



## **Submission to Dublin City Council on the Variation of Local Property Tax**

**July 2021**

Dublin Chamber calls on Dublin City Council not to adopt a reduction in the Local Property Tax rate any greater than -10% for 2022. The uncertain economic and fiscal outlook following Covid-19 makes it imprudent to voluntarily forego more revenue than is necessary in the manner of recent years. The decision on the adjustment of Local Property Tax in Dublin City must not be taken in isolation. It must be considered in light of the likely implications for the overall budget for 2022 which will be agreed later this year, and the implications for commercial rates in particular. In normal circumstances businesses fund over a third of the Dublin City Council budget directly through commercial rates, in addition to their contributions through various charges and levies; yet commercial rates have been effectively treated as a balancing item to address shortfalls arising from earlier decisions taken clear consideration of their budgetary implications. The commercial rates waiver is due to expire in September 2021, and not long afterwards, Dublin City Council will have to agree a budget for 2022. Dublin Chamber encourages public representatives to consider this carefully and to ensure that commercial rates are not increased at a critical time for businesses and jobs in Dublin.

### **1. Introduction**

Dublin Chamber welcomes this opportunity to make a submission to Dublin City Council as part of the consultation on the annual decision on the variation of Local Property Tax (LPT). Dublin Chamber is the representative body for businesses in the Greater Dublin Area, with a cross-sectoral membership base spanning the spectrum from start-ups and sole traders to multinationals and semi-state companies. Dublin Chamber wishes to highlight a number of concerns with respect to LPT and requests that these be taken into account by Dublin City Council in relation to its annual decision on the LPT variation. The Chamber argues that Dublin is suffering from underinvestment in its infrastructure and municipal services; that there is strong demand for climate action, a better urban environment, and improved quality of life; and that LPT revenue has an important role to play in meeting these needs. A significant and one-sided relinquishment of legitimate public revenues from LPT is not appropriate at this time.

*Dublin City Council should not adopt a variation of the LPT rate any higher than -10%. The additional revenue from this decision would make a tangible difference to service provision in Dublin city centre.*

## 2. Public & Business Demand for a Better Dublin

Dublin Chamber takes a holistic view of the business environment in which quality of life and economic competitiveness are complementary. In *The Great Dublin Survey*, conducted by the Chamber in 2017, Dubliners from all walks of life were asked their views about the city, and their aspirations for the future. The survey garnered over 20,000 responses and formed the background to our in-depth report, *A Vision for Dublin 2050*, which outlines in rich detail the public's perception of Dublin and the direction it should take.

While Dubliners are proud of their city, they are also very conscious of its shortcomings. Whereas 82% of respondents described Stockholm as a clean city, and figures of 80% and 76% were received for Sydney and Berlin respectively, just 22% of respondents described Dublin as clean. Twice as many people described Ireland's capital as a dirty city.<sup>1</sup> This perception points to a wider concern about maintenance of the urban environment in Dublin. Dublin was recently ranked among the most traffic-congested cities in the world, with an average of almost 250 hours lost per driver annually.<sup>2</sup> Traffic congestion in the GDA costs the national economy €350 million per annum, rising to a cost of €2 billion per annum by 2033.<sup>3</sup> This impacts both upon business competitiveness and quality of life. Already, levels of life satisfaction are lower in Irish cities than in rural areas, both among high-income and low-income groups.<sup>4</sup> Other research has found that Dublin has one of the lowest levels of self-reported life satisfaction in Ireland.<sup>5</sup> Alongside housing, infrastructure consistently ranks as the most important long-term policy issue facing existing businesses in the GDA.

More recently, Dublin Chamber has promoted the vision of Dublin as a [15 Minute City](#), highlighting the need for investment in public and active travel infrastructure in the context of a changing urban environment post-Covid. Dublin Chamber has long argued for greater investment in urban infrastructure from the central Government. We pointed out, for example, that despite the considerable demographic pressure on its infrastructure, Dublin received the second lowest level of capital investment per head from central government of any county from 2009-2016. It received less than half of the national average and less than a third of the amount received by higher per capita recipients.<sup>6</sup> It must be noted that this analysis is based solely on Dublin's resident population.

