

2020 Pre-Budget Submission Press Release

IPAV CALLS FOR HELP-TO-BUY TO BE EXTENDED FOR TWO YEARS AND 3.5 TIMES LOAN-TO-INCOME THRESHOLD TO BE INCREASED

IPAV, the Institute of Professional Auctioneers & Valuers, has today (Wednesday) called on the Minister for Finance to extend the Help-to-Buy scheme, which was due to expire at the end of this year, for a further two years and to broaden its terms to include second-hand homes.

In a pre-Budget submission to the Minister for Finance the organisation which represents 1,300 auctioneers and valuers is also calling for the 3.5 times loan-to-income threshold for mortgages to be increased to 4.5 times income, to ensure those on lower incomes who can afford mortgage repayments are able to access mortgage finance and not be forced into the rental market where rents far exceed the price of servicing a mortgage.

Pat Davitt IPAV Chief Executive said the Help-to-Buy scheme is a crucial intervention in the market, enabling people to acquire a first home in a very difficult market. And the 3.5 times loan-to-income threshold is too restrictive

“Young people are severely disadvantaged in the current market. At a time when they are but starting in their careers large numbers of them are paying rents at levels way beyond the price of servicing a mortgage and are trying to save for a mortgage deposit at the same time, an impossible task for many. For those on incomes of €30,000 - €40,000 it is practically impossible to buy any form of property even though they can well afford to.

“There are properties available which they could afford but under the Central Bank rules they can only purchase a property in the range €105k - 140k. There are very limited areas in which such properties are available. If this income cohort were allowed to borrow 4.5 times income they could have a lot more choice to suit their needs. This would have the added advantage of freeing up more rental accommodation to others aspiring to rent. The obvious answer to any concern around affordability is the introduction by lenders of 10-15 year fixed interest mortgages, providing stability for all parties involved,” he said.

Mr Davitt said of the 30,875 applications for the Help-to-Buy scheme to the end of July the vast majority are purchasing homes in the €226,000 to €375,000 price brackets, largely in urban areas, with loan-to-value levels of 85pc and over.

“Historically home ownership has delivered personal wealth and security into old age for Irish people. However, the risk now with recent trends is that such wealth will pass to vulture funds and other institutional purchasers of developments,” he said. “In the current market the Help-to-Buy scheme is a beacon of light for young aspiring buyers very many of whom would not otherwise be able to purchase their own homes,” he said.

Home ownership rates in Ireland are falling from the high levels of over 80pc to 70pc today and could be expected to drop to 60pc in 10 years’ time, unless current policy changes, IPAV warns in its pre-Budget submission.

IPAV is also calling for the scheme to be extended to cover second hand homes, saying it would encourage a more natural movement in the market.

The Help-to-Buy scheme provides for a refund of Income Tax and DIRT paid over the previous four tax years, limited to a maximum of 5pc of the purchase price of a home up to a value of €500,000. The refund is capped at €20,000.

In today's submission IPAV is also calling for:

Incentives for school leavers, graduates and employees to remain in, or to return to Ireland. A full income tax exemption for the first five years of employment, capped at an annual wage of €40,000. For those returning to Ireland to work, a full income tax exemption for the first year of employment, also capped at €40,000.

A review and the ultimate replacement of the Residential Tenancies Act 2004 as amended in 2009, 2014, 2018 and 2019 on the basis that it is an extremely complex and a poorly drafted piece of legislation and far too complex for landlords and tenants to operate without copious information seminars and other assistance with regard to interpretations.

The introduction of Rent Pressure Zones (RPZs) nationwide: IPAV believes the entire country should form a single RPZ for a two-year period with all rents being allowed to reach current market rates, if landlords so wish, but should be subject to a 2pc increase per annum rather than the current 4pc.

The introduction of realistic tax incentives for private landlords. Many private landlords pay tax rates of 55pc on rental income and are also subject to Stamp Duty and Capital Gains Tax (CGT) on sales. Yet commercial landlords in the build-to-rent sector pay little or no tax. Investment in the private rented sector has become a deeply unattractive proposition for the private landlord, despite record high rents. Private landlords should be treated like other commercial and farming landlords who get write offs against tax for long term leases. This has proved very successful in the farm renting business and encourages farmers to rent longer term. It would help stem the flow of private landlords from the market.

Relief for private landlords who sell properties with tenants *in situ*.

A plan to move to the European model of long-term tenancies with units being rented unfurnished.

The introduction of a Code of Practice for Tenants. This should clearly define rights and obligations and decrease the number of disputes that arise and the number of referrals to the RTB. A fast track method is needed to terminate tenancies in cases of non-payment of rent and over-holding. Despite a public perception to the contrary the RTB Annual Report for 2018 shows that Rent Arrears and Overholding at 26pc forms the largest source of dispute resolution applications. And 58pc or almost six in every ten Determination Orders taken for Validity of Notices of Termination (959 in total) were found to be valid.

Restrictions on the number of units institutional investors can purchase and a requirement that they invest/build upon existing development sites.

Ends