Exemption for properties used by a charity for recreational activities

Part 02-06

This document should be read in conjunction with section 7A Finance (Local Property Tax) Act 2012 (as amended)

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Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

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1 Introduction

Residential properties that are owned by a charitable body and used for the sole purpose of providing residential accommodation in connection with the facilitation of recreational activities are exempt from local property tax (LPT). This exemption is intended to benefit organisations, such as the Irish Girl Guides and Scouting Ireland, who own residential properties that are used by its members when taking part in recreational activities.

2 Legislation

The relevant provisions are contained in section 7A Finance (Local Property Tax) Act 2012 (as amended). Section 7 contains the definition of a "charity". The provisions relating to obtaining the necessary charitable status are contained in sections 207, 208 and 208A Taxes Consolidation Act (TCA) 1997.

Section 14(2) Finance (Local Property Tax) Act 2012, which provided for the continuation of an exemption throughout the first valuation period covering the years 2013 to 2021, does not apply to the second valuation period covering the years 2022 to 2025. This allows for the ending of this exemption during this latter period where the qualifying conditions for the exemption cease to be met.

3 Qualifying conditions

3.1 Property owned by a charity

The property must be owned by a charitable body or trust that has been established solely for charitable purposes and that has been granted charitable status by Revenue under section 207, 208 or 208A TCA 1997. See example 8.6 below.

3.2 Use of property

The property must be used solely as residential accommodation. The accommodation must be provided solely in connection with the facilitation of recreational activities, which facilitation occurs as part of the carrying on of the charitable body's primary purpose. Therefore, where the recreational activities are unconnected with a body's primary purpose or are merely incidental to other activities carried on by the charity, the exemption does not apply. See examples 8.1 and 8.2 below.

4 Claiming the exemption

A property cannot qualify for the exemption unless the exemption is claimed.[1] How the exemption is to be claimed depends on when the qualifying conditions set out in section 3 above are met. As the exemption is claimed as part of the normal self-assessment process, it is not necessary for the claim to be approved by Revenue. However, see section 6 below in relation to Revenue's compliance programme.

4.1 Qualifying conditions met on 1 November 2021

Where the qualifying conditions for the exemption are met on the second valuation date[2] 1 November 2021, the exemption should be claimed in the LPT1 return form by inserting the code "7" in the exemption box. This claim covers the years 2022 to 2025. See example 8.4 below.

4.2 Qualifying conditions met after 1 November 2021

Where the qualifying conditions for the exemption are met in the period after 1 November 2021 and on or before 1 November 2024, the exemption should be claimed online using MyEnquiries, ROS or the LPT online service or by writing to LPT Branch, PO Box 100, Ennis, Co. Clare. A claim should include any relevant documentation in support of the claim. This claim covers the remaining years in the second valuation period 2022 to 2025. See example 8.5 below.

Where a property is acquired after 1 November 2021 from a person who claimed the exemption, the new owner does not then have to claim the exemption where the qualifying conditions continue to be met. However, where a property that does not meet the qualifying conditions on 1 November 2021 is acquired after this date and then meets the qualifying conditions, the new owner should claim the exemption.

5 Duration of the exemption

The duration of the exemption differs in relation to the first valuation date 1 May 2013 (for valuation period 2013 to 2021) and the second valuation date 1 November 2021 (for valuation period 2022 to 2025).

[1] Required by sections 3A and 41A in relation to the second valuation period 2022 to 2025.

[2] The valuation date is the date on which the chargeable value of a property is established for all liability dates (1 November in each year) falling with the valuation period.

5.1 First valuation date 1 May 2013

In relation to the first valuation date 1 May 2013, a residential property that was exempt on this date continued to be exempt until the end of 2021, even if the qualifying conditions for the exemption ceased to be met during this period. See example 8.3 below.

A property that was not exempt on 1 May 2013 could subsequently become exempt where the qualifying conditions for the exemption were met at a later stage but only with effect from the first liability date (i.e. 1 November in a year) on which the qualifying conditions were met. The exemption then continued to apply until the end of 2021.

5.2 Second valuation date 1 November 2021

In relation to the second valuation date 1 November 2021, a residential property that was exempt on this date does not automatically continue to be exempt for the remainder of the valuation period to the end of 2025. If the property ceases to meet the qualifying conditions for the exemption, it becomes chargeable to LPT with effect from the first liability date (i.e. 1 November in a year) following the date on which the qualifying conditions cease to be met. See example 8.6 below.

