TSG 15/03

Tax Strategy Group
Taxation Policy and Housing

Introduction

1. This paper provides an overview of the current state of the housing market in relation to output, prices, credit availability and growth. The current set of tax charges, incentives and reliefs for residential property are discussed. In light of one of the key challenges the property sector faces in relation to the weak supply response to increased housing demand, the paper sets out the position on the appropriate role of taxation policy in supporting the development of the residential property sector.

Developments in the Irish Residential Property Market

Housing and the Economy

2. The construction sector continues to recover in the aftermath of the property bubble. The sector reached its trough in 2012 as measured by gross value added which declined to €9.1 billion, recovering to €11 billion in 2014 or close to 7 per cent of GNP in 2014.[1] In terms of employment, the Quarterly National Accounts show that 121,800 were employed in the sector in Q1 2015, representing a 19.1 per cent annual increase in construction employment.

3. In terms of the public finances, significant revenue for the Exchequer is gained from housing market activity. For example, a look at some of the key components shows that the local property tax raised €0.5 billion while Stamp Duty from residential property transactions totalled €0.3 billion in 2014.[2]

Property Price Developments

4. Since the collapse of the property market between 2007 and 2012, prices have stabilised and begun to recover although in a somewhat uneven spatial pattern. In Dublin, prices have increased 45 per cent from the trough to its present level, while outside of Dublin prices are up about 16 per cent from when they bottomed out. Focusing on current trends, the latest Residential Property Price Index published by the CSO indicates that prices are up 10.7 per cent nationally in the year to June 2015. However, due to a slowdown in prices in Dublin, there is some evidence of a moderation in prices in recent months.

5. A number of factors appear to be contributing to recent house price dynamics. The continuing economic recovery and the growing population appear to be the most important factors driving demand. However, the supply response has been particularly sluggish. This imbalance has contributed to house price growth especially in urban areas. However, the recent slowdown is viewed by some observers as an indication that the Central Bank macro prudential measures, which restrict banks' ability to lend to borrowers in the residential property market, are having an impact feeding into more moderate house price growth expectations. Given that house prices are generally higher

[1] CIRO/DKM measure of building and construction output

[2] See Box 1 for discussion of property tax revenue in an international context.

in Dublin, it has been argued by market commentators that their effect is more binding in the Dublin region and as a result is shifting demand towards properties outside of Dublin.

Housing Supply

6. As noted above, the housing shortage and the limited supply response has been a contributory factor in the rising of property prices. There are signs that construction activity is picking up. In 2014, just over 11,000 new housing units were completed, up from around 8,300 in 2013. This was the first recorded annual increase since 2006. In terms of future new housing output, leading indicators such as new house registrations and new housing starts suggest that housing output will continue to increase to about 12,500 units in 2015. While this upward trend is welcome, it will be a number of years before annual housing output catches up with medium term demand for housing which is estimated as being in the region of 20 – 30,000 units per annum.

Housing Affordability

7. At present, the average house price is around 8.7 times average household disposable income with the trend moving closer to the long term average of 10.1. However, if the recent moderation in prices were to continue this could ease affordability pressures. This ratio reached a high of over 15.8 during the bubble period. It is perhaps not surprising then with the financial crisis and the subsequent contraction in the economy and rise in unemployment, that there was a large rise in the number of mortgages in arrears which peaked at 141,269 in September 2013.

Mortgage Market Developments

8. Although challenges exist, there is some evidence to indicate stability is being restored to the mortgage market. In the first quarter of 2015, the number of mortgages in arrears declined by 5.1 per cent representing the seventh consecutive quarter of a decline. By the end of March 2015 the total number of mortgages restructured was 107,270. The number of long term mortgage arrears is an issue that continues to be tackled, and recent data indicates that the pace at which mortgages are falling into long term arrears has declined. Overall, these developments appear to suggest the long term debt burden for many households is gradually becoming more sustainable.