*There is strong demand for a better urban environment in Ireland's capital city. This can only be achieved by better investment in Dublin's local infrastructure and better funding for municipal services. With businesses already heavily relied upon to fund Local Authorities, LPT is a revenue stream that should be better managed to improve urban services whilst being prudent in relation to household impact.*

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<sup>1</sup> Dublin Chamber 2017, *A Vision for Dublin 2050*, pp. 15, 20, <https://www.scribd.com/document/378180736/A-Vision-for-Dublin-2050-Lores>

<sup>2</sup> INRIX Global Traffic Scorecard 2018, <http://inrix.com/scorecard/>

<sup>3</sup> Dept. of Transport calculation, Dáil Question No: 346, John Lahart TD. Ref No: 1857/17, Proof: 348, Answered by the Minister for Transport Tourism and Sport Shane Ross.

<sup>4</sup> Eurostat, Statistical Books, Urban Europe: Statistics on Towns, Cities & Suburbs 2016 Ed., p. 267

<sup>5</sup> UCD Briefing Paper for Comhar, Clinch et al, Understanding & Measuring Quality of Life in Ireland: sustainability, happiness and well-being, p. 56.

<sup>6</sup> Dublin Chamber, July 2018, Submission to DHPLG Consultation on Local Government Funding, <https://www.dublinchamber.ie/DublinChamberofCommerce/media/banners/Dublin-Chamber-Local-Govt-Funding-Submission-July-2018.pdf>

### 3. LPT as a Revenue Source

The Dublin City Agreement, reached between Fianna Fáil, the Green Party, the Labour Party, and the Social Democrats, contains a commitment that 'We will seek to retain and spend 100% of Local Property Tax collected in Dublin City on Dublin City Services.'<sup>7</sup> This is a welcome goal, now endorsed by the Government and promised for delivery in 2023. Dublin Chamber strongly supports local retention of LPT revenue and has argued the case for this in our representations to national government.<sup>8</sup>

Dublin Chamber supports a responsible fiscal policy. We recognise that maintaining a diverse range of Government revenue streams at national and local level is a key marker of the fiscal prudence that underpins long-term economic stability and success. The requirement for the introduction of a property tax as part of the EU / IMF Programme of Financial Support for Ireland was appropriate in this context. However, there remains a general tendency amongst Local Authorities towards overreliance on the collection of commercial rates revenue as a means of balancing accounts. The manner in which the discretionary variation in LPT has been exercised by Local Authorities is indicative of the attitude prevalent among local representatives, with Councillors in Dublin City reducing LPT by the full permissible 15% every year for the last 6 years, without concomitant reductions in commercial rates for struggling businesses. Meanwhile, revenue from commercial rates paid by the business community accounts for over a third (35%) of Dublin City Council income in normal circumstances, while Local Property Tax (LPT) accounts for just 2.2%.<sup>9</sup> There is a strong perception in the business community that this policy trend owes more to electoral concerns than to a disinterested regard for good governance or for the social and economic environment in Dublin.

The commercial rates waiver has proved a vital emergency support for businesses during the pandemic but is scheduled to expire in September 2021. Dublin Chamber made the case to national government for an extension of the commercial rates waiver last year, and will make a similar case for 2021. However, it can be difficult to ensure that arguments for greater local government funding are considered positively at national level when Councillors voluntarily relinquish revenue from LPT to the maximum extent that is legally permissible. The decision on LPT variation this year must be based on the assumption that emergency funding associated with Covid-19 will be withdrawn as scheduled, and form part of a broader plan for the 2022 Budget rather than be treated as a stand-alone item.

*Dublin Chamber welcomes the presence of multiple sources of Local Authority funding, and encourages Dublin City Council to adopt a more balanced approach to revenue generation. While we will continue to make the case for a fairer share of central Government investment in Dublin, Local Authority representatives have a responsibility to do their own part by making the most effective use of existing revenue streams to improve economic competitiveness and quality of life in the city.*

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<sup>7</sup> The Dublin Agreement 2019-2024, p. 8, <https://www.labour.ie/download/pdf/dublin-city-agreement-final.pdf#page=8>

