



Citizens Information Board

**Submission to the Department of Finance and the Revenue
Commissioners**

Subject: Local Property Tax

Date: October 2013

The Citizens Information Board (CIB) is making the following submission to the Department of Finance and the Revenue Commissioners in relation to the introduction of the Local Property Tax. This is based on feedback from local Citizens Information Services (CISs) and the national Citizens Information Phone Service (CIPS). These services were signposted in the Local Property Tax information distributed by Revenue, and recorded over 24,000 queries in relation to LPT mainly during the period March to June 2013¹. As such the services were well positioned to offer a view as to the issues arising for the people turning to them for information and assistance regarding the new tax².

Hardship, Deferrals and Exemptions

Hardship

Quite a number of the Services reported people's incapacity to pay the new tax. The following cases illustrate this issue:

Person is on Mortgage Interest Supplement and was therefore exempt from Household Charge. However, he is now liable for the more costly LPT; his income is the same and his cost of living has gone up. He wonders why his exemption has not carried over to the new LPT when his personal finances are worse than ever. (North & East Cork County CIS)

¹ Citizens Information Services recorded almost 15,000 queries in relation to the Local Property Tax, representing over 50% of the Money and Tax queries dealt with overall in the March to June period. The national Citizens Information Phone Service answered over 9,000 LPT calls. These services nationally deal with over 700,000 callers and a million queries annually.

² In preparation for the roll-out of the Local Property Tax, over 200 Information Providers from the national network of Citizens Information Services attended training events around the country provided by the Revenue Commissioners and the Citizens Information Board.

Deferrals

Many of those facing financial hardship (if meeting certain criteria) are able to defer payment of the LPT until such time as circumstances improve (or their property is sold). The 4% pa interest charge, however, deters some of those who – though they may struggle to pay - do not wish to accumulate (more) debt and to incur additional charges on this. The deferred amount (including interest) will attach to the property, and will have to be paid on sale of the property. In the case of elderly people, this can mean that payment is deferred until after death, but CIS feedback suggests that this is a matter of anxiety for some, who do not wish to ‘pass on’ such a debt.

This family of six (two parents; four children) is on social welfare, with an income of €438 per week. The caller states that they have no disposable income. They would qualify for the LPT deferral but say that they are going to find a way to pay because they don't want to incur the 4% interest charge. (CIPS)

This couple is in receipt of Mortgage Interest Supplement (for which there is no LPT exemption). Although they are able to defer the LPT payment (they meet the criteria) they feel that they will only be accumulating more debt if they select this option, thus worsening their financial situation.

A caller is receiving a Pre-Retirement Allowance of €188 per week. Her LPT is €337 this year (€675 next year). She agrees with the valuation of her property. She will struggle to pay. She cannot select deduction at source since this would leave her at a level below the SWA rate. She could opt for full deferral but is concerned about the interest charges of 4% per annum, and the debt that will accrue as a charge on the property. (CIPS)

Exemptions

There has been confusion about the eligibility requirements for exemption, with people looking for assistance claiming exemption where there is a permanently incapacitated person in the home, misunderstanding the ruling that exemption applies to the property rather than the person – in this case, for example, it would apply only had the property been bought, built or adapted specifically because of the person's incapacity, and also in that case, other restrictions apply. In this regard, concern has been expressed about the narrowness of some of the criteria, particularly in relation to this issue of premises bought/built/adapted for the use of a person with a disability.³

LPT exemption for homes adapted to meet the needs of a severely disabled person does not cover a house that has been adapted for a person born with a severe disability but where no financial award has been made (by Personal Injuries Assessment Board, court or trust). (Dublin City North Bay CIS)

³ Exempt properties include “a residential property purchased, built or adapted to make it suitable for occupation by a permanently and totally incapacitated individual as their sole or main residence, where an award has been made by the Personal Injuries Assessment Board or a court or where a trust has been established specifically for the benefit of such individuals. In the case of adaptations to a property, the exemption will only apply where the cost of the adaptations exceeds 25% of the market value of the property before it is adapted.” (<http://www.revenue.ie/en/tax/lpt/exemptions.html>)

A caller has a daughter with disability and wanted to know about exemptions outlined in LPT guidelines for adapted homes. They received a local authority grant in 2005 to buy a house and adapt it for her needs. Her daughter permanently resides in the dwelling and is totally incapacitated. The grant received was not, however, included in the list for exemptions for adapted housing in the LPT legislation. (CIPS)

Property Valuation

CISs report that property valuations are causing concern. Co Wicklow CIS, for example, reports that “a number of people calling about the LPT expressed uncertainty over the valuations in the Revenue guide, with houses across large areas being valued at more or less the same rate regardless of how one compares to another”.