9. In terms of mortgage market lending activity, the pattern is one of improvement. In the four quarters to Q1 2015, the number of mortgage drawdowns for purchase (22,154) was up 50 per cent on the four quarters to Q1 2014. Drawdowns from first-time buyers have remained stable at around 55-60 per cent of all drawdowns for purchase since 2010. In value terms, mortgages drawn down for purchase in the four quarters to Q1 2015 (€4,036m) was up 56 per cent on the four quarters to Q1 2014.

Private Rental Accommodation

10. Residential rents in Ireland have risen significantly in recent years with the greatest pressures being in the capital. Private Residential Tenancies Board (PRTB) figures show rental rates both in Dublin and outside of Dublin have risen 19 per cent and 6 per cent respectively over the past 24 months. Rising rents are as a result of strong demand for private rental accommodation coupled with a significant shortage in accommodation. A lack of new housing for purchase and the government's reliance on the private rental market to provide for social accommodation are contributing to rising rental demand. It is also suggested by some market commentators that the macro

prudential measures are causing many buyers to postpone home purchase and remain in the rental market.

11. It is clear from the above discussion that the housing sector currently faces a number of challenges in terms of the large rise in residential property prices and rents, and a constrained housing supply response. The Government has responded through *Construction 2020*, which sets out a range of actions that are being pursued by the Department of Finance and other government departments and agencies to address possible supply constraints. For example, the Department of Finance has been examining issues around the availability of development and equity finance for construction while the Department of Environment, Community and Local Government is pursuing a number of reforms to the planning system and also addressing specific issues around housing supply in Dublin. The implementation of the recently published *Social Housing Strategy* is also underway.

<u>Role of the Tax System</u>

12. Some observers have suggested that the tax system should play a more prominent role in supporting the development of the residential property sector. In this regard, the tax system is used to promote various economic and/or social objectives in relation to housing policy and there are a number of reliefs and incentives aimed at increasing the supply of new houses and rented accommodation and helping owner occupiers. (These policies are discussed in more detail below.)

13. However, given past experience with property related tax incentives, care needs to be taken with any fiscal incentive designed to stimulate the housing market, no matter how laudable the objective.[3] It is in this context that the Department, in order to complement its own analysis, commissioned a report by the ESRI to assess the possible role of taxation policy in supporting the development of the residential property sector.

ESRI Report

14. The ESRI report (which is currently being finalised and will be published alongside the Budget) provides a brief review of previous studies on property related tax incentives and the rationale for their introduction before considering the current situation and what the impact might be of introducing tax incentives to encourage developers to build more housing units. Demand-side interventions are also considered.

15. The study highlights a number of broad themes in relation to the findings of previous studies of property related tax incentives. In particular, previous schemes were found to be successful in encouraging economic regeneration and employment. However the schemes were often extended beyond their optimum duration resulting in oversupply and contributing to significant deadweight losses.

16. In relation to the current situation, the paper develops a simple model of the Irish housing market and demonstrates that, in contrast to previous interventions, any tax incentives aimed at developers are likely to have little effect on supply due to a number of existing factors which appear to be inhibiting the operation of the market.

[3] Regling and Watson (2010) argue that property tax reliefs contributed to the property bubble of the 2000s. The extension of tax reliefs (property-related and others) added to the erosion of the tax base which was problematic when the crash of 2008 occurred.

17. The study identifies access to finance, stringent planning regulations, infrastructural constraints, and building costs as possible factors which may be affecting house and apartment building. In the presence of such constraints, the introduction of any tax incentive would simply lead to a transfer of tax revenue from the state to developers without any significant effect on supply. The study does note that if building costs are the main reason for the slow pace of new property construction then a tax incentive could have an effect on output. However, to the extent that building costs are due to stringent regulations any such tax incentive would implicitly amount to one arm of the State covering the cost of strict regulations introduced by another.

18. The report concludes that "tax incentives aimed at stimulating house and apartment building should be avoided until (a) it can be conclusively shown that the "market failure" to be corrected will yield positive results without excessive unintended transfers to developers and (b) the impacts of regulations are properly understood in addition to the effects of any tax breaks in the context of costly regulations".

Current Property Related Reliefs and Incentives

19. Details of the property related schemes impacting on the Irish property and construction sector are listed below. A number of these are aimed at increasing the supply of new houses and rented accommodation and helping owner occupiers.

