Exempt properties

Part 02-01

This document should be read in conjunction with part 2 of the 2012 Act as amended

Document last reviewed November 2017

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

1. Introduction to exempt properties

Sections 4 to 10B of Part 2 of the Finance (Local Property Tax) Act 2012 (as amended) contain the provisions relating to exemptions from the charge to local property tax (LPT). The various exempt properties all have their own individual qualifying conditions that are covered in detail in Instructions 2.2 to 2.11. The residential properties that may be exempt (if they meet the required qualifying conditions) are those that are:

- fully subject to commercial rates (section 4)
- vacated for an extended period by a person with a long-term mental or physical infirmity (section 5(2)(a))
- registered as a nursing home (section 5(2)(b))
- newly constructed and unused (section 6)
- used to provide special needs accommodation (section 7)
- used by a charity in connection with recreational activities (section 7A))
- purchased by a 'first-time buyer' (section 8)
- purchased from a builder/property developer when still new and unused (section 9)
- situated in a specified unfinished housing estate (section 10)
- occupied by permanently and totally incapacitated individuals (section 10A)
- certified as affected by significant pyrite damage (section 10B)

2. Other non-liable properties

There are some other residential properties that are not technically exempt as such but that are outside the scope of the charge to LPT for various reasons and so do not need to be specifically exempted. The main category is residential properties that do not come within the definition of "residential property" in section 1 of the Finance (Local Property Tax) Act 2012 (as amended). This encompasses buildings (or structures) that are not suitable for use as a dwelling. The definition of "building" in the same section contains specific exclusions for vessels (boats), vehicles (whether these are mobile or not) and structures that are not permanently attached to the ground. Certain residential properties that are used for diplomatic purposes are not chargeable to LPT because they have a general tax exemption contained in other legislation.

3. Relevant residential properties

A "residential property" is defined in section 1 of the Finance (Local Property Tax) Act 2012 (as amended). Where a building (or a structure) is in use as, or is suitable for use as, a dwelling on a liability date in a year, the building is called a "relevant residential property" by section 3. This term is then used to describe a 'chargeable' property. The drafting mechanism that is used in Part 2 of the Act to exempt a particular type (or use) of a residential property is to state that such a property "shall not, for the purposes of this Act, be regarded as a relevant residential property".

4. Duration of exemption

The duration of an exemption is linked to the concept of a valuation date. The Finance (Local Property Tax) Act 2012 stated that the valuation dates started with 1 May 2013 for the years 2013, 2014, 2015 and 2016 and 1 November after that for each consecutive 3-year period. However, the Finance (Local Property Tax) (Amendment) Act 2015 postponed the second valuation date from 1 November 2016 to 1 November 2019 so that the first valuation period now covers the years 2013 to 2019.

A valuation date serves two purposes. It is the date on which the chargeable value of a property is established for all liability dates falling with the valuation period. It is also the date that determines whether the property is exempt during the valuation period. The general rule is that a residential property that is exempt (or otherwise outside the charge to LPT) on a valuation date continues to be exempt until the following valuation date, **even if the qualifying conditions for the particular exemption cease to be met during a valuation period.** Therefore, an exemption may continue for at least the full first 61/2 year valuation period.

The only exception to the general rule is in relation to the 'first-time buyer' exemption that ends with effect from the first liability date (1 November) after the qualifying conditions for the exemption cease to be met. In the case of new and unused properties purchased from a builder or a property developer and properties purchased by a 'first-time buyer', the exemption does not continue after the first valuation period. The Finance (Local Property Tax) (Amendment) Act 2015 states that such properties will not become liable until 1 November 2019. However, as the legislation currently stands, the other exemptions are open-ended.

A property that was not exempt on the first valuation date of 1 May 2013 may subsequently become exempt where the qualifying conditions for the particular exemption are met at a later stage.

5. Claiming the exemption

A person who, without the exemption, would be liable for LPT on 1 May 2013 but who meets the qualifying conditions for an exemption should claim the exemption by filing a LPT1 return form and inserting the relevant exemption code on the return form on a self-assessment basis.

A person who acquires a property that was exempt on 1 May 2013 after 1 May 2013 (other than from a person who has qualified for a ‘first-time buyer’ exemption) does not need to submit a return form to claim the exemption until 1 November 2019, the liability date for the year 2020. However, a person who acquires a property that was not exempt on 1 May 2013 after 1 May 2013 and who meets the qualifying conditions for exemption should claim the exemption.

6. Self-assessment and compliance

All claims for exemption are subject to compliance checks and verification by Revenue. A person who has claimed an exemption may be required to provide evidence of eligibility for the particular exemption. As is the case with all self-assessed taxes, the person must retain evidence to support the claim for exemption.