direct Exchequer transfers to Local Authorities and by the other means of funding, primarily the use of fees and charges for Local Authority services. Rates on commercial property remain in place and accounted for x% of Local Authority funding in 2009.

Residential Property Tax (RPT): 1983-97

(iii) Domestic Rates were partially replaced by the introduction of a Residential Property Tax (RPT) in April of 1983 to address some of the considerable problems in the public finances at that time.

(iv) Once the market value of a residential property exceed a given limit (increased yearly in accordance with the New House Price Index), that value was subject to a RPT rate of 1.5% provided that the owner's income exceeded a certain level.

(v) The nature of the RPT, particularly the income and house valuation exemptions, meant that in practice it was based on an extremely narrow tax base which led to relatively insignificant revenue yields, high administrative costs and a perception of it as a predominantly urban-based and, more specifically, a 'Dublin tax'.

(vi) Over the fourteen years of its existence from 1983 to 1997, the level of assessments never exceeded 20,000 taxpayers, apart from 1994 when a flat rate was introduced (as opposed to a proportion of valuation). In 1996, which was its final full year of operation, there were 21,500 assessments representing less than 2% of all households. In the last two full years of operation (1995 and 1996), RPT raised an average of €16.5 million per annum; by contrast, over the same period the estimated yield from residential Stamp Duty was an average of €134 million per annum.

(vii) In overall terms, the RPT was an inadequate response to the shortfall in revenue created by the abolition of Domestic Rates because of its narrow tax base, perception of unfairness, complicated administration and low yields.

Farm Tax: 1986-87

(viii) A farm tax was introduced in 1986 as a source of revenue for Local Authorities. Based on the concept of 'adjusted acreage', which contained a mixture of Income Tax and property tax elements, it was abolished in 1987.

Appendix B

Current Stamp Duty Rates: Residential and Non-Residential Property

Stamp Duty Rates for New Residential Properties*

Condition	Owner-Occupiers	Investors/non-occupying purchasers
Under 125 m^2 (1,346ft^2)	Exempt	Standard rates (i.e. second-hand rates in Table below) charged on full property value (ex-VAT) – regardless of size
Over 125 m^2 (1,346ft^2)	Standard rates (i.e. second-hand rates in Table below) charged on site value or 25% property value (ex- VAT)	

* First-time owner-occupying purchasers are exempt from residential Stamp Duty

Stamp Duty Rates for Second-Hand Residential Properties*

Aggregate Consideration exceeds €127,000*	Rate for instruments executed on or after 5 November 2007
First €125,000	Nil
Next €875,000	7%
Excess over €1,000,000	9%

* First-time owner-occupying purchasers are exempt from residential Stamp Duty

Non-Residential Stamp Duty Rates

Aggregate Consideration	Rate of Duty
Up to €10,000	Exempt
€10,001 to €20,000	1%
€20,001 to €30,000	2%
€30,001 to €40,000	3%
€40,001 to €70,000	4%
€70,001 to €80,000	5%
Over €80,000	6%

Appendix C

Reliefs/Exemptions from Stamp Duty on property

First-time buyers

All first-time owner-occupying purchasers of new and second-hand houses are exempt from Stamp Duty.

Newly constructed homes

Any purchase of a new house/apartment below 125 m^2 in size is exempt from Stamp Duty. For new properties above this threshold, the normal residential rates (7% or 9%, depending on value) are charged on site value or 25% of the property value (ex-VAT).

Minimum valuation threshold

Properties valued below €127,000 are completely exempt from residential Stamp Duty with a corresponding threshold of €10,000 for non-residential property. For residential properties, the first €125,000 of any transaction valued in excess of €127,000 is subject to a 'nil' rate with the residual balance subject to the prevailing rates of 7% (next €875,000) and 9% (excess over €1,000,000).

Young Trained Farmers

There is an exemption for qualified young trained farmers receiving farmland. Farmers aged below 35 who have a specific agricultural qualification may apply for this relief. Budget 2009 extended this scheme for a further four years until 31st December 2012.

Farm Consolidation Relief

Farm consolidation relief allows a farmer to claim relief where he or she sells farm land and purchases farm land, in order to consolidate his or her holding, where both the sale and purchase of farm land occur within 18 months of each other. Budget 2009 extended this scheme for a further 2 years until 30th June 2011.

Site to Child

The transfer of a site from a parent to a child is exempt if the purpose of the transfer is for the construction of the child's principal private residence and the market value of the site does not exceed €500,000, formerly €254,000. The size of the site qualifying for relief is restricted to 1 acre.

Consanguinity Relief

A property transfer between certain blood relatives qualifies for Consanguinity Relief which reduces the rate of Stamp Duty to one-half of the rate which would otherwise apply. This relief applies to the residential and non-residential regimes.

Appendix D

Main changes to the Stamp Duty Regime, 1997 - 2008

Year	Change
1997	Three additional Stamp Duty rates of 7% to 9% introduced for residential property (to coincide with the abolition of residential property tax).
1998	Finance (No 2) Act 1998 increased Stamp Duty thresholds on residential property. The threshold under which no Stamp Duty was payable increased from £5,000 to £60,000. This implemented the first Bacon Report recommendation.
2000	New Stamp Duty regimes for first-time buyers (preferential treatment) and a new single rate of 9% for investors of new residential property to discourage investors.
2001	Effective reversal of previous years changes with investors charged at normal residential stamp duty rates to address downturn in purchases by investors.
2003	Three additional rates of 7% to 9% introduced for non-residential property up from the existing 6% top rate.
2004	Stamp duty rates and thresholds for first-time buyers further reduced.
2007	Abolition of stamp duty for first-time buyers.
2008	Reform with two rates replacing five rates and a reduction in top rate for commercial property from 9% to 6%.

Appendix E

Commission on Taxation recommendations on the taxation of property – September, 2009

6.1	The provision of an up-to-date valuation base for all property and land in Ireland should be addressed as a priority issue.
6.2	Provide for an annual property tax on all residential housing units with the broad exceptions of local authority and social housing units and some other limited exceptions set out in section 4.2 of Part 6.
6.3	Stamp duty for purchasers of principal private residences should be zero-rated.
6.4	Stamp duty should continue to apply to investor purchasers of residential housing units. The rate should be competitive having regard to the transaction tax rates and thresholds that apply across the EU.
6.6	A recurrent property tax on land zoned for development should be introduced.
8.73*	Stamp duty relief for transfers of land to young trained farmers should continue.
8.74*	The stamp duty exemption relating to the sale or transfer of EU Single Farm Payment Entitlements should be continued.
8.111*	Consanguinity relief within the stamp duty code should continue.
11.11	The proposed annual property tax system should be established and operated as a national property tax system for a short initial period: • Its revenues should then be hypothecated for local government financing as soon as is feasible – once the tax has become established, and • By no later than the next local elections (June 2014), rate-setting powers should be devolved to local government subject to the considerations set out at section 5.3 of Part 11.

* Relates to the provision of a relief from Stamp Duty