Rent-a-Room Scheme

20. The rent-a-room scheme was introduced in Finance Act 2001 as an incentive to encourage individuals to let rooms in their principal private residence in order to bring about an increase in the availability of rental accommodation, particularly for the student sector.

21. The scheme provides an exemption from Income Tax, PRSI and USC on rent received where a person rents out a room or rooms in his or her principal private residence and the rent received does not exceed €10,000 per year. From 1 January 2015, the threshold for exempt income was increased to €12,000 per annum to further encourage homeowners to rent out spare rooms in their homes, thereby increasing the supply of affordable rental accommodation. The scheme is estimated to have cost €5.9m in 2013, with 4,370 claimants.

Home Renovation Incentive

22. The Home Renovation Incentive (HRI) came into operation on 25 October 2013 and will run until 31 December 2015. This incentive is designed to stimulate activity in the legitimate construction sector and provides tax relief for homeowners by way of an income tax credit at 13.5% of qualifying expenditure incurred on repair, renovation or improvement work carried out on a principal private residence. Qualifying expenditure is that which is subject to the 13.5% VAT rate. The work must cost a minimum of €5,000 (inclusive of VAT) which at that level would attract a credit of €595. Where the cost of the work exceeds €30,000 (exclusive of VAT) a maximum credit of €4,050 will apply. The credit is payable over the two years following the year in which the work is carried out.

23. In Budget 2015, the scheme was extended to landlords in order to encourage the renovation of unused accommodation to increase rental supply. The most recent figures available on the take-up of the HRI up to 10th August 2015 indicate:

Number of works: 33,426
Value of works: €516 million (including VAT)
Cost to the Exchequer assuming all works entered qualify: €69.6 million

Living City Initiative

24. The Living City Initiative is an urban regeneration incentive which focuses on the regeneration of the historic centres of six cities. This initiative applies in certain "special regeneration areas" in the centres of Dublin, Cork, Limerick, Galway, Waterford and Kilkenny, particularly those areas which are most in need of regeneration. This is not a widespread initiative, as it is targeted at those areas which are most in need of attention. The aim of the scheme is to bring life back into the heart of the relevant cities by offering tax relief for qualifying expenditure incurred on the refurbishment or conversion of pre-1915 buildings where conditions are met.

25. Planning for the scheme included a thorough independent ex-ante cost benefit analysis and recommendations from relevant agencies. The residential element of the Living City Initiative provides for an income tax deduction for qualifying expenditure incurred on the refurbishment or conversion of a building for use as a dwelling, over a ten year period.

26. The commercial element of the Living City Initiative provides for capital allowances over a seven year period in respect of qualifying expenditure incurred on the refurbishment or conversion of a property used for the purpose of retailing goods or the provision of services within the State. The amount of tax relief available under the commercial element of the initiative is effectively capped at €200,000 for any individual project. There is no restriction on applying for both the commercial and residential elements of the initiative. The scheme was launched in May 2015.

Capital Gains Tax relief for disposal of Principal Private Residence

27. An individual's principal private residence is exempt from Capital Gains Tax (CGT), which is payable on gains from the disposal of an asset. Where the individual resides in the property for part rather than the whole of the duration of ownership, the relief is apportioned accordingly. In such cases, the final year of ownership is counted as a year of occupation. There are no figures for the cost of this relief as the relevant data is not collected by Revenue.

Rental Income deductions

28. In calculating rental profits, a deduction is allowed for 75% of the interest paid on borrowed money used to purchase, improve or repair rented residential property. In contrast, a deduction is allowed for 100% of interest paid on similar borrowings in respect of commercial property. There are a number of other allowances and deductions available to reduce the rental profits on which tax is payable. These include, for example, the cost to the landlord of any goods provided or services rendered to a tenant and the cost of maintenance, repairs, insurance and management of the property.

29. In addition, wear and tear allowances are available in respect of expenditure incurred on fixtures and fittings provided by a landlord for the purposes of furnishing rented residential accommodation. These allowances are granted at the rate of 12.5% per annum of the actual cost of the fixtures and fittings over a period of 8 years.

