

# Finance (Local Property Tax) (Amendment) Act 2021

Guidance Notes on Residential Property Valuations for Practitioners



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## SCSI Guidance Note

This is a guidance note. It provides advice to SCSI members on aspects of their work. Where procedures are recommended for specific professional tasks, these are intended to represent 'best practice', i.e. procedures which in the opinion of SCSI meet a high standard of professional competence. Members are not required to follow the advice and recommendations contained in the note. They should, however, note the following points. When an allegation of professional negligence is made against a surveyor, a court or tribunal is likely to take account of the contents of any relevant guidance notes published by SCSI in deciding whether or not the surveyor had acted with reasonable competence. In the opinion of SCSI, a member conforming to the practices recommended in this note should have at least a partial defence to an allegation of negligence if they have followed those practices. However, members have the responsibility of deciding when it is inappropriate to follow

the guidance. Alternatively, it does not follow that members will be found negligent if they have not followed the practices recommended in this note. It is for each surveyor to decide on the appropriate procedure to follow in any professional task. However, where members do not comply with the practice recommended in this note, they should do so only for a good reason. In the event of a legal dispute, a court or tribunal may require them to explain why they decided not to adopt the recommended practice. Also, if members have not followed this guidance, and their actions are questioned in an SCSI disciplinary case, they will be asked to explain the actions they did take and this may be taken into account by the Panel. In addition, guidance notes are relevant to professional competence in that each surveyor should be up-to-date and should have knowledge of guidance notes within a reasonable time of their coming into effect.

## Introduction



The Finance (Local Property Tax) (Amendment) Act 2021 sets out how all relevant properties are charged for this annual tax. It will be calculated on the 'Chargeable Value' (which, in most cases, is equivalent to the 'Market Value') of the individual property and will be categorised into 20 tax bands of 'Chargeable Value'. The Revenue Commissioners will be responsible for the collection of this tax and they have produced guidance for homeowners who choose to self-assess their property in order to calculate the tax due - available at [www.revenue.ie](http://www.revenue.ie).

As it is the homeowners' obligation to self-assess the value of their property, it may be the case that homeowners will engage the services of a competent qualified professional valuer in order to assess the most accurate 'Chargeable Value' of their property.

This Guidance Note has been prepared to provide advice to practitioners in relation to valuing property for the Local Property Tax as valuation for this type of service falls outside of the RICS Valuation Standards (Red Book).

## What is the Question?

The question you are being asked is to provide a valuation in accordance with the definitions contained in the Act. Failure to understand and properly address the precise definitions may have serious professional and PI implications.

## How is 'Residential Property' defined under the Act?

As defined in the Finance (Local Property Tax) (Amendment) Act 2021, 'residential property' means any building or structure which is in use as, or is suitable for use as, a dwelling and includes any shed, outhouse, garage or other building or structure and any yard, garden or other land, appurtenant to or usually enjoyed with that building, save that so much of any such yard, garden or other land that exceeds one acre shall not be taken into account for the purposes of this definition.

## So how is 'Chargeable Value' defined?

According to the Finance (Local Property Tax) (Amendment) Act 2021, 'Chargeable Value' means the price which the unencumbered fee simple of the property might reasonably be expected to fetch on a sale in the open market were that property to be sold on the valuation date in such manner and subject to such conditions as might reasonably be calculated to obtain for the vendor the best price for the property and with the benefit of any easement necessary to afford the same access to the property as would have existed prior to that sale. The Finance (Local Property Tax) (Amendment) Act 2021 outlines the 'Chargeable Value' for the "unencumbered fee simple" – this is not the same definition as 'Market Value'; however we consider it should not differ substantially except in a minority of cases (e.g. building on Grafton Street, Dublin being used for residential purposes and the higher value would be for retail). The definition ignores title defects and assumes easements. The value is for the highest possible use not the existing residential use.

## The chargeable tax bands

Chargeable bands do not apply for valuations over €1.75m and a precise figure must be stated. The chargeable bands are set out in appendix of this document. If valuations are significantly incorrect, the Revenue Commissioners may seek an independent valuer to value the property and there is provision for a reference to the Appeals Commissioners in the Act. By following best practice the valuer is giving the client the knowledge that should a valuation be questioned there is a documented logical valuation on file.

## Local Adjustment Factor

Valuers should be aware of the Local Property Tax Local Adjustment Factor that each Local Authority has applied for 2022 is shown in the table below. You can use this table to check if the LPT charge for 2022 is different from the basic rate

and the owner will need to make adjustment to their basic rate based on the geographical location of the property as per the table.

**Local Adjustment Factor Chart**

Local Authority	2022: Percentage Reduction on Base Rate	2022: Percentage Increase on Base Rate
Carlow County Council	Nil	5%
Cavan County Council	Nil	15%
Clare County Council	Nil	15%
Cork City Council	Nil	9%
Cork County Council	Nil	7.5%
Dun Laoghaire Rathdown County Council	15%	Nil
Donegal County Council	Nil	15%
Dublin City Council	15%	Nil
Fingal County Council	10%	Nil
Galway City Council	Nil	Nil
Galway County Council	Nil	Nil
Kerry County Council	Nil	7.5%
Kildare County Council	Nil	10%
Kilkenny County Council	Nil	15%
Laois County Council	Nil	10%
Leitrim County Council	Nil	15%
Limerick City & County Council	Nil	15%
Longford County Council	Nil	15%
Louth County Council	Nil	Nil
Mayo County Council	Nil	10%
Meath County Council	Nil	Nil
Monaghan County Council	Nil	15%
Offaly County Council	Nil	15%
Roscommon County Council	Nil	15%
Sligo County Council	Nil	15%
South Dublin County Council	15%	Nil
Tipperary County Council	Nil	10%
Waterford City & County Council	Nil	10%
Westmeath County Council	Nil	Nil
Wexford County Council	Nil	10%
Wicklow County Council	Nil	6%

## Why does the valuation of Residential Property for the Local Property Tax not fall under the remit of the RICS Valuation Standards (Red Book)?

