**For Immediate Release**

**Copy of the IPOA Pre-Budget Submission sent to the Minister Noonan in September 2013**

Dear Minister**,**

**2014 Pre-Budget Submission**

You may be interested to know that one in five people in Ireland are now living in rental accommodation, and its importance should not be overlooked.  The State is responsible for ensuring there are homes for its citizens and it is clearly more cost effective to outsource this rather than to finance it directly from Government.

Providers of private rental accommodation have been in crisis for the last number of years with increased costs and reduced income.  A high proportion of Buy-to-Let investors who purchased between 2000 and 2006 are facing financial ruin and the time is approaching when they will no longer be able to provide accommodation for those who wish to, or have to, rent.

At the end of June, 30,326 (20.4%) residential mortgage accounts for Buy-to-Let properties were in arrears of over 90 days, up from 29,369 (19.7%) at the end of March.  Figures show this increasing further as more and more investors cannot reconcile mortgage costs with the constant demands for both indirect and direct taxation. The reduction in allowable mortgage interest to 75% has had a serious and possibly unintended consequence, which can cause a Buy-to-Let owner to pay triple tax on a loss – income tax at their marginal rate, along with the USC and PRSI on gross rental income.  This is unworkable and must be remedied if Buy-to-Let owners are to continue in business as partners to the State in the provision of accommodation.

As a direct consequence of both Government and Central Bank actions, financial institutions are now forcing investors to sell rental properties, and sustainable solutions for home owners are not being considered in the case of Buy-to-Let properties, even in situations where investors have just one or two such properties. The tax treatment of the sector – particularly whereby it is not generally considered as a business, but rather as “unearned income” – has made previously viable investments now unviable, and will ultimately result in the reduction of rental units, together with more investors defaulting on loans.  Because rental income is not considered as being earned income, direct and indirect taxation on the sector has blown out of all proportion in a most unfair way:

\*  Reduction in Mortgage Interest Allowable to 75%

\*  USC and PRSI on gross rental income

\*  Household Charge (now abolished)

\*  NPPR (payable in 2013 as well as LPT)

\*  Local Property Tax

\*  Water Charges

\*  PRTB Registration Charges

\*  No Refurbishment Relief

\*  Building Energy Rating (of negligible benefit)

**Taxation should be fair – and be seen to be fair.**

As the representative body for owners of private rental properties, the IPOA ask that real action be taken on four simple measures to help this sector:

1. **Mortgage Interest Allowable**

Re-instated to 100%.  This measure has resulted in investors in a loss-making situation also having a liability for taxation.  While some Buy-to-Let owners are currently experiencing historically low mortgage interest rates, some of these rates will inevitably increase, and the sector will continue to be burdened with increased taxes without the additional income needed to pay.

1. **Buildings Energy Rating**

By 2020, energy consumption must comply with Directive 2010/3 on the energy performance of buildings: *“The existing and proposed measures listed by Member States may include, in particular, measures that aim to reduce existing legal and market barriers and encourage investments and/or other activities to increase the energy efficiency of new and existing buildings, thus potentially contributing to reducing energy poverty.”*

Any money spent on making a rental property more energy efficient should be allowable in the tax year it is spent, rather than as a capital expense.  This would:

* encourage Investors  to make their property more energy efficient
* reduce energy costs and  benefit tenants
* help create employment with consequent tax payments
* reduce carbon emissions and help achieve 2020 target.
1. **Local Property Tax/NPPR**

The taxes that are, and have been, introduced to fund local services (including water charges) should be levied on the user.  The “user pays” principle is the fairest system, with waivers available in certain circumstances.   If users are not levied directly, these are legitimate rental expenses and should be allowable as such.  As Minister for Finance, you have confirmed that Local Property Tax will be an allowable expense, but you have shelved the implementation of that promise.  Can you follow through on that promise for 2014?

1. **Refurbishment Relief**

Good quality accommodation is required for the 19.7% of the population living in the private rental sector.  Rental property needs to be refurbished regularly to maintain standards.  Refurbishment Relief was withdrawn on the 31st July, 2008 (Section 11, Finance Act 2006) and should be reinstated with clear guidelines.

These four suggestions are not costly measures, but will help ensure the continuation of good quality rental accommodation in the future as the country seeks to recover its economy and address society’s needs.  We are available to discuss these ideas further with you or your officials.

Yours sincerely

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