Change of liable person during a valuation period

Part 04-02

This document should be read in conjunction with
Part 4 of the Finance (Local Property Tax) Act 2012 (as amended)

Document last reviewed October 2022

Table of Contents

1 Introduction

This Tax and Duty Manual (TDM) sets out the Local Property Tax (LPT) position arising from a change in the liable person in relation to a residential property during a valuation period. This would generally happen where a property is sold. It would also happen where a property is transferred by way of a gift or an inheritance.

While this TDM is primarily concerned with sales, where relevant, references to sales should be read as including all other changes of ownership (for example, arising from gifts or inheritances) and references to vendors and purchasers should be read as including previous and new owners.

Because outstanding LPT liabilities become a charge on a property[1], sales of properties have significant implications for the conveyancing process and solicitors' ability to establish that a purchaser will acquire 'clean' title to a property.

2 Legislation

Section 14 is the main provision dealing with a change in the liable person during a valuation period. Subsection (1) provides for the continuation of the chargeable value throughout a valuation period. This is made subject to subsection (1B) (inserted by Finance (Local Property Tax) (Amendment) Act 2021) which provides for a change in chargeable value for a property acquired from a local authority or an approved housing body. Subsection (1) is also subject to section 35(5A) which provides for a purchaser's obligations in relation to the chargeable value declared by the vendor. Subsection (1A) provides for a vendor's obligations in relation to the provision of valuation information to a purchaser. Subsection (2) provides for the continuation of exemptions throughout the first valuation period. It was amended by the Finance (Local Property Tax) (Amendment) Act 2021 to restrict this treatment to the first valuation period.

3 Valuation date and duration of valuation[2]

The chargeable value of a residential property is established on a valuation date. The chargeable value established on the first valuation date 1 May 2013 applied in relation to the years 2013 (from 1 July 2013) to 2021. The chargeable value established on the second valuation date 1 November 2021 applies in relation to the years 2022 to 2025. The chargeable value established in relation to a property that becomes a residential property after 1 November 2021 applies from the following 1 November liability date until 31 December 2025.[3]

The chargeable value is not affected in these periods by any general increase or decrease in the value of properties, improvements/repairs made to a property or damage done to a property. This position applies even where a property is sold during the valuation period[4], subject to the situations described in sections 4.1, 4.2 and 5 below.

[1] Section 123.

[2] Section 13.

[3] Section 13A.

However, the self-assessed chargeable value declared by a liable person in the LPT return may change during a valuation period. This may happen where a liable person subsequently becomes aware that the chargeable value was not correct and self-corrects. It may also happen where a purchaser of a property forms the view that the value declared by the vendor was not reasonable (see section 4.2 below).

Example 1: first valuation period

A liable person valued a property on 1 May 2013 in the €250,001 - €300,000 band (band 5) and sold it for €330,000 in July 2019. The valuation band for the liability dates 1 November 2019 and 1 November 2020, on which the liability for the years 2020 and 2021 was based, was also band 5. If the property had been sold in July 2019 for €220,000, the valuation band for the years 2020 and 2021 would still have been band 5.

Example 2: second valuation period

A liable person valued a property on 1 November 2021 in the €350,001 - €437,500 band (band 4) and sells it for €495,000 in January 2023. The valuation band for the liability dates 1 November 2023 and 1 November 2024, on which the liability for the years 2024 and 2025 is based, will also be band 4. If the property is sold in January 2023 for €300,000, the valuation band for the years 2024 and 2025 will still be band 4.

4 Sale of property during a valuation period

Where a property is sold during a valuation period, a vendor is required to provide a purchaser with relevant information in relation to how the declared valuation was established. A purchaser is, in turn, required to consider whether the chargeable value declared by a vendor was reasonable and whether a higher value should have been declared. More detailed information about the requirements for vendors and purchasers is set out in sections 4.1 and 4.2 below.

