



An Roinn Ealaíon, Oidhreachta,
Gnóthaí Réigiúnacha, Tuaithe agus Gaeltachta

Department of Arts, Heritage,
Regional, Rural and Gaeltacht Affairs

Review of Section 482 Relief

Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs, and
Department of Finance Consultation Paper

February 2017

Built Heritage, Architectural Policy and Strategic Infrastructure
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1. Introduction

- 1.1 The purpose of this paper is to initiate a consultation with interested parties as part of an economic impact assessment of the operation, status and future of the section 482 tax relief. A joint review of this scheme is being undertaken by the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs and the Department of Finance, with support from the Revenue Commissioners. This review was an action proposed in *An Action Plan for the Sustainable Future of the Irish Historic House in Private Ownership* published 2015 by the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs.
- 1.2 The impact assessment will enable the Departments to better understand the benefits that may accrue to the exchequer in terms of additional tax yield as well as consequences for owners/occupiers of designated properties, the tourism industry, the building industry and the wider economy from possible changes to the relief.
- 1.3 The preliminary analysis has benefited from Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs data, and that provided by the Revenue Commissioners on the number of determinations made from 1983-2016 and claims for relief for the years 2004-2014. The results of the Departments' preliminary analysis of the data are presented in this paper. Based on these results a number of emerging issues and consultation questions arise.
- 1.4 The Departments are keen to minimise the long term exposure of the exchequer to the costs associated with section 482 relief whilst at the same time maximising the effectiveness of its expenditure, through tax or otherwise, in this sector.
- 1.5 The terms of reference for this review, which will involve the evaluation of the tax expenditure scheme in broad socio-economic and fiscal terms, and the determination of the extent to which the scheme justifies its continuation, are summarised in the box below.

1. Examination of the costs and benefits of the existing scheme;
2. Establish whether tax relief is the best approach to achieve the policy aims, rather than grant funding;
3. The identification of value for money of the scheme to the national and local economy, and the market failure the scheme addresses;
4. Recommendations, where and if necessary, for changes that could be made to enhance/maximise the value for money to the tax payer and sustainable job creation.

Box 1 Terms of Reference

1.6 The Departments welcome a full engagement with interested parties. Parties are invited to respond to this consultation paper with regard to the following questions. These questions emerge from the preliminary analysis presented in this paper.

1. Is the exchequer's support of historic buildings and gardens through section 482 relief an efficient use of resources and if so why?
2. Is the current scheme maximising the potential economic benefits in terms of stimulating local economic development and the repair, maintenance or restoration of historic buildings and gardens? If not, why not?
3. Are there economic or other arguments for restricting or terminating the scheme?
4. What possible changes to the existing scheme, if any, should be considered and why?
5. Do interested parties agree that there is merit in continuing section 482 beyond 2017? If yes, why? If no, why not?
6. Any other input with regard to this scheme?

Box 2 Consultation Questions

1.7 The period of public consultation will run from 14 February to 24 March 2017.

Submissions can be made by email to: Section482@ahg.gov.ie

1.8 Submissions can also be made by post to:

Section 482 Relief Review,

Built Heritage, Architectural Policy and Strategic Infrastructure,

Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs,

Custom House, Dublin 1.

D01 W6X0

2. Background and Context

- 2.1 Section 19 of the Finance Act 1982 (now section 482 Taxes Consolidation Act 1997) was introduced for the purpose of assisting the preservation of our built heritage by giving tax relief to the owners or occupiers of significant buildings or gardens to repair, maintain and restore those properties.
- 2.2 Tax relief from income tax at the marginal rate and from corporation tax is available to the owner or occupier of an approved building or garden in respect of certain expenditure incurred during a chargeable period on repair, maintenance and restoration of the property.
- 2.3 This scheme relates to an approved building, an approved garden existing independently, or an approved object contained within the house or garden, to which reasonable access is afforded to the public or which is a guest house approved by the National Tourism Development Authority (trading as Fáilte Ireland) in respect of expenditure incurred on its repair, maintenance or restoration.
- 2.4 The amount of tax foregone by the Exchequer in respect to section 482 relief has ranged from a high of €6.2 million in 2006 to €2.8 million in 2014, the last year for which figures are available. A total of 180 properties availed of the relief in 2006 and 158 properties in 2014.

