Submission to the Public Consultation on the

Review of Local Property Tax (LPT)

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1. Introduction

Age Action is the leading advocacy organisation on ageing and older people in Ireland. Our mission is to achieve fundamental change in the lives of all older people by eliminating age discrimination, promoting positive ageing and securing their right to comprehensive and high-quality services.

We want to make Ireland the best country in the world in which to grow old and we work with older people to build a society free of ageism where their rights are secured. A central feature of our work is raising awareness about the lived experience of growing old in Ireland.

We are grateful for the opportunity to make a submission to the Public Consultation on the Review of Local Property Tax (LPT). While it has been some time since the LPT was introduced, it remains a critical and priority issue for our members.

The issue of the property tax is particularly pertinent for older people in contrast to other low-income groups as those aged over 65 years are more likely to be in owner occupied accommodation than other age cohorts.

This submission will focus on the need to ensure that a Local Property tax recognises that many older people in Ireland may own their own home and be on low incomes.

The operation of the LPT scheme to date has seen many older people struggle to pay their LPT as they fall just outside the deferral income band or are fearful of passing on accumulated interest from a deferral to their children or estate.

2. Context

An Ageing Population

People in Ireland are living longer, healthier and more active lives. According to the most recent Census figures, the number of people aged over 65 saw the largest increase of population since 2011. This age group has increased since 2011 by 19.1 per cent (to 637,567) and represents 13 per cent of the total population.

The number of people aged over 85 increased by 15.6 per cent (to 67,555) with the vast majority living in private households (91 per cent).[1]

Just under 40 per cent of persons living alone in Census 2016 were aged 65 and over.[2] Over half of all people with disabilities living alone were aged 65 and over.[3]

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[1] http://cso.ie/en/media/csoie/newsevents/documents/pressreleases/2017/prCensussummarypart1.pdf
[2] http://www.cso.ie/en/csolatestnews/pressreleases/2017pressreleases/pressstatementcensus2016resultsprofile4-householdsandfamilies
[3] http://www.cso.ie/en/csolatestnews/pressreleases/2017pressreleases/pressstatementcensus2016resultsprofile9-healthdisabilityandcarers

The number of people aged over 65 is projected to increase very significantly to close to 1.4 million by 2041,[4] representing 20-25 per cent of the population.

The number of people over 80 is set to rise even more dramatically, increasing by over 250 per cent to between 470,000 and 484,000 in 2046.[5] Regional projections for 2016-2031 show the number of older persons (over 65) will almost double in every region over that time period.[6]

The numbers of older property owners

The vast majority of older people in Ireland own their own home (88 per cent), either without a mortgage or other loan (81 per cent) or with a mortgage or home loan (5.4 per cent).

Just over 9 per cent of people over 65 years rent, with the majority renting from local authorities (5.7 per cent) or a voluntary body (0.9 per cent).[7]

In April 2016, 399,815 people indicated that they lived alone, of whom 39.2 per cent were aged 65 and over.

Incomes of older people

The latest CSO SILC figures show a largely unchanged ‘at risk of poverty’ and ‘consistent poverty’ rates for the over 65s. One in five people aged over 65 who live alone experience deprivation.

One in 10 older people are living in poverty in Ireland (10.7 per cent).[8] The ‘at risk of poverty rate’ line currently stands at €12,358 (or €237.35 pw). A full State Pension is slightly over this figure and stands at €12,651 (€13,182 for those over 80.) A State Pension for those with an average of 39 or fewer contributions is below the at risk of poverty rate.

For those over 65 over three-quarters of their income is made up of public transfers. To this end, the State Pension has provided a critical, and often sole, source of income for many older people.

While the State Pension remained largely unchanged during the Recession, vital secondary income supports for older people were devastated. Between 2009-2015 an older person on the State Pension and Household Benefits Package lost €13.18 per week. While some of the cuts to secondary income supports have been partially restored, other progress is still needed.

The introduction of new taxes, charges and rising prices in recent years have had a particularly negative effect on older people.

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[4] http://rebuildingireland.ie/Rebuilding%20Ireland_Action%20Plan.pdf

[5] Based on 2011 base figures. http://www.cso.ie/en/csolatestnews/pressreleases/2013pressreleases/pressreleasepopulationandlabourforceprojections2016-2046

[6] http://www.cso.ie/en/releasesandpublications/er/rpp/regionalpopulationprojections2016-2031

[7] CSO (2017). *Census 2016 Profile 1 - Housing In Ireland*. Available at www.cso.ie.

[8] EU SILC (2015). Available at www.cso.ie.

Rising costs can have a greater impact on older people who are generally living on a fixed income than on younger people who have more opportunities to improve their income.

3. Recommendations

i) Look at alternative LPT valuation model

The LPT is currently based on the value of a property rather than income. This valuation hits many older people who invested in buying a good house - to pass on to children - when they were working but now are faced with tax when they are no longer working.

Callers to Age Action's Helpline frequently express worry over LPT valuations of their private home based on market value. They struggle to pay this tax from their fixed income and to pay for necessary and often large-scale repairs to their home.