Local Property Tax

30. The introduction of the Local Property Tax (LPT) in 2013 was the largest extension of self-assessment in the history of the State, with over 1.3 million taxpayers obliged to file LPT returns and pay the tax in respect of around 1.9 million properties. The first valuation date was 1 May 2013. The valuations declared for that date determined tax liabilities for 2013 (half year), 2014, 2015 and 2016. The next valuation date is due on 1 November 2016 which will determine tax liabilities for 2017, 2018 and 2019.

31. The LPT is producing a stable revenue yield for local authorities – although both yields (and tax rates) are modest internationally. The charging structure for LPT is progressive. The basic rate of 0.18 percent applies up to property values of €1m with a higher rate of 0.25 percent applying on the portion of value above the €1m threshold.

32. From 1 January 2015 local authorities have had discretion to vary the LPT rates by +/- 15 percent. A number of local authorities exercised this option. By end 2015 and since its inception LPT is expected to have contributed over €1 billion to the funding of local authorities.

First Time Buyers DIRT Relief

33. Relief from DIRT on savings used by first time buyers toward the purchase or construction of a home was introduced in Budget 2015. First-time purchasers or self-builders of a home for private occupation are eligible to make a claim to the Revenue Commissioners for a refund of the DIRT paid on the interest earned on their savings. Where the property is purchased, relief is available from DIRT paid on savings up to a maximum of 20% of the purchase price of the house or apartment in the 48 months prior to the purchase date. The conveyance must take place between 14 October 2014 and 31 December 2017. Where the property is self-built, relief is available on DIRT paid on savings up to a maximum of 20% of the completion value of the house in the 48 months prior to the completion date. The property must be completed between 14 October 2014 and 31 December 2017, be suitable to live in immediately, and registered in the name of the first time buyer(s) before 31 December 2017.

Real Estate Investment Trusts (REITS)

34. A tax framework for REIT companies was introduced in Finance Act 2013. REITs are collective investment vehicles which hold rental properties[4].

35. A REIT is exempt from corporation tax on qualifying income and gains from rental property, subject to a high profit distribution requirement to shareholders (the Irish distribution requirement is 85% of property profits). However, the function of the REIT framework is not to provide an overall tax exemption, but rather to facilitate collective

[4] A REIT is allowed to do a very limited amount of development of its rental assets – up to 30% of the value of any property – without impairing its REIT status. This is allowed in order that a REIT may finish out a nearly-complete property, or carry out periodic refurbishments. If the REIT exceeds these limits and does not subsequently hold the completed property for at least three years as a rental asset, any gain on the sale of the developed property will not qualify for the REIT exemption and will be subject to tax under the normal rules.

investment in rental property by removing a double layer of taxation[5] which would otherwise apply to property investment via a corporate vehicle. It is designed to produce an after-tax result for shareholders similar to that from direct investment in property, while also providing the benefits of risk diversification and professional management associated with collective investment. Historically the private rented sector in Ireland has been characterised by small-scale landlords. Attracting large scale investment in professionally managed residential property can have an important role to play in helping to deliver the professional high-standard sector that tenants deserve.

36. There are currently four REITs established and operating in Ireland.

37. The success of REITs has benefits on a number of fronts, bringing new capital into the Irish property market; new listings to the Irish Stock Exchange; and a new risk-diversified property investment option for investors. For example, since its launch to date, Irish Residential Properties REIT, the first Irish REIT with a residential property investment focus, has acquired 1,566 apartments for total cost of c. €413 million. Since IPO, Hibernia REIT has a total of €571m invested and committed in the Irish property market. Green REIT is currently reporting a property portfolio of €882m.

Mortgage Interest Relief

38. Mortgage interest relief is available for mortgage interest paid on a qualifying home loan, i.e. a loan used for the purchase, repair, development or improvement of an individual's principal private residence. It has been abolished for homes purchased since 1 January 2013. Up until December 2017, tax relief continues to be available for interest paid on all qualifying home loans taken out on or after 1 January 2004 and on or before 31 December 2012.

