

Budget 2012 –  
Summary of  
Changes  
Affecting the  
Property  
Market

DILLON  EUSTACE

DUBLIN HONG KONG NEW YORK TOKYO

## BUDGET 2012 – SUMMARY OF CHANGES AFFECTING THE PROPERTY MARKET

### Introduction

The changes introduced by the recent budget should have a positive impact on the property market in Ireland. These changes are summarised as follows:-

### Stamp Duty

The stamp duty rate for commercial properties has been reduced from 6% to 2%, irrespective of the acquisition cost of the property. This new rate applies to instruments executed on or after 7 December, 2011.

There was no change in the rate of stamp duty payable in respect of residential properties which remains at 1% for properties up to a value of 1 million euro and 2% for properties with a value of in excess of 1 million euro.

Consanguinity relief, which reduces the stamp duty liability by 50% (if certain criteria are met), will cease to apply to non-residential property for instruments executed after 31 December 2014.

### Capital Gains Tax

The rate of capital gains tax has been increased from 25% to 30% in respect of disposals made after 6<sup>th</sup> December, 2011.

A new incentive relief from CGT is being introduced for the first seven years of ownership for properties bought between 7 December 2011 and 31 December 2013, where the property is held for more than seven years. Where such property is held for more than seven years the gains accrued in that period will not attract CGT. This measure comes into effect after 6 December 2011.

### Upward Only Rent Reviews

The uncertainty in relation to upward only rent reviews has now ended. Upward only rent reviews are prohibited in leases created after February, 2010. The government proposal would have retrospectively affected a landlord's contractual right to an upwards only rent

based on the provisions of an existing lease and interfered with the existing agreement between a landlord and a tenant.

## Mortgage Interest Relief

The rate of mortgage interest relief has been increased to 30% for first time buyers who took out their first mortgage between 2004 and 2008. The mortgage interest relief available to those who purchase properties in 2012 has been increased to 25% for first time buyers and 15% for non first time buyers. Previously, the rates of relief were 15% and 10% respectively.

Mortgage interest relief will no longer be available to house purchasers who purchase houses after 31<sup>st</sup> December 2012 and will be fully abolished from 2018.

## Household Charge

A €100 charge is intended to apply to all properties owned by residential investors from the 1<sup>st</sup> of January, 2012, in addition to their principle private residences. This charge is in addition to the NPPR (Non Principal Private Residence) charge already payable by investors. The exemptions from the payment of this charge include persons who have been forced to leave their home due to a mental or physical incapacity, property held in a discretionary trust, residential properties owned by charities voluntary or co-operative housing associations and residential properties to which commercial rates apply.

This charge has been introduced as an interim measure pending the implementation of a full property tax which at present the government envisages applying from 2014.

## Legacy Property Relief

A property relief surcharge of 5% will be imposed on investors with a gross annual income of over €100,000. This surcharge will apply on the amount of income sheltered by property reliefs in a given year. The surcharge applies to all property reliefs claimed and includes Section 23 relief and capital allowances schemes.

## Capital Acquisitions Tax

The capital acquisitions tax rate has been increased from 25% to 30% in respect of gifts/inheritances taken after 6<sup>th</sup> December, 2011. From this date, the Group A tax free threshold has been reduced from €332,084 to €250,000.

## Investing in Renewable Energy Generation

There is now an extension available to the tax available for corporate investments in renewable energy generation projects from 31<sup>st</sup> December, 2011, to 31<sup>st</sup> December, 2014. A tax deduction of up to €12.7 million per annum is available to any investor company for monies invested in shares in qualifying renewable energy companies. This is subject to a cap for each investment of the lesser of 50% of the capital expenditure incurred by the qualifying renewable energy company or €9.525 million.

**Date: December 2011**

## CONTACT US

### Our Offices

#### **Dublin**

33 Sir John Rogerson's Quay,  
Dublin 2,  
Ireland.  
Tel: +353 1 667 0022  
Fax: +353 1 667 0042

#### **Hong Kong**

62/F, The Center  
99 Queens Road, Central  
Hong Kong  
Tel: + 852 3965-3126  
Fax: + 852 3965-3222

#### **New York**

245 Park Avenue  
39<sup>th</sup> Floor  
New York, NY 10167  
United States  
Tel: +1 212 792 4166  
Fax: +1 212 792 4167

#### **Tokyo**

12th Floor,  
Yurakucho Itocia Building  
2-7-1 Yurakucho, Chiyoda-ku  
Tokyo 100-0006, Japan  
Tel: +813 6860 4885  
Fax: +813 6860 4501

e-mail: [enquiries@dilloneustace.ie](mailto:enquiries@dilloneustace.ie)  
website: [www.dilloneustace.ie](http://www.dilloneustace.ie)

### Contact Points

*For more details on how we can help you, to request copies of most recent newsletters, briefings or articles, or simply to be included on our mailing list going forward, please contact any of the team members below.*

#### **Paul Eustace**

**E-mail:** [paul.eustace@dilloneustace.ie](mailto:paul.eustace@dilloneustace.ie)  
**Tel :** +353 1 673 1814  
**Fax:** + 353 1 667 0042

#### **Linda Lynch**

**E-mail:** [linda.lynch@dilloneustace.ie](mailto:linda.lynch@dilloneustace.ie)  
**Tel :** +353 1 673 1813  
**Fax:** + 353 1 667 0042

#### DISCLAIMER:

This document is for information purposes only and does not purport to represent legal advice. If you have any queries or would like further information relating to any of the above matters, please refer to the contacts above or your usual contact in Dillon Eustace.

#### Copyright Notice:

© 2011 Dillon Eustace. All rights reserved.

DILLON  EUSTACE

DUBLIN HONG KONG NEW YORK TOKYO

33 Sir John Rogerson's Quay, Dublin 2, Ireland.  
[www.dilloneustace.ie](http://www.dilloneustace.ie)

In alliance with Arendt & Medernach