

Valuing Newly Liable Properties for Local Property Tax (LPT)

Technical Note on Discount Factors

(1 November 2022)



Introduction

The Finance (Local Property Tax) (Amendment) Act 2021 introduced a new structure for LPT from 2022 onwards. LPT for the years 2022 to 2025 is, and will be based on, property owners' self-assessed property values on November 1, 2021. New properties that become eligible after this date are required to value their property as if it had existed in its completed state on 1 November 2021.

To adjust for changes in property prices over time since 1 November 2021, Revenue has prepared discount factors using the quarterly Residential Property Price Index (RPPI), as published by the Central Statistics Office (CSO), in respect of new properties. The discount factors are designed to help convert the value of a new residential property built, completed or sold *after* 1 November 2021 into a value *as at* 1 November 2021. This technical note outlines the method used.

Methodology

The RPPI is a price index designed to measure the change in the average level of prices paid by households for residential properties sold in Ireland at market prices. It is compiled by the CSO, using Stamp Duty returns. A variety of different RPPIs are available, including at the national and regional level for all properties, and at the national level for new properties and existing (second-hand) properties separately.

Revenue reviewed the available RPPI indices and associated underlying published data to determine which price index would be most appropriate for creating discount factors for properties newly liable to LPT.

As shown in Figures 1 and 2, new properties have different price levels and price growth rates when compared to existing (second-hand) properties. Taking the average (median) price of each property over time, Figure 1 shows that new properties typically have higher prices than existing properties. Figure 2 compares the RPPI for new, existing and all properties over time and shows that price growth for new properties is less than price growth for existing properties. Between 2021 Q1 and 2022 Q2, prices rose on average by 8 per cent for new properties while they rose by 20 per cent for existing properties.

Figure 1: Median Sales Price of New and Existing Properties



Source: Revenue analysis of CSO data

Figure 2 – RPPI for New, Existing and All Properties



Source: Revenue analysis of CSO data

The above analysis indicates that using a national or regional price index, which combines both new and existing properties together, may be less appropriate for new properties, as both their price levels and price growth typically differ from existing properties. A further point of consideration is the low weight of new properties in the national or regional RPPIs. Their weight, by value, in the National All Property RPPI is approximately 20 per cent, with the balance coming from second-hand properties. In other words, the majority of property sales refer to second-hand properties rather than

new properties. There is variation across different regions (local authorities), which is highlighted for reference in Table 1.

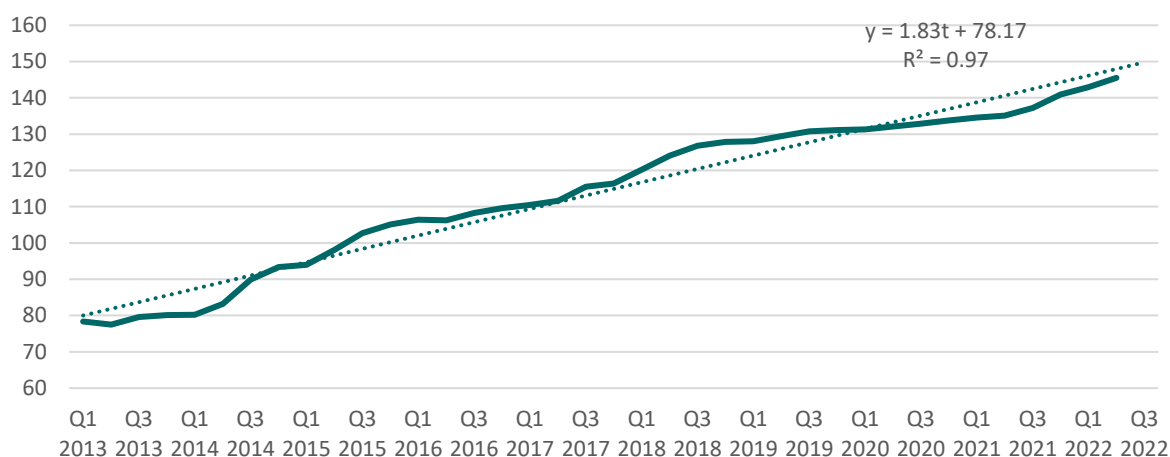
Table 1: Share of new properties in total monthly sales by value

	Nov-21	Feb-22	May-22	Aug-22
All	22%	18%	21%	20%
Cavan	6%	5%	7%	5%
Donegal	14%	27%	14%	21%
Leitrim	0%	0%	0%	0%
Monaghan	0%	6%	2%	14%
Sligo	22%	12%	25%	11%
Laois	26%	12%	12%	17%
Longford	0%	2%	10%	0%
Offaly	33%	49%	19%	19%
Westmeath	4%	2%	18%	7%
Galway City	32%	10%	13%	10%
Galway County	16%	20%	22%	12%
Mayo	16%	13%	15%	16%
Roscommon	3%	0%	9%	0%
Dublin City	10%	6%	9%	9%
DLR	18%	10%	13%	18%
Fingal	29%	28%	33%	25%
South Dublin	20%	23%	24%	27%
Kildare	56%	40%	44%	41%
Louth	29%	29%	30%	29%
Meath	43%	29%	30%	34%
Wicklow	40%	22%	36%	34%
Limerick City	0%	9%	6%	10%
Limerick County	18%	4%	35%	40%
Clare	8%	18%	13%	10%
Tipperary	4%	1%	7%	4%
Carlow	23%	15%	14%	24%
Kilkenny	5%	8%	10%	10%
Waterford City	12%	23%	18%	8%
Waterford County	27%	18%	18%	15%
Wexford	12%	8%	26%	18%
Cork City	14%	3%	9%	3%
Cork County	27%	26%	30%	24%
Kerry	3%	8%	7%	11%

Source: Revenue analysis of CSO data

For the reasons outlined above, the dedicated new property RPPI was chosen by Revenue as the basis for the discount factor. This index is compiled by the CSO at a national level and quarterly periodicity, as there is not a sufficient number of new property transactions in the housing market to support a more disaggregated index by location or period. The discount factor can be readily calculated using the RPPI data for 2021 Q4 (which includes the valuation period of 1 November 2021), 2022 Q1 and 2022 Q2. The discount factor for 2022 Q3 is calculated using a projected RPPI figure for that quarter as it is not yet published. The projected RPPI value was created by way of linear extrapolation, as presented in Figure 3.¹ The discount values are included in Table 2 and have been published on the Revenue website in Revenue guidance on valuing newly liable properties for LPT.

Figure 3 – New Property RPPI



Note: 2013 Q1 was chosen as the first period in the linear regression analysis, as it represents the start of the recovery in new property prices, following the housing market crash.
Source: Revenue analysis of CSO data

Table 2: Revenue Discount Factors

Date new residential property was completed or sold	Revenue Discount Factor
2 November 2021 – 31 December 2021	1.00
1 January 2022 – 31 March 2022	1.01
1 April 2022 – 30 June 2022	1.03
1 July 2022 – 1 November 2022	1.06

Source: Revenue analysis of CSO data

¹ The projected discount factor for the period covering 1 July 2022 to 1 November 2022 is published solely for the purpose of guidance and as such will not be updated.

Further Information

Information on the operation of LPT is available on www.revenue.ie.

Revenue's online LPT valuation guidance map is available [here](#) and information on how to value a property is provided [here](#).

Regular statistics updates on LPT are available [here](#).

Queries of a statistical nature in relation to LPT can be sent to statistics@revenue.ie

Media queries should be directed to revpress@revenue.ie in the first instance.