WINNERS AND LOSERS UNDER NEW

RATING SYSTEM

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The origins of rating assessment on property is indeed very old, dating back to 1826 when Griffiths Primary Valuation Act was passed allowing for a uniform valuation of all property throughout Ireland and the introduction of payment of rates stems from the Valuation Act (Ireland)1854.

Under the existing system the rate payer has little or no knowledge or clear understanding of how the assessment is arrived at. The system being based on 1988 rental values is very much to the advantage of the Valuation Office as they have a wealth of information on values pertaining to that date. However the typical rate payer invariably has no insight or information whatsoever of rental levels relating to what is some twenty-four years ago.

All this is about to change under the provisions of a new rating system introduced by the 2001 Valuation Act which allows for a blanket reassessment of all rateable commercial premises within the twenty-six counties. The introduction of the Act allows for a simple calculation, with the added intention of removing many anomalies which have crept into the system over the years.

The rolling out of the reassessment has already been completed in parts of Dublin and is currently being introduced to both Galway and Waterford where the initial stages of the process is in progress.

It is anticipated that the revision of Cork City and County rateable properties is likely to commence sometime in the next two to three years, or possibly sooner if Minister Hogan is successful in driving his agenda to fast-track the process. There will be a revision of the assessments every ten years with a view to making adjustments to reflect changes in rental levels within the marketplace. This should ensure that anomalies won’t develop within the system with the passage of time.

The new system will be more transparent and easily understood by the rate payer as the RV will be a figure equivalent to the current open market rental value and the rates bill will be a percentage of the rental value, the percentage being determined by the Local Council on a yearly basis.

As a case in point the Fingal percentage has been determined for 2012 at the level of 14.9%. However, it is applied to the 2005 open market rental values as this was the date nominated at the time of the revaluation.

On the understanding that rental levels for commercial premises have fallen by approximately 40% nationwide since 2005 then it may not be unreasonable to anticipate that the percentage applied to the open market rental value to arrive at the yearly rates bill in the case of Cork is likely to work out at a figure closer to 25%. The existing system being based on rental levels at 1988, it is evident that some sectors of the commercial property market have suffered more than others then it is inevitable that there will be winners and losers under the new system.

The main beneficiaries of the reassessment are likely to be hotels, warehousing, licensed premises and secondary and tertiary retail as these sectors have experienced a higher falling off in rental values relative to the other sectors.

There should also be some relief for the commercial property within areas with a history of flooding which will have an automatic impact on the rental values and consequently the level of rates levied.

The revaluation will result in a redistribution of commercial rates liability between the rate payers. However while an occupiers rates liability may increase or decrease the revaluation will not change the overall commercial rates income for the City or County.

This shift has already been revealed by the Valuation Office in that the percentage of reduction and increases in the case of the revaluation undertaken in South Dublin and Fingal reads as follows.

South Dublin Fingal

% of Rate Payers experiencing a reduction 49% 65%

% of Rate Payers experiencing an increase 39% 30%

% of Premises previously not rated 12% 5%

The purpose of revaluation is to bring more equity and fairness into the system. Following revaluation there will be a much clearer and uniform relationship between rental values of property and their commercial rates liabilities.

It is interesting to note that rates payable on agricultural land and buildings were contested by the farming community in 1982 and it was found that the assessments levied were deemed to be unconstitutional as it was considered the tax was unfair due to the widespread presence of anomalies in the system. Shortly afterwards the payment of rates by farmers was exempted and still is today.

The introduction of the new system will certainly help to remove the anomalies and ensure to give a more equitable spread of the burden while also bringing more fairness into the system.

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