<sup>8</sup> E.g. Dublin Chamber, Submission to Dept. Finance re Review of Local Property Tax, May 2018, <https://www.een-ireland.ie/eei/assets/documents/uploaded/general/Dublin%20Chamber%20LPT%20Review%20Submission%20May%202018.pdf>

<sup>9</sup> NUI Galway, Local Authority Finances, Dublin City, <http://localauthorityfinances.com/income/7/>

#### 4. Potential Uses of LPT Revenue

Dublin Chamber regrets the decision by Councillors to repeatedly discount the advice of Dublin City Council officials about the needs of the city in the run-up to LPT variations in recent years. Whereas the average benefit accruing to a household on account of the full downward variation is very modest – and the benefit to vulnerable tenants in renting households non-existent – the opportunity cost has been significant, with many potential city improvements going unfunded over the years as a result.

In previous briefings to Councillors, Chief Executive Owen Keegan advised that a slightly more modest LPT reduction of 10% would have returned an additional €4 million which could have been used to boost municipal services with a particular focus on improving Dublin’s cleanliness.<sup>10</sup> For example, as well as several cultural and social inclusion initiatives, the proposal would have allowed for:

- Recruitment of 50 permanent street cleaning and road maintenance staff;
- Roll-out of 300 additional smart compactor bins;
- An improved power washing programme;
- Extension of the graffiti removal programme;
- Enhanced area-based anti-litter/graffiti initiatives;
- An improved bulky household waste collection service;
- Roll-out of a waste disposal options awareness campaign.

Similar advice in 2018 was also ignored.<sup>11</sup> The decision not to fund these necessary improvements represented a rebuff to public and business feedback about the current level of cleanliness in the city, but also failed to take account of the wide range of other areas in which Dublin’s infrastructure and services could be improved. In its Strategic Policy Committee representations, Dublin Chamber has highlighted a number of these projects.

The situation is now more acute due to the impact of the pandemic on Dublin businesses and on the finances of the City Council. Last year the Chief Executive warned that “to sustain current priority service levels, additional funding from LPT is critical to bridge the funding gap”.<sup>12</sup> While Dublin Chamber will call on the Government to extend emergency funding, it would be imprudent to assume that such funding will be forthcoming. Dublin City Council should therefore consider the likelihood of a shortfall in making its decision on LPT.

*A full -15% reduction in the 2022 fiscal year would represent an excessive and one-sided relinquishment of public funds at a time of considerable demand for improvements to Dublin’s infrastructure and services. Dublin Chamber encourages Councillors to consider the ways in which Dublin’s infrastructure, carbon emissions, traffic congestion, and quality of life could be tangibly improved by adopting a more modest variation in LPT in future. Above all,*

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<sup>10</sup> Dublin City Council, Report No. 309/2017, Report of the Chief Executive to the Lord Mayor and Members of Dublin City Council re Consideration of the Local Property Tax Local Adjustment Factor in respect of the Financial Year 2018, [https://consultation.dublincity.ie/finance/lpt-consultation-2019/supporting\\_documents/02%20%20Report%203092017%20LPT%20Variation.pdf](https://consultation.dublincity.ie/finance/lpt-consultation-2019/supporting_documents/02%20%20Report%203092017%20LPT%20Variation.pdf)

<sup>11</sup> Dublin City Council, Report No. 238/2018, Report of the Chief Executive to the Lord Mayor and Members of Dublin City Council re Consideration of the Local Property Tax Local Adjustment Factor in respect of the financial year 2019, [https://consultation.dublincity.ie/finance/lpt-consultation-2020/supporting\\_documents/2382018%20LPT%20Variation%20Report%20%20Final.pdf](https://consultation.dublincity.ie/finance/lpt-consultation-2020/supporting_documents/2382018%20LPT%20Variation%20Report%20%20Final.pdf)

<sup>12</sup> Dublin City Council, Report No 228/2020, cited in Dublin City Council, Adopted Budget 2021, p. 6, [https://consultation.dublincity.ie/finance/lpt-consultation-2022/user\\_uploads/2021---adopted-revenue-budget.pdf#page=6](https://consultation.dublincity.ie/finance/lpt-consultation-2022/user_uploads/2021---adopted-revenue-budget.pdf#page=6)

*the LPT decision must be calculated to ensure that businesses do not face a hike in commercial rates when the waiver expires.*