4.1 Requirements for a vendor

As the value declared at a valuation date applies until the following valuation date, a vendor is required to provide a purchaser with any relevant information or documentation in his or her knowledge or possession in relation to the valuation of the property. This information includes the chargeable value/valuation band that the vendor entered in the LPT return. The information should be provided to the purchaser before the sale is completed.[5] The purchaser should establish if an apparent under-valuation is accounted for by any allowable factors happening after the valuation date, such as an increase in property prices generally in the particular locality.

When a property is being sold, Revenue expects that a vendor would consider if the valuation band/chargeable value declared in relation to the preceding valuation date was honest and reasonable having regard to the particular property, the market for that type of property at the valuation date and any objective evidence such as details

[4] Section 14(1).

[5] Section 14(1A).

from the Residential Property Price Register. If, on reflection, and having regard to the asking price/agreed sale price, the vendor considers that the valuation band/chargeable value declared for the property was incorrect, was not supported by objective evidence and was not carried out in line with Revenue's published valuation guidance, the vendor should consider his or her position. In this situation, the best way to safeguard the position is to make a self-correction by submitting a revised chargeable value for the property and paying the additional liability. Details about how to engage with Revenue to do this can be found here.

4.2 Requirements for a purchaser

Before adopting a vendor's declared valuation, a purchaser is required to form a view as to whether that chargeable value was one that could reasonably have been arrived at.[6] Where the vendor has self-corrected in accordance with section 4.1 above, it is the revised chargeable value that is to be considered by the purchaser. To assist the purchaser in making this judgement, the vendor is required to provide the purchaser with any relevant information or documentation in his or her knowledge or possession in relation to the valuation of the property.

The agreed selling price when compared with the chargeable value that was declared, along with whatever information may be provided by the vendor in relation to his or her determination of that chargeable value and any allowable factors happening after the valuation date, should indicate to the purchaser whether that chargeable value was too low. Essentially, if a person valued a property for LPT purposes at, say 1 May 2013 and subsequently put it on the market before the following valuation date 1 November 2021 at a considerably higher value, a purchaser should consider if the LPT valuation was reasonable considering the vendor's asking price.

Where a purchaser forms the view that the chargeable value that was declared by a vendor was too low, he or she is required to submit a revised chargeable value in relation to the 1 November liability date immediately following a sale. Where a purchaser forms the view that the property was not under-valued, he or she can continue to rely on the vendor's valuation until the following valuation date without submitting a revised return.

Purchasers should not interpret the legislation as requiring them, in all cases, to make their own valuation of a property as at the preceding valuation date and with the benefit of hindsight. **The requirement is to decide whether or not a vendor could have reasonably arrived at the chargeable value/valuation band that was declared in respect of that date.** A chargeable value/valuation band that was adopted by a vendor to the best of that person's knowledge and belief may also be adopted by a purchaser until the following valuation date, notwithstanding the fact that **subsequent** events may cast doubt on the valuation.

Purchasers should have regard to Revenue's published valuation guidance in deciding whether a revised valuation is required. However, properties valued at over €1m (first valuation period) and €1.75m (second valuation period) are assessed on their actual value and Revenue could not publish valuation guidance as each property specification is unique.

[6] Section 35(5A).

For such properties, it may prove less easy to determine whether the chargeable value declared by the vendor was reasonable. The best evidence in these circumstances would be a valuation report by a professional valuer, setting out the value and how it was arrived at. If the vendor had obtained such a report, the purchaser could also rely on that report. Alternatively, in cases where there was a significant gap between the chargeable value declared and the sales price which could not be explained by, for example, movements in relevant property prices generally or improvements that increased the value of the property, a purchaser may opt to get a professional valuation.

4.2.1 Submitting a revised chargeable value to Revenue

In strictness, a purchaser who decides that a revised chargeable value is warranted does not have to submit the revised chargeable value until the first return date (i.e. 7 November) following the sale. However, to enable a revised chargeable value to become part of the conveyancing process, the purchaser (or his or her solicitor) should submit his or her own estimate of the chargeable value of the property that would have applied at the preceding valuation date to Revenue along with the following details:

- Name and PPSN of purchaser;
- Property ID;
- Property address; and
- Purchaser’s estimate of the valuation band or actual chargeable value of the property that would have applied at the preceding valuation date.