How Section 482 Operates

- 2.5 A building or garden must receive a determination from the Minister for Arts, Heritage, Regional, Rural and Gaeltacht Affairs to the effect that it is a building or garden which is intrinsically of significant scientific, historical, architectural, aesthetic or horticultural interest.
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- 2.6 Tax relief can be claimed for expenditure incurred in the repair, maintenance or restoration of an approved building, to which the Revenue Commissioners have

determined reasonable access is afforded to the public, or which is a guest house registered or listed with Fáilte Ireland.

2.7 The relief also applies to expenditure incurred in the maintenance or restoration of an approved garden existing independently.

2.8 Relief is also available in respect of an approved building or garden for expenditure of up to an aggregate of €6,350 per annum on —

a. The repair, maintenance or restoration of the contents of the building or garden subject to the contents being on public display,

b. The installation, maintenance or replacement of a security alarm system,

c. The provision of public liability insurance.

2.9 Access is required for a period of at least 60 days in any one year including not less than 40 days during the period 1 May - 30 September inclusive of which 10 days are either Saturdays or Sundays. As part of the 40 day opening requirement, access must be available during all of National Heritage Week (to the extent that it falls within the period 1 May - 30 September) where qualifying expenditure is incurred in a particular chargeable period. The dates and times the building or garden is open to the public must be advertised. The admission price, if any, must be reasonable so as not to preclude the public from seeking access to the building or garden.

2.10 In the case of a guest house, the property must be registered or listed by Fáilte Ireland and must be in use as a guest house for at least six months of the year, four months of which must be in the period 1 May to 30 September.

2.11 Where reasonable access to the approved building or garden ceases to be available or where the building ceases to be used as a guest house, the Revenue

Commissioners revoke their determination and any relief under section 482 claimed by the owner/occupier in the 5 years prior to the revocation is withdrawn.

- 2.12 Under section 482 there is no maximum amount that an owner/occupier can claim. Qualifying expenditure which cannot be offset against a person's income for a chargeable period may be carried forward to the two subsequent chargeable periods.
- 2.13 The High Earners restriction may, depending on the income of an individual and the amount of specified tax reliefs (which include section 482 relief) claimed by an individual, restrict the amount of section 482 relief that an individual may claim in a given tax year.
- 2.14 Prior to 2010, "passive investors" in approved buildings had been able to receive relief of up to €31,750. This term usually referred to an individual who had acquired an ownership interest in a significant building under a temporary arrangement for the purpose of claiming tax relief. This use of the scheme was abolished in 2010 in an effort to reduce the cost of section 482 and to return it to its original intent i.e. to support genuine owner-occupiers of significant buildings or gardens.
- 2.15 Although the scheme has been reviewed regularly, no previous public consultation has been undertaken on section 482. The Commission on Taxation report in 2009 stated with regard to this scheme: *"As with other heritage-related tax reliefs, this measure aims to promote and enhance the cultural heritage of Ireland and also supports tourism. While the desirability of State support for heritage buildings and gardens is acknowledged, and the number of these properties is finite, our view in relation to this measure is that assistance through the tax system is not the most appropriate means of support. In our view, if the aim is correction of market failure or offsetting shortcomings in other areas of public policy, the direct expenditure route is more appropriate in this case. We recommend that the measure be discontinued."*

2.16 *The Report on Tax Expenditures Incorporating Department of Finance Guidelines for Tax Expenditure Evaluation, October 2014*, states that where an evaluation which related to existing tax expenditures (ex post evaluations) is proposed or an existing expenditure extended, the following questions should be asked:

1. Is the tax expenditure still relevant?
2. How much did the tax expenditure cost?
3. What was the impact of the tax expenditure?
4. Was it efficient?