39. In general, first-time buyers qualify for mortgage interest relief at a rate which tapers from 25% to 20% over the first seven years of their mortgage, up to a maximum annual ceiling of €10,000 for single individuals and €20,000 for couples. Thereafter relief is restricted to a rate of 15%, and to annual ceilings of €3,000 and €6,000 respectively. The cost of mortgage interest relief in 2014 was €265 million.

40. In order to address the particular problems faced by those who bought homes at the height of the property boom between 2004 and 2008, the rate of mortgage interest relief was increased to 30% for first time buyers who took out their first mortgage in that period. This 30% rate will continue to be applicable to these first-time buyers for the remaining years that mortgage interest relief continues to be available, up to end 2017.

Tax Relief for Rent Paid

41. Tax relief at the standard rate is available to individuals for rent paid for private rented accommodation which is their sole or main residence. Rent relief was introduced in 1982 to alleviate the cost of private rented accommodation for those aged 65 and over.

---

[5] The double layer of taxation applies where an individual invests in property through a company. The company must pay corporation tax on rental profits and gains and when the after-tax profits are paid out to the investors (as dividends), income tax is then payable on the dividends received (i.e. on the profits which have already been subject to corporation tax). This double layer of taxation, which does not apply to residential property owners' directly holding property, has tended to result in individual investors holding individual, highly-mortgaged properties.

In subsequent years, the relief was extended to all age groups. The level of rent qualifying for relief depends on an individual's marital status and age.

42. In its 2009 report, the Commission on Taxation was of the view that in the same way as mortgage interest relief increases the cost of housing; rent relief increases the cost of private rented accommodation and, as a result, recommended that rent relief should be discontinued. The relief was abolished in Budget 2011, such that it is no longer available to those that commenced renting for the first time from 08 December 2010.

43. In recognition of the impact that immediate withdrawal of rent relief in its entirety would have on those already in receipt of it, a decision was taken to gradually phase out the relief. The amount of rent that can be relieved is reducing on a gradual basis, culminating in the total withdrawal of the relief for the year 2018 and subsequent years. Tax relief at 20% of those values continues to be available. The following table sets out the remaining maximum rent paid that the tax relief is available on:

Tax Year	**Single Under 55**	**Single Over 55**	**Widowed/ Married under 55**	**Widowed/ Married over 55**
2015	€600	€1,200	€1,200	€2,400
2016	€400	€800	€800	€1,600
2017	€200	€400	€400	€800
2018	0	0	0	0

44. In 2013, the cost of this relief was €37.9 million, with 153,100 claimants.

Legacy Property Reliefs

45. Some property tax reliefs (in relation to hotels) date back decades and were referenced in TK Whitaker's 1958 Economic Development publication. Section 23 of Finance Act 1981 introduced a measure whereby a deduction was available from rental income for a portion of the capital cost incurred on the construction, conversion or refurbishment of a rental property. The purpose of this non-location specific provision was to encourage the supply of reasonably priced rented residential accommodation. Section 23 relief kick started the increase in activity in the property sector. Following this, various other property reliefs were introduced. A number of these were focused on incentivising investment in designated areas. Others had specific targets, such as increasing the supply of student accommodation or relief for Living Over the Shop.

46. Among others, industrial capital allowances incentives were introduced for hotels and holiday camps (1994), seaside resorts (1995), multi storey car parks (1995), nursing homes (1997), third level educational buildings (1997), childcare facilities (1998), park and ride facilities (1999), registered holiday cottages (2002), private hospitals (2002) and sports injury clinics (2002).

47. A number of reviews were carried out to establish the progress of the property tax reliefs which had been introduced. While there were certain positive outcomes of schemes including investment in particular sectors or areas, increased supply, and a boost to the property and construction sector, there were concerns including equity issues (majority of beneficiaries were high net worth individuals), non-adherence to the policy of base widening and lowering tax rates, contribution towards price inflation and the high cost

of such reliefs, in some cases with a significant level of deadweight costs. Many of the reliefs were extended beyond their original intended operative period, which was intended to ensure an orderly wind down of schemes, avoid an upsurge of activity in the construction sector and to ease pressure on the planning system leading to better quality decisions. However, often a corollary of these extensions would be increased costs, over-supply and deadweight losses.