4.2.2 Properties sold by local authorities and approved housing bodies

Local authorities and certain approved housing bodies[7] that provide social housing are permitted to value all the properties in their ownership in the first valuation band, regardless of their actual market value. In relation to the first valuation period (covering the years 2013 to 2021) in the case of any property purchased from a local authority or such a body, a purchaser could accept this valuation regardless of the actual selling price and could continue to pay LPT based on this valuation until he or she had to revalue the property on 1 November 2021.[8] However, this position does not apply in relation to the second valuation period (covering the years 2022 to 2025).[9] Instead, a purchaser is required to declare the actual chargeable value for a property as at 1 November 2021, which value may or may not come within the first valuation band.

Example 1: sale in first valuation period

A person buys a house from a local authority in April 2015 for €300,000. The local authority had been allowed to value the house in band 1 (i.e. zero to €100,000) for the valuation date 1 May 2013. Notwithstanding the price paid for the house, the purchaser can continue to pay LPT based on the band 1 valuation for the years 2016 to 2021.

---

[7] Approved for the purposes of the Housing (Miscellaneous Provisions) Act 1992 (section 6).

[8] Section 17(6).

[9] Section 14(1B), inserted by the 2021 LPT amendment Act.

Example 2: sale in second valuation period

A person buys a house from a local authority in April 2023 for €600,000. The local authority had been allowed to value the house in band 1 (i.e. zero to €200,000) for the valuation date 1 November 2021. Unless the increase in the value between 1 November 2021 and April 2023 can be explained by a general increase in property values in the particular locality or improvements made to the house, the purchaser is required to establish the value that would have applied as at 1 November 2021 and to pay LPT for the years 2024 and 2025 based on this revised value.

4.2.3 Examples illustrating implications of a sale

The following examples illustrate how Revenue expects purchasers to form an opinion on whether the valuation used by the vendor was reasonable.

Example 1: purchaser revises vendor's valuation

A vendor valued a property on 1 May 2013 in the €100,001- €150,000 band, put it on the market for €320,000 in January 2014 and sold it for €305,000 in March 2014. The vendor did not provide any information or documentation that would have explained the reason for the apparently low valuation at 1 May 2013.

As the purchaser was not aware of any valid reason for such an increase in market value, he or she should have submitted an LPT Return form in respect of the liability date 1 November 2014 showing a revised valuation band for the property at 1 May 2013 values. This should have been informed by the price paid for the property, adjusted to reflect any changes in prices generally in the locality between 1 May 2013 and the date of sale and any other special factors affecting the value of the property in the meantime. Thus, if prices generally had risen by, say, 5%, the purchaser should have valued the property in band 5 - €250,001 - €300,000 for the November 2014 return.

Example 2: no revision due to general increase in property prices

A vendor valued a property on 1 May 2013 in the €100,001- €150,000 band and sold it in March 2014 for €160,000. Following the opening of a new school nearby, there was a general increase in property prices in the area of about 10%. In these circumstances, a purchaser could have reasonably formed the view that the property had not been under-valued and that a revised valuation was not required.

Example 3: no revision due to value of comparable properties

A vendor valued a property on 1 May 2013 in the €100,001- €150,000 band, put it on the market for €210,000 in July 2014 and sold it for €195,000 in September 2014. The vendor produced information showing that two similar houses in the area had been sold in March 2013 and April 2013 for €140,000 and €145,000.

Property prices generally had risen in the area by 10%. While the difference between the valuation and the sales price could not be explained by rising prices generally, a purchaser could have formed the view that the vendor could reasonably have arrived at the conclusion that the chargeable value on 1 May 2013 fell in the €100,000 - €150,000 band, given the information available about sales of comparable properties at that date. A revised valuation was not required.

