



Landlords threaten action over second home tax

Mortgage advisers warn €200 charge will lead to further drop in house prices

by **Mary Regan**
Political Reporter

LANDLORDS are threatening legal action over the introduction of a €200 tax on rental or holiday homes which the Government plans to impose as early as next month.

Mortgage advisers have warned the tax will lead to a further drop in house prices, while owners of the second homes claimed the new levy is a reintroduction of local authority rates.

The tax was initially announced last October but laws giving effect to it were formally published yesterday by Environment Minister John Gormley. It is expected to be passed in the Dáil before it breaks for summer holidays.

Mr Gormley said the tax will raise about €400 million in revenue which will go straight to the cash-starved local authorities which face massive budget deficits this year.

"It's now generally accepted that our economy, and especially our tax revenues, has been overly reliant on activity in the construction sector," Mr Gormley said.

"The decline in the yield from transaction taxes — such as stamp duty, capital gains tax and value added tax — on property generally has been a major factor in the imbalance in our public finances which the Government has had to address. The correction has been sharp and painful, and more needs to be done," he said.

Margaret McCormick, of the Irish Property Owners' Association, said the tax is unfair and owners will fight it: "It's the reintroduction of rates. Property owners are again penalised and we are going to look at challenging this piece of legislation," she said.

However, Mr Gormley said €200 was not a huge sum. "We believe that those people in possession of second properties do have the wherewithal to pay this tax," he said.

Ciaran Phelan, of the Irish Brokers' Association, said many of those who own holiday homes or a rental property are "ordinary hard working people who during the Celtic Tiger decided investment in property was a good idea".

He said: "Now due to no fault of

their own they have seen a significant reduction in their take-home pay as a result of the tax levies, the majority are probably in negative equity on these properties, have had to reduce rental income or in a lot of cases the properties are now idle and on top of this many currently have to pay management fees as well."

The Select Finance Group, which is made up of a number of mortgage and finance advisers, says the move will leave hundreds of empty properties in estates around the country.

Managing director Trevor Grant said: "We believe that the introduction of this tax will have a strong and negative effect on Ireland's property market and will ultimately leave a lot of vacant property in housing estates which will have unwelcome social consequences as well as a further depreciating effect on property values. A landlord is far more likely to hand back the keys to an investment property than his home."