2.17 *The Report on Tax Expenditures Incorporating Department of Finance Guidelines for Tax Expenditure Evaluation, October 2014*, recommends that the scope of evaluation should be proportionate to the size and objectives of the tax expenditure. For interventions with an estimated annual cost between €1 million and €10 million, which is the section 482 range, a Level 1 evaluation is recommended.

2.18 A Level 1 evaluation is primarily qualitative; a full cost benefit analysis is not required. Instead it may involve collecting data on the scheme and the characteristics of its participants and beneficiaries though this is only required for Level 2 and 3 evaluations.

3. Preliminary analysis

- 3.1 This section presents an analysis of applications, claims and tax relief data pertaining to section 482 relief, provided by the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs, and the Revenue Commissioners.
- 3.2 In the period examined, 2004 to 2014, the cost to the State of section 482 relief has averaged at €3.8m a year. The total cost peaked at €6.2m in 2006, falling to €2.1m in 2013 and €2.8m in 2014.
- 3.3 In 2008, 290 properties availed of section 482 relief compared with 120 and 158 in 2013 and 2014 respectively. The average claim in 2008 was €20k+, in 2006 with less claimants the average was €34k+. While the economic recession has undoubtedly played a significant part in the decline in numbers claiming relief, the ending of relief for passive investors is also a contributing factor in the reduction.

Year	Tax Cost	Number of Claimants
2004	€2.5m	66
2005	€3.3m	84
2006	€6.2m	180
2007	€5.0m	210
2008	€5.9m	290
2009	€4.6m	150
2010	€3.9m	140
2011	€3.0m	150
2012	€2.1m	110
2013	€2.1m	120
2014	€2.8m	158

Figure 1 2004-2014 Tax Cost and Number of Claimants.

3.4 Applications for a section 482 determination have been made for a broad range of building types.

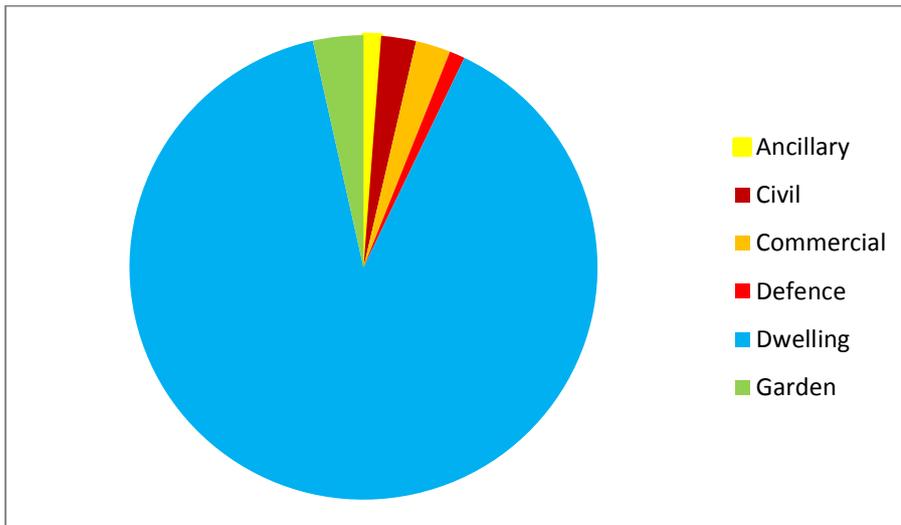


Figure 2 1983-2016 Applications to Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs by type.

3.5 The number of applications to the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs peaked in 1998 and 1999, with a marked decline in subsequent years. The number of determinations made by the Revenue Commissioners peaked between 2000 and 2003.