The current LPT valuation assessment does not consider whether homes are in bad condition and need vital and costly repairs.

Age Action recommends looking at alternate LPT valuation models, for example to evaluate the ground size of the property. More research is needed on suitable models to gauge the most fair and equitable system of valuation, particularly for those on fixed low incomes such as older people.

ii) Introduce an LPT waiver for low-income households

Currently limited criteria apply for LPT waivers and it is generally restricted to main residences purchased since 2013 (exemption until the end of 2019) as well as new/unused properties purchased from a builder or developer, for a charitable purpose or adapted by an incapacitated individual.

Exemptions are also in place for properties vacated by owners due to illness and moving to a nursing home.

Age Action often receives calls to our Helpline on the application of the property tax in cases where an owner may have vacated the house and be in a nursing home. While this exemption is not unique to older people, a particular focus should look at creating transparent and clear guidelines for older people entering long term residential care.

For property tax rates to be workable and to provide a stable funding base for the local authority sector, they must recognise that a person may not have the means to pay a property tax simply due to their ownership of a property. Many older people reliant on a State pension fall into this category.

Income during their working life enabled them to purchase their home but the fall in income following retirement has left them unable to pay property tax without considerable hardship.

Concessions and exemptions for specific household compositions in recognition of their circumstances is in evidence in other countries e.g. the UK where council tax concessions are in place for carers, those living alone, and those with a disability or mental impairment.

Age Action would like to see a link established between income and tax liability on this issue. We call for the LPT scheme to include measures to assess a property owner's realistic ability to pay the tax, particularly for those living on a fixed small income such as the State Pension.

The introduction of a waiver for single incomes below €13,900 (excluding secondary social supports) would target older people in receipt of the Contributory State Pension.

Table 1: Calculation of Threshold for Waiver

Payment	**Weekly rate (2018)**
Top rate of State Pension	€243.30
Living Alone Allowance	€9.00
Over 80s Allowance	€10.00
Weekly total	€262.30
Annual total	€13,639.60
Annual total with €5 increase in pension (52 weeks)	€13,899 60

As property prices continue to rise, particularly in Dublin and other urban areas increases in the property tax are inevitable and we believe this this will pose a risk of serious hardship to older people who may own property but be reliant entirely, or mostly, on the State Pension.

iii) Remove deferral interest and extend deferral bands

Currently, it is possible to defer an LPT payment once certain criteria are met successfully e.g. income threshold, for representatives of a deceased liable person, personal insolvency and hardship grounds.

The current income thresholds for full and partial 50 per cent deferral of LPT liability are €15,000 for a single person with no mortgage and €25,000 for a couple with no mortgage (full rate), and €25,000 for a single person with no mortgage and €35,000 for a couple with no mortgage (half rate).

For a couple reliant on the State Contributory Pension and aged over 80 years, each may receive a top rate of €13,171.60 or €26,343.20 jointly and putting them outside the full deferral rate.

As they are means tested and targeted at the most vulnerable, it is vital that any secondary supports are not included as part of this gross income assessment.

A linking of the deferral ceilings to the State Pension rate and excluding secondary supports will ensure that pensioners will have certainty around this tax and provide a choice for those struggling to afford any additional costs.

Callers to Age Action's Helpline often fall just outside the deferral income bands. They frequently express anxiety around their ability to pay the LPT and often go without other vital medicine or food to make the payment.

The current system of deferral attracts an annual interest charge of 4 per cent per annum. Even when eligible for deferral, this annual charge is often seen as a 'penalty' by many older people who do not wish to pass on any extra charges to their children or estate and may be reluctant to apply for it even if eligible and in need.

The current system of deferral accounts for just 2.2 per cent of all declared LPT liabilities with 62,000 claims in 2017.

An example of a house in Dublin valued at between €350,000-€400,000 would see an annual deferral charge of €573 per annum and would accrue a tax liability of almost €8,000 over 10 years. For an older person or couple reliant on the State Pension, that would cause real economic hardship.

Extending the current deferral interest threshold for those on low incomes and ensuring a maintained link to the State Pension would ensure certainty around eligibility and deferral and provide peace of mind for older people worried about the rising cost of living.

Removal of the annual LPT deferral interest charge would make the scheme more attractive for those most in need.

4. Conclusion

Many older people in Ireland today own their own homes but have low incomes.

For a Local Property Tax to be fair and effective in providing a stable and sustainable funding base for local authorities, it must address the fact that many people purchased homes during their working lives which may have increased in value while their incomes dropped significantly.

They are simply unable to afford the LPT due on their homes.

The introduction of a minimum income threshold for the property owner linked to the State Pension and excluding secondary supports would protect vulnerable older people on low incomes.

An increase in the income threshold for waivers, alongside concessions for those on low incomes for any waiver interest charge would make a real difference to those struggling to pay the tax on a State Pension.

Alternative valuation mechanisms for determining the rate of LPT to pay should take into account the condition of the property and the fact that older people may have purchased homes before moving to a fixed income.

Limits on increases in property tax annually are also needed to protect older people who have lived in the same house for decades in areas where property values may be rising fast due to market forces.

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