



# The Residential Zoned Land Tax: An Incentive or an Obstacle?

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# The Residential Zoned Land Tax

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The introduction of the **Residential Zoned Land Tax (RZLT)** represents a significant shift in how Ireland seeks to address its ongoing housing crisis. This measure, set to take effect from **1 February 2025**, is designed to encourage the activation of zoned and serviced land for residential development. However, while its intention is to stimulate housing supply, there are concerns that it may instead create additional barriers, potentially undermining its objectives.



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# Understanding the RZLT

The RZLT applies an annual tax of **3% of the market value** to land that meets the following criteria:

- It is **zoned for residential use** under a development or local area plan.
- It is **serviced**, meaning it has adequate infrastructure, such as roads, water, and sewage systems, to support housing development.

The tax is intended to discourage land hoarding and prompt landowners to either develop or sell their holdings, thus increasing the supply of new homes. However, the reality of its impact remains uncertain.

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# Potential Counterproductive Effects

While the RZLT is positioned as an incentive, there are significant concerns regarding its practical consequences:

- **Increased Financial Pressure on Landowners** – The 3% annual tax represents a substantial cost for landowners who, for various reasons, may not be in a position to develop their land immediately. This could lead to financial strain rather than encouraging development.
- **The Risk of Land Being Dezoned** – Recent trends have shown that lands earmarked for development under Local Area Plans (LAPs) have been dezoned rather than expanded. Instead of increasing the supply of development-ready sites, this approach restricts future housing delivery.
- **Impact on Housing Affordability** – If landowners pass the additional costs of the tax onto developers or prospective buyers, it could contribute to higher property prices rather than easing affordability concerns.





# What Happens If Landowners Do Not Engage?

For landowners affected by the RZLT, failure to engage with the process carries significant consequences. If a property is subject to the tax and the owner does not take action, Revenue will issue a formal assessment of the tax due.

- **Penalties & Enforcement** – If the tax is not paid, penalties and interest charges will accrue, adding further financial burden.
- **Registration & Compliance Obligations** – Landowners are required to register affected land and make an annual return. Failure to do so can result in enforcement actions by Revenue.
- **Restrictions on Development & Sales** – In some cases, non-compliance with the RZLT process may complicate planning applications or hinder the future sale of affected land.



# A More Effective Alternative

Rather than imposing additional financial penalties, **a more effective strategy would be to increase the availability of zoned and serviced land**. This would create a greater supply of developable land, which in turn could:

- Facilitate a **higher volume of housing delivery**.
- **Reduce land values**, making housing development more viable and financially sustainable.
- Address the core issue that often **stalls projects**—the high cost and availability of land.





# Conclusion

While the **RZLT** is designed to encourage development, it may ultimately prove **counterproductive** by introducing further hurdles in an already complex planning and development process. A more effective approach would involve **expanding zoning designations** and introducing meaningful **incentives** to support development rather than penalizing landowners through taxation.

For those who own land that may be affected by the **Residential Zoned Land Tax**, it is crucial to **assess your position and understand your obligations**.

For professional advice on your options and to determine if this new levy will impact you, **contact our office today at 091 865 357 or email [info@hpsproperty.ie](mailto:info@hpsproperty.ie)**.



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