In the reported cases where Revenue’s valuation appears to be in excess of the ‘true’ value of the property, there is a reluctance on the part of some homeowners (and the CIS data suggests that this is particularly the case with elderly people) to challenge the ‘official’ Revenue valuation. This may lead to a person overpaying his/her LPT until the end of 2016, since the current valuation will apply until that time.⁴

An elderly lady (with mobility issues) sought assistance with completion of the LPT form. She has literacy difficulties. The CIS calculated her liability using *daft.ie*; her liability band came in lower than the Revenue valuation. The lady stated, however, that she would pay the requested amount because she would not be able to challenge the Revenue at her age (78 years). There is confusion regarding the difference between the LPT form and the accompanying letter outlining the value band for the property. It can be expected from our experience to date that many elderly people, through fear of coming into problems with Revenue, will simply assume that the value stated in the Revenue letter is to be accepted, despite what appears to be a level of over-valuation. (Dublin 8 & Bluebell CIS)

Many older people have properties that Revenue appears to have placed into a too high valuation band. We are seeing a lot of anxiety among older people who wish to use the Revenue’s valuation even if it is explained that it is an estimate and they must appropriately value it themselves. There is a fear that, if deemed to be undervalued, their family will have to repay on their death. They are unable to fund the cost of a valuation by auctioneer. It is putting older people in a vulnerable position; it would be better if Revenue did not put an estimate at all on the property. Many older people are choosing to be ‘safe’ and to concur with the Revenue estimate even if the interactive guide suggests a lower value. This is resulting in a vulnerable percentage of the population, living on social welfare, paying above the

⁴ Minister for Finance Michael Noonan [PQ: 17499/13]: “Section 26 of the 2012 Act (as amended) provides for the possibility of a refund where an overpayment of LPT was made due to an error or mistake on a Return or a statement made by the liable person, subject to certain conditions being satisfied ... Generally speaking, [however], a liable person seeking a refund because they over-valued their property would *not* come within the scope of this provision, so it is imperative that the liable person takes due care and attention is self-assessing the valuation band for the residential property.” [Dublin City Centre CIS reports, however, that it has successfully advocated for a review and refund in such a case, where literacy/mental health issues had impacted on the person’s capacity to accurately complete their return.]

rate they should pay. This issue requires attention as the valuation is 'locked in' for four years. (Co Waterford CIS)

As with other LPT issues, difficulties regarding valuations were reported to be compounded by a lack of clear information. People reported being unable to understand the valuation information provided by Revenue. People found it "confusing to be allocated a Tax Band but then told they had to assess/value the property themselves" (Dublin North West CIS). Some people felt such confusion that they decided they had no option but to go to the trouble and expense of getting their homes professionally valued (Ballyfermot CIS). There was a general sense from CIS feedback on the issue of property valuation of confusion, apparently contradictory information, and/or 'gaps' in the guidelines available. Additionally, it appears to be very difficult to correct a valuation error, once made.

People living in a cottage have no drop down box to use as a guide. (Dublin 8 & Bluebell CIS)

LPT letter went to two people in same household. Each letter contained a different valuation, with a difference of €150,000 between them [based on mid-point of respective evaluation bands]. (Dublin Northside CIS)

There is confusion regarding the difference between the LPT form and the accompanying letter outlining the Value Band for the property. (Dublin 8 & Bluebell CIS)

A mistake was made while filing two properties online for the Property Tax but there is no way to change the valuation. LPT phone service informed us that we should write an email explaining it was a genuine mistake so that the person isn't liable for fines. There does not seem to be a way for people to fix mistakes made when filing online. (Dublin City Centre CIS)

Filing and Payment Options

Instalment Payments and Deduction at Source

Although it is possible to have a regular LPT payment deducted at source from certain social welfare payments, this option is not available to all those currently dependent on social welfare.⁵ People in receipt of a jobseeker's payment or Illness Benefit, for example, cannot select this option. Nor is LPT included in the Household Budget Scheme administered by An Post. Many people on 'excluded' welfare payments who need to pay in instalments must therefore pay an additional charge per payment (e.g. €1 per transaction in the Post Office).⁶ The only other option for

⁵ The social welfare payments from which a LPT payment can be deducted at source are: State Pension (Contributory or Non-Contributory or Transition); Widow/Widower's or Surviving Civil Partner's Pension (Contributory); One Parent Family Payment; Invalidity Pension; Carer's Allowance; Disability Allowance; and Blind Pension. There are no fees or charges associated with deduction at source.