Example 4: no revision due to improvements to property

A vendor valued a property on 1 November 2021 in the €525,001- €612,500 band, puts it on the market for €725,000 in February 2023 and sells it for €710,000 in September 2023. The vendor produces evidence that significant expenditure has been incurred on the property after the 1 November 2021 valuation date which significantly enhanced its value. The purchaser could reasonably conclude that this explained the gap between the chargeable value at 1 November 2021 and the sales price.

5 Sale of exempt properties

A purchaser of a property from a vendor who claimed an exemption should request confirmation from the vendor that the property being sold was eligible for the exemption. If it subsequently turns out that the purchaser was not eligible for the exemption, there will be a charge on the property in respect of the unpaid LPT liability.[10]

Subject to one exception, and in relation to the first valuation period only, there were no immediate implications arising from a sale of a property that was an exempt property on 1 May 2013.[11] Such a property was not potentially chargeable until 1 November 2021. The exception related to the purchase of a property from a vendor who purchased the property in 2013 and who qualified for the 'first-time buyer' exemption provided for in section 8 in respect of the years 2013 to 2021. Although the intention was to restrict this exemption to first-time buyers of second-hand properties, it actually applied to anybody who purchased such a property during 2013 and occupied the property as a sole or main residence. This exemption did not carry through to a subsequent purchaser unless the subsequent purchase also occurred during 2013.

In relation to the second valuation period, an exemption claimed by a vendor does not carry through to a purchaser unless the purchaser is also eligible for the exemption in his or her own right.[12]

Example 1: 'first-time buyer' exemption

A person qualifying for relief under section 8 purchased a second-hand property for €195,000 in March 2013. The house was sold again in April 2019 for €203,000. The purchaser in April 2019 was liable in respect of 2020 and 2021. The chargeable value at 1 May 2013 continued to be the chargeable value until the following valuation date 1 November 2021. The purchaser should, therefore, have filed a return based on band 3; i.e. €150,001 - €200,000. (This band would also have met the 'reasonableness' test discussed in section 4.2 above)

Example 2: sale in first valuation period

The liable person in relation to a guesthouse was eligible for, and claimed, an exemption on the LPT return filed in May 2013 as the property was fully subject to commercial rates.[13]

---

[10] Sections 123 to 127.

[11] Section 14(2).

[12] Section 14(2) as amended by the 2021 LPT Act.

Although the property was sold in October 2016, the purchaser could continue to avail of the exemption for the years 2017 to 2021.

Example 3: sale in second valuation period

A charity, the liable person in relation to a property used for special needs accommodation,[14] was eligible for, and claimed, an exemption on its LPT return filed in November 2021 on which it declared a chargeable value of €520,000 (band 5). It sells the property in August 2022 for €545,000 (band 6). The purchaser is not a charity so is not entitled to the exemption and must start to pay LPT in respect of the year 2023 based on the declared band 5 valuation of €520,000. The purchaser considers that the increase in value could be accounted for by a general increase in property prices in the particular locality and that the value declared at 1 November 2021 was reasonable and doesn't have to be revised.

6 Termination of deferral arrangements[15]

Any deferred LPT liability (including accrued deferral interest) becomes payable when a property is sold. However, where a property is transferred by way of a gift or an inheritance, Revenue may allow a deferral to continue where the donor or the deceased person's personal representative:

- notifies Revenue about the transfer, and
- the person receiving the gift or inheritance is eligible in his or her own right for, and claims, a deferral.

7 Penalties for non-compliance

A €500 fixed penalty may be imposed on a vendor who did not provide information to a purchaser about the chargeable value that he or she declared to Revenue.[16]

A vendor could also be liable to a separate penalty of the amount of the additional LPT that was payable for making a false statement to obtain a reduction in the LPT payable.[17]

A purchaser could be liable to a penalty for failure to submit a revised chargeable value where it appeared to him or her that the value that was declared to Revenue by the vendor could not reasonably have been arrived at. This penalty would be the amount of the additional tax payable as a result of the correct value being declared, subject to a maximum penalty of €3,000.[18]

[13] Section 4 exemption.

[14] Section 7 exemption.

[15] Section 139.

[16] Section 146(2A).

[17] Section 147.

[18] Section 146(1).