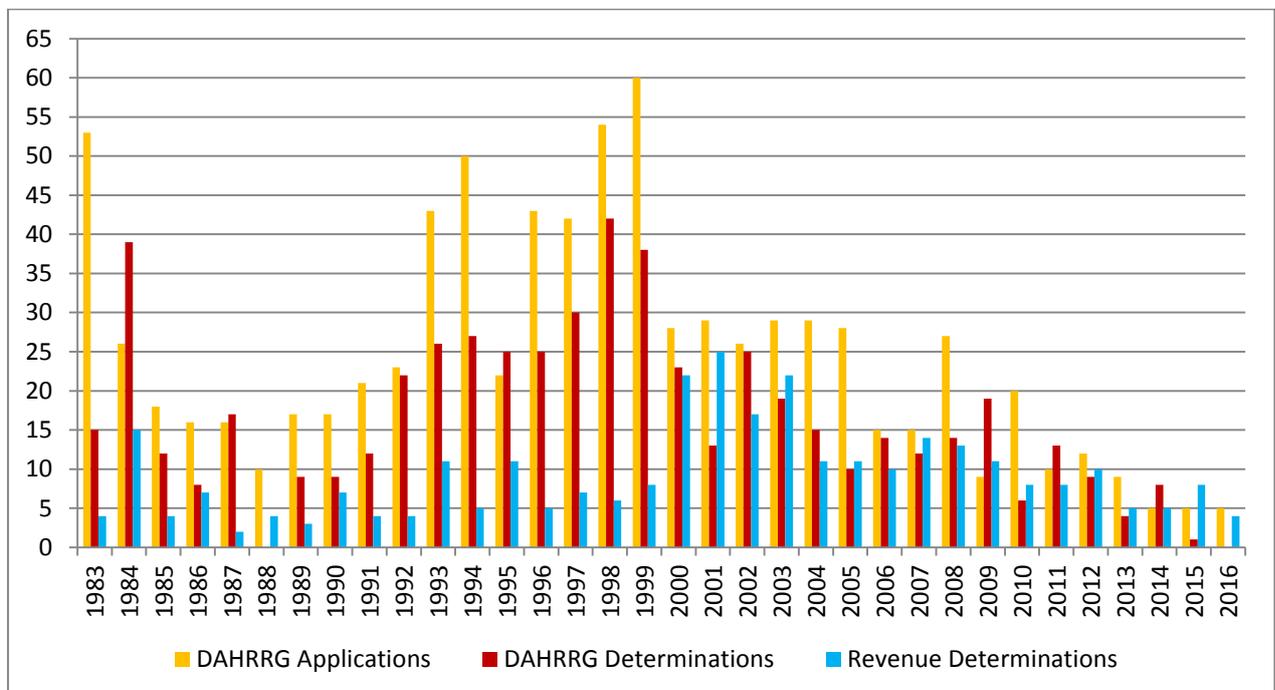


Figure 3 1983-2016 – Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs Applications and Determinations, and Revenue Commissioners Determinations, organised by year.

3.6 Over the life time of the scheme dwellings have accounted for the greatest number of applications seeking and gaining a section 482 determination. These include country houses, town houses, rectories, thatched houses, etc., with country houses accounting for the greatest number. A total of 828 applications for a determination were received by the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs from 1983 to 2016; of these 434 were for country houses.

558 buildings/gardens were granted a determination by the Minister for Arts, Heritage Regional, Rural and Gaeltacht Affairs during this period, of these 325 were country houses and 21 were gardens. 199 buildings/gardens were on the 2016 Revenue Commissioners' *List of approved buildings/gardens open to the public under Section 482 Taxes Consolidation Act, 1997*; of these 135 were country houses.

3.7 The geographical spread of approved buildings/gardens open to the public in 2016 under section 482 is shown on Figure 4.

