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Planners hit out at system of tax breaks

By LOUISE McBRIDE
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Incentives 'should have been done away with 10 years ago', report finds

Key government officials and town planners involved in the roll-out of property tax breaks have expressed major misgivings about the tax incentives and believe they should have been abolished about 10 years ago -- long before the Government moved to shut them down, according to new research by UCD lecturer Brendan Williams.

Mr Williams, who co-wrote a major report on ghost estates a couple of years ago, interviewed 12 key policy-makers at central and city government -- as well as senior town planners involved in tax-incentive schemes.

Most agreed that property tax breaks should have been abolished in 2002 "or shortly afterwards".

However, it wasn't until mid-2008 that many of these tax breaks were closed off. Indeed, some are still available today.

Many of the town planners and policy-makers criticised the lack of planning around property tax breaks.

"There was, and still is, little evidence of the designated areas (areas targeted by tax breaks) catering to the needs of the family," said one town planner. "New residents were often squeezed into new apartment units that included little or no storage areas or private open space, and diminutive bedrooms, living rooms and kitchens."

Another worrying finding to emerge from the research was the extent to which tax breaks were used to build developments that would have been built anyway -- without using taxpayers' money.

By 2006, 70 per cent of many of the developments completed using tax breaks would have been built anyway, according to the policy-makers interviewed.

Those interviewed also felt that the tax breaks encouraged people to pour cash into developments without considering the consequences.

One town planner described the tax breaks as "incentives to splash the cash".

"Many people sought to benefit from tax shelters, and so, without having a clue about the hospitality, health or residential sectors, decided to plunge 'spare' money into hotels, medical centres and property," he said.

Property tax breaks were introduced in the late-1980s to encourage developers and others to invest in run-down or underdeveloped areas.

Despite costing the State billions, "run-down areas in the city still exist after a prolonged development boom -- many in the designated areas", said Mr Williams.

The gradual phasing out of tax breaks between 2006 and July 2008 compounded the problems of the boom-to-bust property market, according to Mr Williams.

"This delayed termination contributed to a major surge in construction activity as projects were completed to take advantage of the incentives rather than to match real demand, increasing the market oversupply and eventual collapse," said Mr Williams.

The research, which Mr Williams co-wrote with another UCD colleague, is published in the Journal of Property Tax Assessment and Administration.

An Board Pleanala and Dublin City Council declined to comment on the research.

The Department of Finance referred this newspaper to steps taken in the latest Budget to reduce legacy property tax breaks.

- *LOUISE McBRIDE*