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28th June 2005

DEPARTMENT OF FINANCE REVIEW

Property Related Taxation Incentives

Dear Sirs,

Thank you for your letter addressed to Mr Desmond Byrne, President of the Society of Chartered Surveyors dated 6th May 2005 in respect of the above. I now write in reply on behalf of the current President of the Society, Mr Derry Scully.

In overview, the Society of Chartered Surveyors has taken a keen interest in the application of Government Policy through taxation incentives and all matters relating to the property sector generally. However, as the subject matter is very wide, a comprehensive response and comment on the various schemes is beyond the scope of this letter given the time available. Nevertheless, I am pleased to respond generally as set out below and welcome this opportunity to do so.

In our opinion the impact of property incentive schemes has generally been very positive and scope continues to exist for the use of such schemes in the future in terms of policy formation. Any decisions about future policy which in part take influence from the past performance of the various schemes should, in our view, consider the following factors.

Time Context

The various property incentives are now in operation over a period of approaching 20 years having commenced with the Urban Renewal Act of 1986. As the number and type of schemes widened, general policy became more focused geographically starting from relatively large blanket areas requiring urban renewal to more focused zones such as the integrated area plans (IAPs) and living over the shop schemes. This trend towards the more specific was a sensible one and allowed policy to be more accurately directed where urban regeneration was required.

Since the early days the performance of the Irish Economy has changed considerably and therefore many of the influencing factors and market drivers have also changed. It is incorrect to judge the appropriateness of incentives in a given location, say as a failure, if

the location itself and the market affecting demand in that area has improved to a point where incentives are no longer required within the life cycle of the incentives themselves. A balance should be struck between allowing sufficient time for developers / investors to become involved and for some momentum to be established, but also short enough to concentrate attention and encourage projects to be completed.

Any retrospective look at the performance of the individual schemes must consider the time and market conditions at commencement. Would development have taken place without the incentives?.

Certain critics identify alleged abuses of the tax incentive scheme in relation to selected developments in specific locations. The system needs to control the propensity to avail of incentives to ensure that its purpose is not abused. The fact that there is or may be abuse is not a reason to terminate a scheme.

Impact

The various tax incentive schemes have, in our opinion, largely had a very positive impact generally. This impact can be considered under two main headings. That is, economic / financial and social / physical.

Firstly, the impact on the economy has been positive, not only in terms of the creation of specific jobs, such as in the hotel sector, but also being the catalyst for urban regeneration and the spin-off economic benefits. Many schemes have performed very well financially also in terms of improving rental and capital values and the creation of investment assets.

Secondly, the social and physical impact on unsightly run-down areas of cities and towns across the country has been positive with rejuvenation and re-population. This has brought a benefit with improved building stock and the development of new communities.

Focus

Going forward a focus within the application of such tax incentive schemes is important. For example, it is arguably the case that the hotel sector no longer requires incentive, whereas childcare and elderly care facilities could benefit from incentives. This is an example of sector focus which we believe should still form part of the application of incentives that might encourage development and investment in sectors that have a very strong property component. Location focus also continues to be required and future policy should analyse existing locations that have benefited and in turn target new potential locations where property investment may not yet have occurred but where potential remains before looking at new locations.

The purpose of the incentives should be to encourage development in places where and at times when it might not otherwise take place. Where an incentive fails to attract development its need should be reconsidered and its geographical focus reviewed. Perhaps it was too widely applied, e.g. Park and Ride.

Transition

Historically it has been beneficial that the management of transition for qualifying periods between different groups of incentives has been flexible. Where the planning process has caused delay in a particular project an extension of the completion and qualification date should be allowed. Notwithstanding the actual deadlines, favourable consideration should be given to reasonable transition arrangements to allow schemes already substantially underway to complete and maintain their qualification. In this context we believe every case should be examined on its merits and a common sense approach applied which reflects the level of investment and commitment by the promoter and the likely impact on the location.

Concluding Remarks

I trust the above comments are of some assistance and regret that a fuller commentary cannot be prepared at the present time. On behalf of The Society, I would welcome the opportunity to comment further as your findings evolve, if required.

Finally, thank you for this opportunity to offer our views and I apologise for the delay in responding.

Kind regards.

Yours sincerely,

Sean McCormack

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