

Money Matters

A series of weekly articles by Quintas Experts

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PROPERTY TAX INCENTIVES NOW IS THE TIME

It is fair to say that Property Tax Incentives were left in place for too long, which result in an over supply of certain properties in certain areas.

However the original principal of property tax incentives was correct – identify key areas where standards needed to be improved for the benefit of the overall economy and provide an incentive for the development expenditure to take place. For example, the hotel sector to improve tourism facilities; student accommodation to increase & upgrade student accommodation; Urban renewal; Nursing homes; were all a success except were allow continue too long resulting in over supply.

Strange as it may seem, when the Government is carrying out a review to phase out Property Tax Incentives, NOW is the time more than ever we need an appropriately targeted property tax incentive. The unemployment in the construction sector is huge and if employment could be created in this sector it would significantly reduce the Social Welfare cost to the Government and at the same time increase tax Revenue.

There are a lot of homeowners who are stuck in the home they lived in when the economy crashed in late 2007 and as their ability to move has been restricted, they will instead look to extend their current homes.

At the moment, the black economy is booming in this area with the high level of construction unemployment, which is resulting in significant loss of revenue for the Government.

An example could be the introduction of a Property Tax Incentive for private homeowners for the construction costs of extensions. The incentive would need to be for a short period (3-5 years) to encourage the activity now. The terms may be along the following lines;

- o Max relief on €50,000 / €100,000 of construction expenditure
- o Over 10 Years – 10% a year
- o Marginal income tax rate (currently 41%)
- o Prior application to Revenue
- o On completion full details of payments/receipts
- o Energy Rating on Completion - BER A

The Government should receive significant benefits from;

- o Increased tax revenues – VAT, Income Tax, PAYE
- o Lower Social Welfare Costs due to increased employment in construction sector
- o Reduction in Black Economy
- o Upfront benefit to the Government with cost to the Government spread over 10 years.

Obviously a cost benefit analysis would need to be undertaken.

Now, no other specific sector comes to mind but the Government should be open to listen if there is a Sector that makes commercial sense.

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