The definition in the Act of ‘Chargeable Value’ is different from ‘Market Value’ as defined in the Red Book and as such would not be practical to follow the standards. There is an exclusion in the Red Book where a valuer “is performing a statutory function or has to comply with prescribed statutory or legal procedures.” For this reason, the Society considers that property tax valuations are the subject of a statutory procedure where it would not be practical to follow the standard. We have to emphasise that it is good practice to comply with the

standards where possible and appropriate. The Red Book provides “special circumstances” where the mandatory application of the valuation standards may be inappropriate or impractical. Where a valuer has departed from the standards, a clear statement to that effect must be included in the terms of engagement and the report. On the whole the SCSi considers that property tax valuations are the subject of a statutory procedure in circumstances where it would not be practical to follow the standard.

## How should I agree terms of engagement and what are the valuation options?

The SCSi considers that the taxpayer should have confidence in the professional they select to undertake the valuation for property tax purposes.

For values greater than €1.75m, a precise valuation figure must be included in the report from the valuer. In most cases, property valuations should be conducted by way of a site visit

whilst inspecting the property thoroughly in order to satisfy oneself with the ‘Chargeable Value’ of the dwelling. The valuer should state in the terms of engagement what method the valuer will adopt in terms of carrying out the valuation. The particular option chosen will have an influence of the costs associated with carrying out the valuation.



## Valuation Options

### Site Visit Valuations

The Society of Chartered Surveyors Ireland notes The Revenue Commissioners' requirements that every property should be valued in isolation and on its own merits. In terms of best practice, site visits are the standard procedure when carrying property valuations. In almost all cases, the Society strongly recommends site visits to properties when carrying valuations with a 'Chargeable Value' in excess of €1.75m.

For all valuations at or below €1.75m, the following valuations could be performed based upon the individual valuer's personal knowledge and experience of the property.

- Desktop Valuations
- Drive-by Valuations

### Desktop valuations

A desktop valuation may be sufficient where the valuer is familiar with the property (for example, having sold or valued it in the recent past), therefore it may be more efficient to work

from details of the property which are recorded on file. If the house is a standard property the valuer may also be content valuing it on a desktop basis.

### Drive-by Valuations

Where the valuer is unfamiliar with the specific individual property but it is standard in terms of measurement and layout (e.g. typical 3 bed semi-detached estate house), or where the valuer needs to refresh their memory, a drive-by valuation may be sufficient.

**Note** - The Society recommends all valuers to check with their individual Professional Indemnity Insurance provider in order to clarify insurance protection when carrying out drive-by or desktop valuations.

## Comparable evidence & minimum requirements of the property valuation report

When setting out the Valuation Report for the Local Property Tax, the Society recommends the following information should be included at a minimum.

- Location map and photo
- Brief description
- Site size and building area
- Valuation approach
- Comparable evidence
- Chargeable value band

It is incumbent on the valuers' own professional ability to determine how the Valuation is addressed for properties below €1.75m, as the Revenue Commissioners require the homeowner to select into which band the house fits, rather than to provide a precise valuation figure. For properties above €1.75m, a more detailed report and a precise figure is necessary.

The Society of Chartered Surveyors Ireland recommends that the Valuer makes reference to all comparable evidence and assumptions that may have been made when arriving at a valuation.

## Appendix

LPT Band rates		
Valuation band number	Valuation band €	LPT charge basic rate €
1	0 – 200,000	90
2	200,001 – 262,500	225
3	262,501 – 350,000	315
4	350,001 – 437,500	405
5	437,501 – 525,000	495
6	525,001 – 612,500	585
7	612,501 – 700,000	675
8	700,001 – 787,500	765
9	787,501 – 875,000	855
10	875,001 – 962,500	945
11	962,501 – 1,050,000	1,035
12	1,050,001 – 1,137,500	1,189
13	1,137,501 – 1,225,000	1,408
14	1,225,001 – 1,312,500	1,627
15	1,312,501 – 1,400,000	1,846
16	1,400,001 – 1,487,500	2,064
17	1,487,501 – 1,575,000	2,283
18	1,575,001 – 1,662,500	2,502
19	1,662,501 – 1,750,000	2,721

\*The LPT charge for properties with a market value greater than €1.75 million is calculated from the valuation of the property rather than from a valuation band. The LPT charge for these properties is calculated as the sum of:

- 0.1029% of the first €1.05 million of declared market value of the property
- 0.25% of the portion of the declared market value between €1.05 million and €1.75 million
- and
- 0.3% of the portion of the declared market value above €1.75 million.



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Dating back to 1895, the Society of Chartered Surveyors [www.scsi.ie](http://www.scsi.ie) Ireland is the independent professional body for Chartered Surveyors working and practicing in Ireland.

Working in partnership with RICS, the pre-eminent Chartered professional body for the construction, land and property sectors around the world, the Society and RICS act in the public interest: setting and maintaining the highest standards of competence and integrity among the profession; and providing impartial, authoritative advice on key issues for business, society and governments worldwide.

Advancing standards in construction, land and property, the Chartered Surveyor professional qualification is the world's leading qualification when it comes to professional standards. In a world where more and more people, governments, banks and commercial organisations demand greater certainty of professional standards and ethics, attaining the Chartered Surveyor qualification is the recognised mark of property professionalism.

Members of the profession are typically employed in the construction, land and property markets through private practice, in central and local government, in state agencies, in academic institutions, in business organisations and in non-governmental organisations.

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