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IPAV AND IPOA Propose Budget Measures to Address Failures in Rental Sector

A new tax rate of 25 per cent, inclusive of USC and PRSI, a reduction in Capital Acquisitions Tax and the ability for landlords to charge market rent on re-renting properties are among the measures being recommended in a joint Pre-Budget submission to government today by IPAV, the Institute of Professional Auctioneers & Valuers and IPOA, the Irish Property Owners' Association, to help stem the flow of private landlords from the market.

The document warns that there is now a real risk of serious oversupply of high-end properties with in excess of 75,000 apartment schemes currently granted planning permission.

“The State cannot afford to allow funds with annual rental profits of hundreds of millions of euro to operate on a tax-free basis whilst their smaller private counterparts pay tax at up to 55 per cent,” it says.

The new rate of tax should be funded by applying the rate to all landlords, including investment funds/REITS.

It says historically private landlords looked to securing an independent source of pension income from their rental properties “but the risks and exposures for (private) landlords have changed dramatically since 2006.”

It says the current CAT regime means many families are forced to sell their properties to pay the tax. It calls for a reduction in CAT by reducing the taxable value by 90 per cent as applies to the inheritance of agricultural property and business assets. This would assist with retention of supply and incentivise new investment.

The introduction of roll-over relief in Capital Gains Tax on the sale of all assets where the proceeds are reinvested in residential property within 12 months is recommended to encourage existing and new investors in the rental market.

The joint submission says there has been so much intervention in the market that some landlords are holding properties out of the market and it predicts that new legislation in June this year increasing the notice periods for termination will hasten the exit of small landlords from the market.

It proposes that on re-renting when a tenant leaves landlords should be allowed to charge market rent. And it calls for rental income to be treated as relevant income for pension purposes and capital loan repayments should be available for pension relief.

Commenting today IPAV Chief Executive, Pat Davitt, said: “The exit of private landlords from the market is at a critical stage and is now being felt throughout the country, not only in urban areas. The measures we are proposing today are designed to rebalance the market on a cost neutral basis for the Exchequer.”

IPOA Chair, Mary Conway said: “Years of onerous, complex legislation and aggressive tax policy have led to the exodus of private traditional landlords which is exacerbating the homelessness crisis. Private landlords have been the backbone of the rental market for many years providing homes in the absence of the building of social housing. The Government needs to be brave and act responsibly to incentivise the traditional landlord to remain by adjusting their policies and introduce substantial and meaningful tax and regulation supports for landlords providing rental accommodation.”

Ends.