48. Despite the closure of these schemes, and a number of subsequent legislative changes, there is still a high legacy cost to the Exchequer, with over 19 thousand claimants in 2012 and an estimated maximum tax cost of €251 million that year.

Current Tax Charges

Local Property Tax

49. The introduction of the Local Property Tax (LPT) in 2013 was the largest extension of self-assessment in the history of the State, with over 1.3 million taxpayers obliged to file LPT returns and pay the tax in respect of around 1.9 million properties. The first valuation date was 1 May 2013. The valuations declared for that date determined tax liabilities for 2013 (half year), 2014, 2015 and 2016. The next valuation date is due on 1 November 2016 which will determine tax liabilities for 2017, 2018 and 2019.

50. The LPT is producing a stable revenue yield for local authorities – although both yields (and tax rates) are modest internationally. The charging structure for LPT is progressive. The basic rate of 0.18 percent applies up to property values of €1m with a higher rate of 0.25 percent applying on the portion of value above the €1m threshold.

51. From 1 January 2015 local authorities have had discretion to vary the LPT rates by +/- 15 percent. A number of local authorities exercised this option. By end 2015 and since its inception LPT is expected to have contributed over €1 billion to the funding of local authorities.

Stamp Duty on Property Transactions

52. The 2012, 2013 and 2014 Stamp Duty yields from property transactions are as follows:

Property:	**2012 (€m)**	**2013 (€m)**	**2014 (€m)**
Residential	56.9	65.51	101.77
Non-Residential	48.51	86.85	173.28
Total	**105.41**	**152.36**	**275.08**

53. The yield in the seven months to 31 July 2015 is €165.16 million of which €69.37 million relates to residential properties and €95.79 million relates to non-residential properties.

54. In recent years, Stamp Duty on property has been reduced significantly, from rates of up to 9% to the current rates of 1% and 2% on residential property and 2% on non-residential property, while most exemptions and reliefs have been abolished. These changes were introduced mainly as part of the preparation for the introduction of the Local Property Tax, i.e. a move away from the taxation of flows, which can be volatile, to the taxation of stock, which provides a much more stable base. This means there is now less reliance on transactions based property taxes.

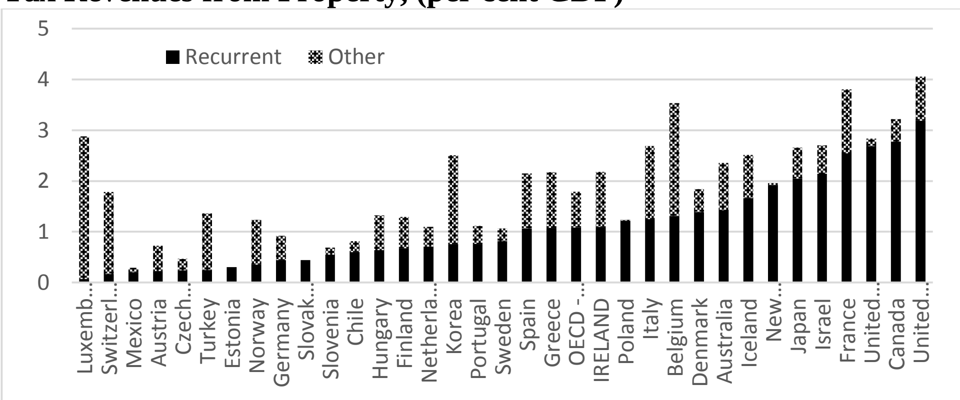
Box 1: Property Tax Revenue in an International Context

From a macroeconomic perspective, economists contend that property taxation could have an important role to play in supporting labour mobility, economic growth and stability. Moreover, empirical evidence has shown that recurrent taxes on immovable property are the least distortive tax instrument in terms of reducing long-run GDP per capita taxes (Arnold et al. 2008). In this context, this section discusses the taxation of property in Ireland and how it compares with developments in other OECD countries.

