# Local Property Tax Surcharge – detailed information

## 1. Client filing an income tax return but also has PAYE income

Take the situation where this taxpayer files his/her income tax return on time but has not filed his/her LPT return.

Revenue advises us that this taxpayer will have had the LPT (based on the Revenue Estimate) compulsorily deducted from his/her wages.

Notwithstanding this fact, an LPT Surcharge of 10% will **also** be applied to his/her income tax return, with:

- no credit for LPT paid through the compulsory deduction at source, and
- no capping of the LPT Surcharge until such time as he/she files their LPT Return.

Details of how the LPT Surcharge will be calculated in these circumstances are as follows:

In these cases, section 1084(2)(b) and section 1084(3) TCA 1997 apply in calculating the LPT Surcharge. A Surcharge of 10% will be applied to the tax contained in the assessment less PAYE paid (but not LPT already deducted via mandatory deduction at source). For example, where the total liability in the assessment is €4,000 and €2,500 PAYE has already been deducted, the 10% LPT Surcharge is applied to the balance of €1,500. Credit for PAYE deducted does not apply where the PAYE was deducted from a director, in accordance with section 1084(3) TCA 1997.

## 2. Clients who have CGT as well as income tax liabilities in their returns

Where a client's return has both an income tax liability and a CGT liability, Revenue has said that the 10% LPT Surcharge will be applied to **both** the income tax liability and the CGT liability.

The general rule is that where an LPT Surcharge arises on a return, that LPT Surcharge will be capped at the amount of the LPT liability once the taxpayer subsequently files their LPT return and pays their LPT liability.

However, where an LPT Surcharge arises on a return with both an income tax and a CGT liability, you need to look separately at the income tax element and the CGT element to determine what cap applies.  This is a complex calculation and it is best illustrated by way of an example:

Grace files her IT and CGT returns on ROS on 8 November 2013.  She has not filed her LPT Return at that date.  Her liability for IT is €2,000 and CGT was €1,000, amounting to a total liability of €3,000 for 2012.  She is liable to a 10% LPT Surcharge of €300 (10% of €3,000).  On 1 December 2013 she files her 2013 LPT Return and makes arrangements to pay. Her LPT liability for 2013 is €202.  For the purpose of capping, the €202 is compared separately to both the IT and CGT liabilities.

As the IT component of the Surcharge amounts to €200 and the CGT component amounts to €100 and each are less than the actual LPT liability of €202, the original €300 Surcharge remains.

If the LPT Surcharge on the IT liability had been €250 and the LPT Surcharge on the CGT liability had been €210, the cap applied to each liability would be the LPT liability (€202). Therefore the total amount of the Surcharges would be €404.

If the LPT Surcharge on the IT liability had been €250 and the LPT Surcharge on the CGT liability had been €150, the Surcharge on the IT liability would have been capped at €202 while the Surcharge on the CGT liability would have remained at €150 bringing the Surcharge total to €352.