Michael Noonan TD

Minister for Finance  
Upper Merrion Street  
Dublin 2

26th September 2014

Dear Minister**,**

**2015 Pre-Budget Submission**

In the fall out from the collapse of property prices in the course of the last number of years, a vibrant conversation has occurred around the perceived necessity of Irish people to own their own homes. In the course of that conversation, it has been lamented, by some, that Ireland doesn’t follow a more European model in regard to the letting of property which would facilitate a culture developing where Irish people don’t necessarily own their own homes, but rent throughout the course of their lifetimes.

In considering those issues, it has become clear that the culture of letting residential property in Ireland does not lend towards this type of practice and, it is the understanding of the IPOA that this requires change.

**IPOA have launched their new long term leasing structure--- HOME 4/12---**

**We are offering tenants' unfurnished accommodation, long term leases, in keeping with the provisions of the Residential Tenancies Act 2004, and rents substantially lower than current market trends to reflect the long term commitment of the tenant with security of tenure.**

We are of the view, that in order to change the culture of anything, people’s habits and attitudes need to change. We are also of the belief that this is best achieved by providing an incentive to people, and Government support is very important in that context.

**Exemption from Income Tax for Long Term Letting**

We therefore request that an exemption be provided from income tax on the long term letting of residential property. In terms of precedent, we would refer to Section 664 of the Tax Consolidation Act 1997, which provides an exemption from income tax on the long term letting of agricultural land. We understand that Section 664 of the Tax Consolidation Act 1997 was introduced in order to change the culture in agricultural circles around short term leasing of land, to enable longer leases to be entered into thereby giving tenants security of tenure, which in turn provides them with the flexibility to plan for the future and invest in their lease holding.

We believe it would be welcome and appropriate for the Government to introduce a similar exemption in regard to long term lettings of residential units to facilitate the cultural change that is required in order for this to become a significant part of residential letting in Ireland generally. We believe that if Government policy was supportive of this concept, it would greatly enhance the ability of the IPOA to convince our members, and landlords generally, of the benefits of this nature of letting. For our part, our Leasing Agreements propose up to 20% reduction on the market rent that would be charged for a furnished short term letting, representing a significant saving to tenants, and echoing the IPOA’s commitment to the proposal.

**Rental Market Generally**

There is a crisis in housing and the rental market generally. Landlords are leaving because it is no longer attractive due to the onerous charges applied by Government. 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 further 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.**

**Mortgage Interest Allowable**

This should be restored to 100% with immediate effect.  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.

**Buildings Energy Rating**

By 2020, energy consumption must comply with Directive 2010/31/EU 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.

**Local Property Tax**

The taxes that are, and have been, introduced to fund local services 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 the 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?

**Rollover Relief**

A reintroduction of Rollover Relief would help to stimulate the compliance of standards regulation, help improve energy efficiency and the re-employment of the building sector. This should be particularly focused on the private rental sector and would re-introduce a substantial amount of affordable accommodation currently being excluded from the market.

**Refurbishment Relief**

Good quality accommodation is required for the 20% 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.

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

Stephen Faughnan

Chairman