

## **OPENING REMARKS**

**Mary Conway, Chairperson  
of the  
Irish Property Owners' Association (IPOA)**

**Select Committee on Budgetary  
Oversight**

**23rd November 2022**



**IPOA Members of UIPI**

Thank you Chair, good afternoon, Deputies and Senators.

Thank you for the opportunity to speak to you today in relation to some of the challenges facing the Rental sector.

The IPOA is a national not-for-profit organisation, representing landlords from single property owners to multiple property owners, seeking to protect and promote their interests and encourage the supply of good quality accommodation and professional management through education and training.

The exodus of private landlords from the market is well documented. Landlords are leaving the market in their thousands and the rate is increasing significantly each year to the extent that much of the new supply coming on stream is merely replacing lost stock with little net gain.

There has been a very notable unwillingness from Government and opposition to do anything to address the matter. Given the relatively simple solutions that are required, one can only deduce that populism which is now so prevalent in public discourse is preventing correct and sensible decisions from being taken with regards to the rental sector. And to what end?

Those that Government and Opposition parties proclaim to protect are losing out through a reduction in the supply of rental accommodation, whilst property owners lose out through an inequitable taxation code and regulation that sees their rights compromised and makes the simple business of renting a property unworkable.

The Power report on the Rental Market, together with the IPOA-IPAV Members' survey highlighted the damaging impact that taxation and over regulation are having on landlords and their appetite to remain in the market. A survey of 1,000 landlords found that 52% of properties held by those surveyed will be sold within the next 24 months with 58% of those surveyed citing the fact that property rental does not make financial sense due to the overly penal tax regime in place.

Things have changed further since the Report with the ongoing inflation crisis and significantly increased interest rates. As a result of the Rent Control measures in place, property owners find themselves in the unique position of being the only business in the world where you cannot recover any increase in costs from an increase in your sales price. Not only this but rents in real terms are decreasing at significant level given the prevailing rate of inflation. Taken in the round, one can expect a significant uplift in the number of property owners exiting the market over the coming months, something that the recent ban on evictions won't have helped.

The tax code is an obvious way of alleviating the pressure on property owners with a view to achieving a key government priority such as maintaining the availability of rental property. The disparity in treatment of institutional funds versus their private counterparts is indefensible. The State cannot afford to allow funds with annual rental profits of hundreds of millions of euros to operate on a tax-free basis whilst their smaller private counterparts pay tax at 53%. There is no other sector of the economy that operates a discriminatory dual taxation regime, and an urgent rebalancing of the tax code is required to ensure fairness and allow private property owners remain in business and continue

to supply their much-needed stock, stock that is worth no less to the sector than that provided by the private equity players. Our budget submission provided solutions as to how these imbalances can be addressed on a cost neutral basis for the Exchequer as follows.

### **1. Introduction of a new 25% rate of tax**

IPAV and IPOA recommend that a new rate of tax on residential rental income of 25% (inclusive of USC and PRSI) be introduced for residential rental profit to encourage small private landlords to remain in the market and support new investment. It is proposed by us that this be funded from the introduction of a tax rate of 25% for all investment funds/REITS operating in the residential rental market, which would bring some much-needed equilibrium to the treatment of landlords. The private investor is taxed at a marginal rate of up to 55% with Capital Gains Tax at 33% whilst the private equity fund/REIT pays 0% tax on rental profit once they exit the market within a defined period.

### **2. Provision of Roll-Over Relief**

IPAV and IPOA proposed the introduction of roll-over relief in relation to Capital Gains Tax on the sale of all assets where the proceeds are reinvested in residential property within twelve months, to encourage existing and new investors to reinvest in the market.

### **3. Reduction in Capital Acquisitions Tax**

We also called for a reduction in Capital Acquisitions Tax (CAT) on the inheritance of residential investment properties. Families are forced to pay large CAT bills on the inheritance of residential property forcing the sale of the property. A reduction in the tax charge by reducing the taxable value by 90%, as applies to the inheritance of agricultural property and business assets, should be introduced. This will encourage current property owners to pass assets to the next generation, allow the next generation to remain in the market, and encourage other individuals to invest in the market.

### **The Commission Report**

The recommendation of the commission's report is worrying from our organisation's perspective. The commission seeks to identify where additional tax can be generated and it has concluded that capital taxes is one of tax heads that provides an opportunity in that context. However, the Power report and the IPOA IPAV survey have clarified beyond doubt that taxation is a key factor in the exodus of private landlords from the system. If Government accepts the recommendation of the commission, the tax cost of investing in residential property will increase dramatically which will only add to the existing problem. Therefore, if these recommendations are to be accepted significant breaks need to be encouraged for owners of private rental residential property recognising the very significant role they play in the provision of housing, and to ensure they are retained.

### **Conclusion**

Government and opposition alike need to recognise that private landlords represent 90% of the existing rental stock – allowing or accepting that these people leave the market is not an option. Government needs to take bold measures that will incentivise private landlords to remain in the market and opposition need to refrain from damaging populist arguments that are not in the national interest. The solutions that are required to address the problem are relatively straightforward and with political will can be implemented in a timely and equitable manner. We look forward to engaging with you over the course of this debate and beyond.