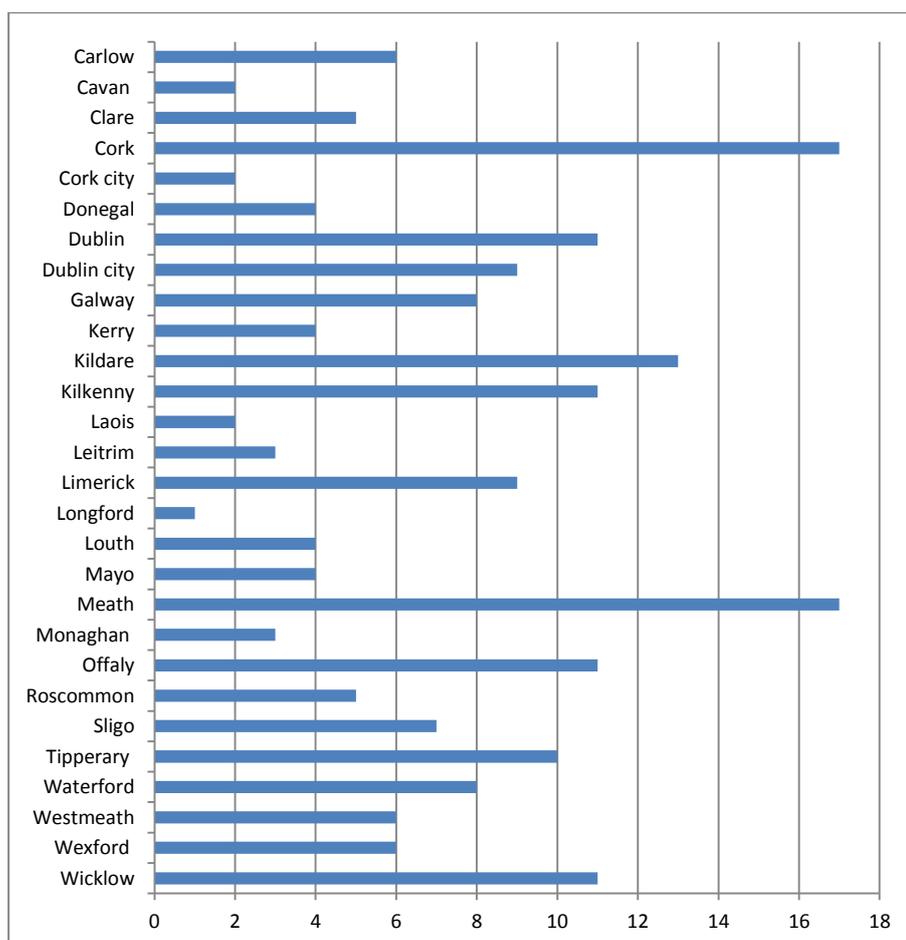


Figure 4 Location of approved buildings/gardens open to the public in 2016 under section 482.