⁶ Local Property Tax (LPT) can be paid through three different approved payment service providers - An Post TaxPay, Payzone and Omnivend. The imposition of transaction charges is at the discretion of the individual service providers. An Post levies a charge of €1 per transaction; Payzone levies a charge of 75 cent per transaction for payments up to €50, €1 per transaction for payments between €50.01 and €100 and €2 per transaction for payments over €100; and Omnivend charges a fee of 4% per transaction. Direct Debit installment payments can also be set up, charged for in the normal way by the bank/credit union concerned.

instalment payments is via a bank or credit union direct debit arrangement, though transaction charges may apply to such transactions.

Client is in receipt of Jobseeker's Allowance and wants to pay the LPT with a weekly deduction from his payment. This facility is not available to people on jobseeker's payments. When contacted, the local tax office said that the person could either pay cash in the post office or by direct debit. He is suffering severe financial hardship and cannot afford to pay the tax in one payment, but will incur additional charges if paying by instalments. (Co Limerick CIS)

Daughter contacted CIS on behalf of her elderly mother regarding valuation and payment process for LPT. The cheapest way to pay is in either one lump sum or out of social welfare or wages. Otherwise, for cash instalment payments, the service providers are charging [see footnote 11 for specific charges levied], which is putting more financial pressure on already burdened people. (Co Wicklow CIS)

Some of those whose social welfare payments are eligible for LPT deduction at source find that they are excluded because the deduction would reduce their payment to a sub-Supplementary-Welfare level.⁷ As a result they are likely to face higher costs.

Caller is on Invalidity Pension of €193.50. Her property valuation is Band 07, which means a €12.90 weekly deduction from her Invalidity Pension. This cannot be done as her SW payment would then drop under €186. The caller said that she cannot afford to pay the LPT in full and can only pay on a weekly basis. This means that she will be paying a further €52 because of the €1 charge levied by the post office. (CIPS)

The LPT Form/Guidelines Booklet

There appears to be a lot of confusion regarding approved Payment Service Providers, for people not paying via a bank (direct debit or single payment) or able/wishing to select deduction at source from social welfare benefit or salary. Both the form and the guide sent out by Revenue refer to a range of Payment Service Providers for those wishing to pay by cash, but do not list these, referring people instead to www.revenue.ie. People were generally unaware that there would be additional (Payment Service Provider) fees attached to this cash instalment payment option.

People were further confused by the absence of a 'tick box' on the form for those wishing to pay in full, by cash or cheque, at the post office. Though subsequently clarified on the LPT FAQ section on revenue.ie, people not accessing the website are likely to remain confused.⁸

⁷ Section 92(2) of the Finance (Local Property Tax) Act 2012 (as amended) provides that the LPT deduction may not reduce the net scheme payment below the Supplementary Welfare Allowance (SWA) rate (currently €186 per week).

⁸ FAQ 22: If I wish to pay by cash in one lump sum, which option should I select on the Return? You should select the cash monthly payment option on the Return. If paying your LPT in full by cash, payment must be made by 1 July 2013. (<http://www.revenue.ie/en/tax/lpt/faqs/returns.html>)

Additionally, the bar code needed to make instalment payments is on the part of the form to be returned to Revenue when making a paper LPT filing.

Person wants to submit her LPT form before 7 May but doesn't want to pay her lump-sum cash payment until 1 July. She has several questions: how can she pay the cash in July without her form (which would have been submitted in May)? What payment option does she choose on the form if making a once-off cash payment? Who are the payment service providers mentioned in Option 5? Why does Option 5 (cash payments) not include a box to be ticked for once-only cash payment as well as weekly and monthly frequency? (Co Clare CIS)

Person asked where on the LPT form he can show that he has paid cash in full for his bill as it only gives weekly or monthly payment options. Suggested he gets receipt from post office and attaches a copy to the form to show he has paid in full. The design of the form leaves people wondering what they should do and what their payment options actually are. (West Cork CIS)

We have spoken to a large number of callers who wish to pay their LPT in full by cheque. Although Revenue are discouraging this and have not included this in the form, there are clearly a lot of people who still use cheques; had Revenue given this option in the form, considerable administrative costs would have been saved by unnecessary calls to Revenue and ourselves to explain how cheque payments can be made. Similarly there is no indication on the form that you can pay in full by cash which has also led to confusion and unnecessary phone calls/cost. (CIPS)