In general, property taxes make a relatively modest contribution in terms of total revenue collected both in Ireland and OECD countries. The average tax burden for Ireland in 2013 was 28.3 percent of GDP of which total tax revenue obtained from property was 2.2 percent of GDP.[6] For OECD nations, the average tax burden was 33.7 percent with property related tax revenue amounting to 1.8 percent of GDP.

Figure 1 presents a breakdown of total property tax revenue from recurrent (annual) taxes on immovable property and other property related taxes expressed in terms of GDP.[7] For Ireland, recurrent property taxes was 1.1 percent of GDP which is similar to the OECD average[8] (1.08 percent). However, it could be argued that a more appropriate comparison for Ireland is with English speaking countries in the OECD sample which have a similar tax structure (i.e. UK, USA, Australia[9] and New Zealand). For this country group, the average recurrent property tax take in 2013 was 2.3 percent of GDP. Further, in terms of the share of recurrent property taxation in total property taxes the figure was 50.2 percent for Ireland compared with 82.9 percent in the four English speaking countries.[10]

Figure 1 Tax Revenues from Property, (per cent GDP)



Source: OECD Revenue Statistics

---

[6] Ireland's taxation on property in 2013 was accounted for by a transactional tax in the form of stamp duty on non-residential and residential property, and two recurring charges in the form of a non-principal private residence charge and commercial rates levied by local governments on commercial premises. In 2013 a recurring tax on residential property known as the local property tax (LPT) was introduced.

[7] "Immovable property" refers to "real property" and "real estate". (Real property refers to the rights, interests, and benefits connected with real estate, which is the physical piece of land and any structures on that land. Land, in turn, can have the same meaning as real estate). Recurrent taxes on immovable property, which typically are paid annually and are linked to some measure of the value of the property, while other property taxes relates to taxes on property transfers and transactions.

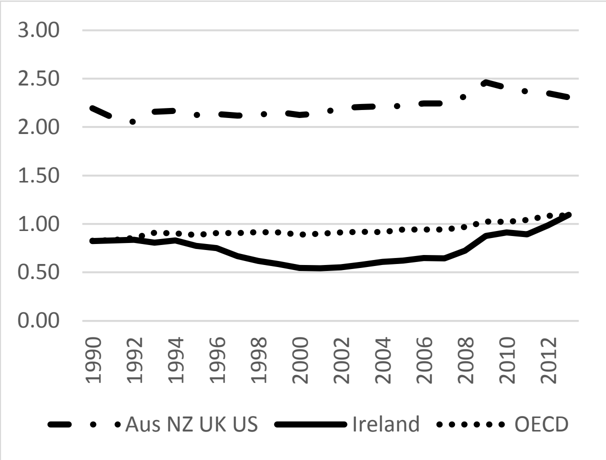
[8] In constructing the 2013 OECD average, data was not available for Australia, Greece, Mexico, Netherlands, and Poland. If 2013 data was similar to 2012 figures, it is likely that their inclusion would lower the OECD average.

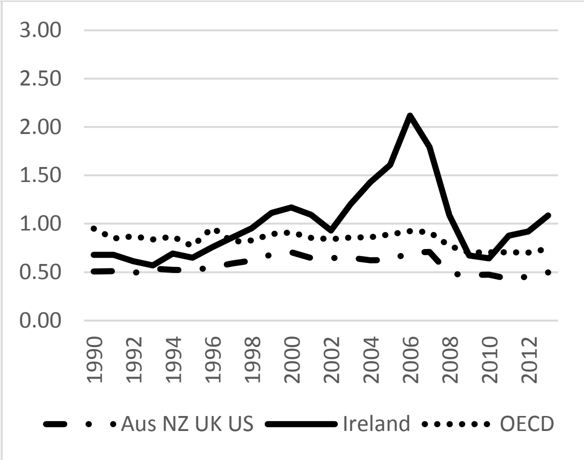
[9] Data for Australia is not yet available for 2013, for our purposes it is assumed to equal the 2012 figure.

[10] Discussion in the related literature highlights that recurrent property taxes are preferable to property transactions taxes as transactions taxes can reduce mobility.