A property that was not exempt on 1 November 2021 could subsequently become exempt where the qualifying conditions for the exemption are met at a later stage but only with effect from the first liability date (i.e. 1 November in a year) on which the qualifying conditions are met, subject to the qualifying conditions continuing to be met.

6 Self-assessment and compliance

The exemption is claimed as part of the normal self-assessment process. However, Revenue may decide to examine the validity of the claim at a later stage as part of its ongoing compliance programme. The person claiming the exemption may be required to provide evidence and supporting documentation to back up the claim.

Supporting documentation would include, for example:

- the charitable body’s CHY number for tax exemption purposes;
- details of the recreational activities carried on by the charity; and
- details showing when the property was occupied and by whom.

The exemption will be withdrawn where Revenue determines that the qualifying conditions for the exemption were not met. Interest will be charged from the date on which LPT would have been payable in the absence of the exemption. A penalty may be imposed where a person makes a false statement or representation for the purpose of obtaining a reduction in the LPT liability.[3]

[3] Section147.

7 Appeals against Revenue's refusal of a claim for exemption

It may happen that, following a claim for the exemption, Revenue determines that the qualifying conditions for the exemption were not met. Revenue is required to notify the claimant in writing of its determination. The claimant then has 30 days to appeal against such a determination to the independent Tax Appeals Commission (TAC).[4] However, the TAC can decide to allow appeals made outside this timeframe in certain circumstances. See TDM Part 09-01 for information on the LPT appeals procedures.

8 Examples illustrating the operation of the exemption

8.1 Property used solely for residential accommodation in connection with facilitation of recreational activities

Happy Holidays is a qualifying charity that provides activity holidays for disadvantaged children. It organises week-long holidays at its dedicated activity centre. When taking part in activities, the children stay in residential properties that were constructed by the charity solely for this purpose. The properties are not used for any other purpose. Happy Holidays qualifies for the exemption.

8.2 Property not used solely as residential accommodation in connection with facilitation of recreational activities

Golden Years is a qualifying charity that provides care and support for the elderly. It owns a large residential property that is used as staff accommodation and to provide recreational activities on a day-care basis for some of its elderly clients. The property does not qualify for the exemption. Although it is used for the facilitation of recreational activities, it is not used solely as residential accommodation in connection with these activities.

8.3 Property exempt on 1 May 2013

A charity qualified for the exemption in respect of its residential property on 1 May 2013. In April 2015 the property ceased to be used as residential accommodation when the recreational activities started to be made available on a non-residential basis only. However, the charity continued to qualify for the LPT exemption for the entire first valuation period covering the years 2013 to 2021. It then became chargeable for LPT in relation to the second valuation date 1 November 2021 covering the years 2022 to 2025.

[4] Section 41B.

8.4 Property sold after 1 November 2021

Girl Guides Ireland is a qualifying charity that qualified for the exemption for a number of its residential properties on 1 November 2021 and claimed the exemption on its LPT1 return form. It later sells one of these properties in July 2023 to Scouting Ireland, another qualifying charity, who continues to use the property for the purposes allowed. Girl Guides Ireland qualifies for the exemption for the years 2022 and 2023 as it is the liable person in relation to the liability dates 1 November 2021 (for the year 2022) and 1 November 2022 (for the year 2023). The exemption continues for Scouting Ireland for the years 2024 and 2025 as it is the liable person in relation to the liability dates 1 November 2023 and 1 November 2024.

8.5 Qualifying conditions met after 1 November 2021

A charity purchases a house and meets the qualifying conditions for the exemption in April 2022. It claims the exemption in respect of the following liability date 1 November 2022 which will apply for the remaining years in the second valuation period (i.e. 2023 to 2025), assuming, of course, the qualifying conditions continue to be met. The previous owner (not a charity) is liable for LPT in respect of the year 2022.

8.6 Qualifying conditions cease to be met

A charity that owns a house meets the qualifying conditions for the exemption for the years 2022 and 2023. However, in February 2023 its charitable tax status is withdrawn by Revenue. As it qualified for the exemption on 1 November 2022, the exemption applies for the full year 2023 notwithstanding that it stops meeting the qualifying conditions in February 2023. It then becomes chargeable to LPT on the following liability date 1 November 2023 for the years 2024 and 2025.