Mandatory Online Filing

One of the main issues that came through during March 2013 appears to have been resolved as a result of feedback. This concerned the requirement that owners of more than one property file online. (The letters sent out by Revenue stated that “*if you have more than one residential property ... you MUST complete and submit this Return electronically.*”). It transpired that a number of elderly people, many of them in isolated rural areas and with no computer literacy or access to a computer, owned more than one property. A number of rurally-based CISs confirmed that elderly people were visiting their offices upset that they were being asked to use a facility (on-line facility) which they had no access to and no capacity to use.

On contacting the LPT Helpline, CISs assisting elderly and other people with the online difficulty were advised that under such circumstances, paper forms could be sent out in respect of each property owned. The Revenue Commissioners responded positively by making it possible subsequently for owners of more than one property to file and pay via the telephone helpline service or to receive e-filing assistance at a local Revenue office.⁹

⁹ Parliamentary Question [20119/13]: Deputy Willie Penrose asked the Minister for Finance about “compelling [owners of more than one property] to resort to online returns.” Minister for Finance (Deputy Michael Noonan) replied: I am informed by the Revenue Commissioners that in the case of property owners for whom e-filing is not practical, the legislation provides that another person may file on their behalf. Alternatively, the property owner can visit her/his local Revenue office where computers and assistance to e-file will be available. In addition, Revenue has made arrangements for property owners to pay and file by telephone via the LPT Helpline at 1890 200

Local Authority/Social Housing Tenants

Many CISs (e.g. Dublin-based CISs, Mayo, Louth, Clare) reported that a number of tenants of local authority and social housing – who are not liable to pay the LPT (this liability resting with the local authority/voluntary housing body concerned) – had received LPT letters/forms.

While the LPT letter does explain what the recipient is to do, should it have been sent in error, many tenants seeking the advice of CISs were confused as to whether or not they *were* in fact liable. This confusion points to a need for greater clarity in the letter and accompanying LPT guide that a tenant (whether local authority, social housing or privately-renting) is not liable to pay the LPT, by the addition of a sentence to this effect. (The mention in the booklet of liable persons including “holders of a life-interest in a residential property” and “persons with a long-term right of residence (for life or for 20 years or more)” may have added to the confusion of those with long-term social housing tenancies.)

Many people report receiving letters despite the fact that they are tenants of social housing. Although such tenants are not liable to pay the LPT, problems may arise for individuals who fail to respond to the LPT letter from Revenue and may incur fines as a result, despite the fact that they should not have been sent the LPT form in the first instance. (Dublin 8 & Bluebell CIS)

A local authority tenant rang to discuss payment options for LPT. When I explained he was not liable, he still felt concerned that he should pay as he had received a form. (CIPS)

Based on an analysis of the feedback submitted by frontline information services, some consideration might be given to the following:

Hardship, deferrals and exemptions

- Consider the introduction of exemptions (rather than deferrals) for those on very low incomes, including social welfare recipients.
- Remove or reduce the 4% annual interest charge on deferrals, perhaps introducing a maximum interest charge or tapering down the interest charge each year.
- Broaden the exemptions for people living in adapted housing beyond the two schemes currently named in the legislation.

LPT administration (including property valuation and provision of information)

- Clarify the information sent to liable persons re the Revenue estimate and the status of this vis-à-vis self-assessment. Consider ending the provision of Revenue estimates, which is confusing with regard to the self-assessment system in place.

255. To avail of this option, the caller needs her/his property details, PPSN and details of the bank account or other source from which s/he wishes the payment to be deducted.

- Provide clearer information on issues such as those identified above (e.g. payment methods)
- Monitor the information provided via the LPT helpline, website and guidance booklets.
- Run regular, clear and simple explanatory media campaigns re liability, assessment and payment options.

Payment Options

- Provide over-the-phone payment options for ill/disabled persons who are housebound.
- Provide outreach/community based services to assist elderly people or people with severe disabilities, who cannot access public transport or drive, to assist them with return. Collaborate with voluntary sector and community-based HSE services in this regard.
- Provide a payment deduction option from shorter-term social welfare payments (such as jobseeker's payments and Illness Benefit).

Establishment of Liability

- Strengthen cross-information processes between Revenue and the Land Registry, PRTB, local authorities and social housing bodies, to ensure as far as possible that non-liable persons do not in future receive LPT demands.