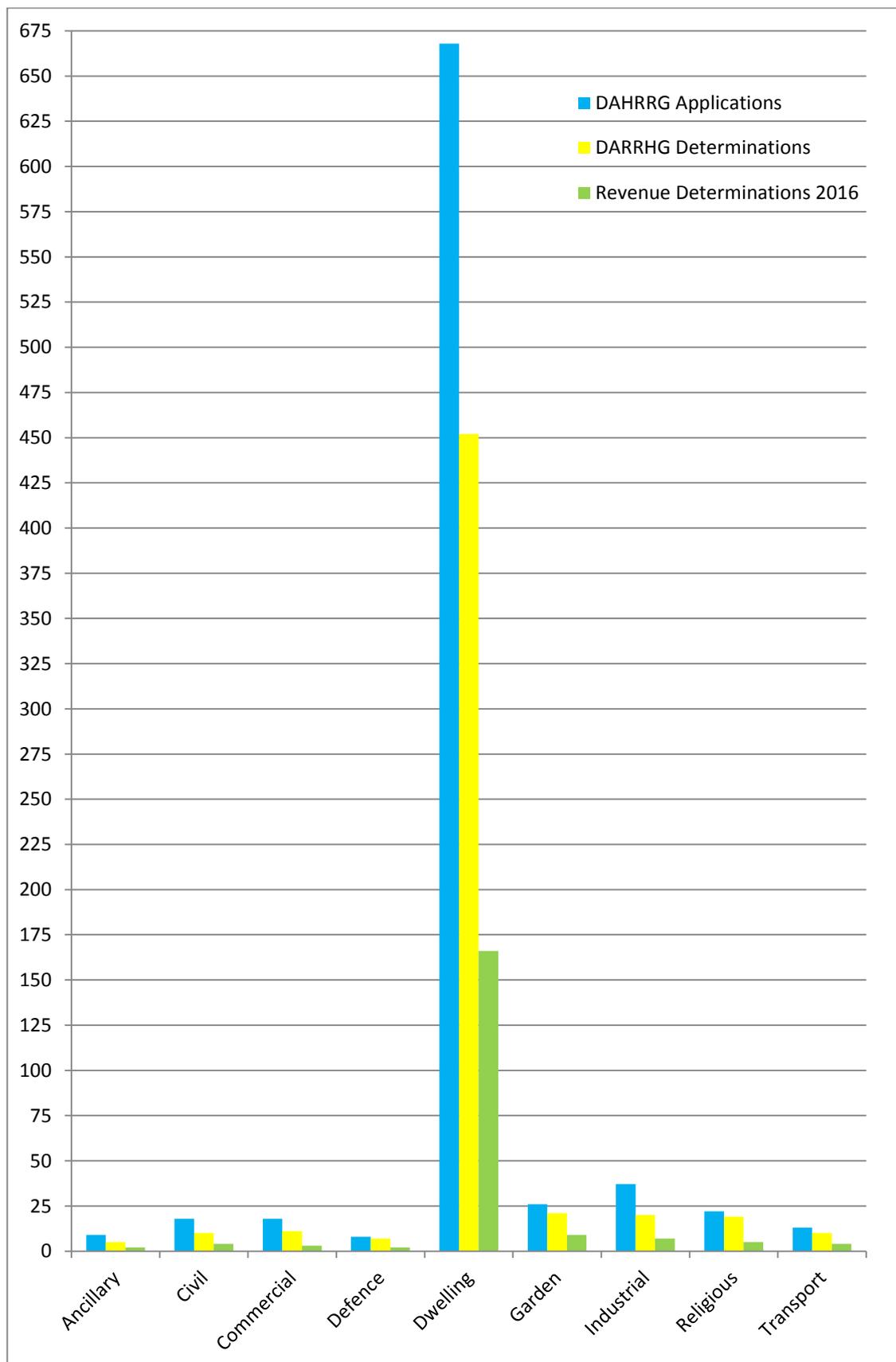


Figure 5 1983-2016 Applications and Determinations by Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs, and 2016 Determinations by Revenue Commissioners, by type.

3.8 Proponents of the relief have argued that it is essential for the repair, maintenance or restoration of designated buildings and gardens and that it plays an important role in the employment of conservation experts and specialist trades, as well as increasing local tourism.

4. Next Steps

4.1 The Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs, and the Department of Finance would like to receive the views of interested parties in relation to the issues discussed in this consultation paper. Respondents are asked to support any views and comments expressed in submissions with relevant evidence. Parties may be asked to supply calculations and other materials to support their submission. This may include spreadsheet models.

4.2 The full set of consultation questions is summarised below.

1. Is the exchequer's support of historic buildings and gardens through section 482 relief an efficient use of resources and if so why?
2. Is the current scheme maximising the potential economic benefits in terms of stimulating local economic development and the repair, maintenance or restoration of historic buildings and gardens? If not, why not?
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5. Do interested parties agree that there is merit in continuing section 482 beyond 2017? If yes, why? If no, why not?
6. Any other input with regard to this scheme?

Box 3 Consultation Questions

4.3 Responses to this consultation paper should be titled '**Review of Section 482 Relief**' and should be received no later than 24 March 2017 and should be sent by email to: Section482@ahg.gov.ie

Submissions can also be made by post to:

Section 482 Relief Review,
Built Heritage, Architectural Policy and Strategic Infrastructure,
Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs,
Custom House, Dublin 1.
D01 W6X0

- 4.4 Respondents should be aware that the Department is subject to the provisions of Freedom of Information legislation. Submissions will be published on the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs's website.
- 4.5 The Department may include the information contained in submissions in forthcoming reports and elsewhere as required. Any party submitting information to the Department shall have sole responsibility for the contents of such information. If submissions contain confidential material, it should be clearly marked as confidential, and a version of the submission should be provided which can be used for publication.
- 4.6 Submissions will be shared with other members of the review group. This review group includes representatives from the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs, and the Department of Finance.
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