Examining patterns in property tax revenues over time, Figure 2(i) shows that for the 15 years before the financial downturn average recurrent property tax revenue as a percentage of GDP tended to be stable for the OECD countries on average, ranging between 2.6 and 2.8 percent. Ireland experienced a decline between 1993 and 2000 before gradually trending upwards until 2007. Since 2008 the share of recurrent property tax revenue exhibited a noticeable rise reflecting the decline in GDP and the introduction of new taxes measures in later years. Figure 2(ii) plots the share of other property tax revenue as a share of GDP. This component of property taxation appears to be more volatile and a relatively less stable source of revenue than recurrent property tax revenue.

Figure 2 Property Tax Revenues, 1990-2013
(i) Recurrent property taxes, (per cent GDP) (ii) Other property taxes, (per cent GDP)

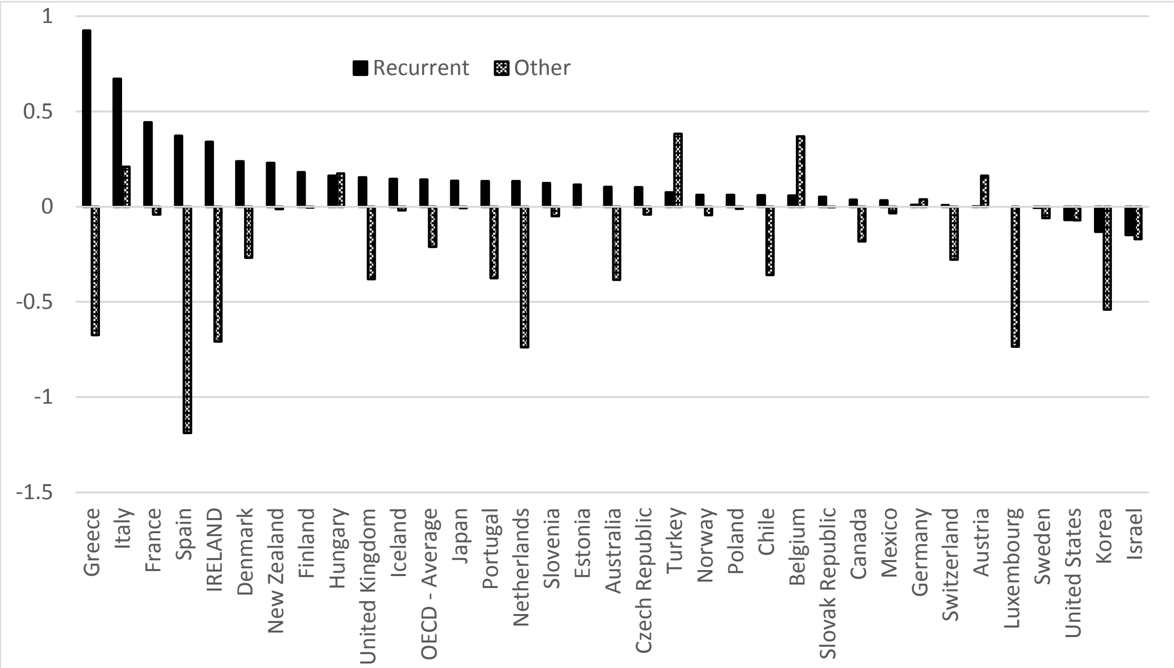




Source: OECD Revenue Statistics

Figure 3 presents the changes in revenue from property taxes in OECD countries between 2007 and 2013, a period of severe economic downturn. Revenues from recurrent taxes proved to be much less sensitive to the recent crisis, even increasing slightly over the period in a large number of countries including Ireland. By contrast, it shows that revenues from other property-related taxes (which includes transaction taxes) were adversely affected, especially in Spain, Netherlands, and Ireland, but also in Luxembourg and Chile.

Figure 3 Property Taxes Revenue Changes in OECD countries, 2007-2013



Source: OECD Revenue Statistics
Note: Figures for Australia, Greece, Mexico, Netherlands and Poland are for period 2007-2012