First-time buyers

Part 02-07

This document should be read in conjunction with section 8 of the Finance (Local Property Tax) Act 2012 (as amended)

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Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Introduction

This exemption from local property tax (LPT) applies to residential properties that are purchased by 'first-time buyers'. However, the effect of an error in the drafting of the legislation is that **anybody** who purchases a property in the period 1 January 2013 to 31 December 2013 can claim the exemption. Thus, **the exemption is not restricted exclusively to 'first-time buyers'.** However, it does not apply to the person from whom the property is purchased.

Properties bought in the period 1 January 2013 to 1 May 2013 by 'non first-time buyers' who filed a return and paid LPT for 2013 as they did not realise that the property was exempt are entitled to a refund of the tax paid

A separate exemption is available where new and unused properties are purchased from a builder or a property developer (see Instruction 2.8 for details). This effectively means that this 'first-time buyer' exemption benefits anybody who purchases a second-hand property in 2013.

The exemption also applies where a property is built by, or for, the person who is to live in it. It is not necessary that a loan is taken out to finance the purchase or construction of a property for the exemption to apply.

A person who builds his or her property may have qualified for mortgage interest relief, depending on when the qualifying loan under section 244 of the Taxes Consolidation Act 1997 was drawn down and used. It is possible for a person to qualify for both mortgage interest relief and this LPT exemption where the construction of a property straddles both 2012 and 2013 and is not completed until 2013.

1. Legislation

The exemption provisions are contained in section 8 of the Finance (Local Property Tax) Act 2012 (as amended), although some of these have been rendered irrelevant due to the drafting error. In addition, section 14(2) of this Act disapplies the usual rule that, where a property is exempt on a valuation date, an exemption continues to apply until the following valuation date if the property is subsequently sold or ceases to be used as a principal private residence.

2. Qualifying conditions

2.1 Date of purchase

A property must be purchased in the period 1 January 2013 to 31 December 2013. However, where a property is purchased after 1 May 2013, there will already be a liable person on that date who is liable to pay LPT for the year 2013. Therefore, it may happen that the exemption only applies for the years 2014 onwards or the years 2015 onwards where the property is purchased after 1 November 2013. The exemption does not apply to the person from whom the property is acquired.

2.2 Sole or main residence

The person who purchases the property must occupy it as his or her sole or main residence before the exemption is claimed and continue in occupation to avoid the termination of the exemption.

3. Claiming the exemption

Where a property is purchased on or before 1 May 2013, the purchaser should claim the exemption on the LPT1 return form as part of the normal self-assessment process. The code "B" should be inserted in the exemption box on the return.[1]

Where a property is purchased in the period 2 May 2013 to 1 November 2013, the vendor is responsible for filing the LPT return form and the purchaser does not have to do so in relation to the year 2013. However, he or she should claim the exemption in respect of the liability date 1 November 2013 and the year 2014 and onwards. Where a property is purchased in the period 2 November 2013 to 31 December 2013, the vendor's return form covers both 2013 and 2014 and the purchaser should claim the exemption in respect of the liability date 1 November 2014 and the years 2015 and onwards.

4. Duration of exemption

A property must be purchased in the period 1 January 2013 to 31 December 2013. Where it is purchased on or before the first liability date of 1 May 2013, the exemption applies for the duration of the first valuation period 1 May 2013 to 31 October 2019, covering the years 2013 to 2019. The duration of the first valuation period was extended by three years by the Finance (Local Property Tax) (Amendment) Act 2015 and now ends on 31 October 2019. However, where a property is purchased after 1 May 2013 or 1 November 2013, the vendor is liable for LPT for the year 2013 and possibly 2014, and the purchaser is exempt for the years 2014 and onwards, or possibly the year 2015 and onwards, respectively.

5. Termination of exemption

The property ceases to be exempt when it is sold or otherwise transferred such as by way of a gift or an inheritance or when it ceases to be used as the sole or main residence of the person who was entitled to the exemption. The usual rule that an exemption continues to apply until the following valuation period where it is exempt on the previous valuation date does not apply in the case of this particular

[1] The exemption types are listed on page 10 of the Revenue booklet that was issued with the LPT1 return form.

exemption. Therefore, where a property, in respect of which an exemption has been claimed, is sold before any subsequent liability dates falling in the same valuation period, the exemption does not apply in relation to any such subsequent liability dates.

6. Examples

6.1.

Cathal completes the sale of his house to Sinead on 3 May 2013. He is the liable person on 1 May 2013 and is required to submit a LPT return form to Revenue and to pay LPT for the year 2013. Sinead qualifies for an exemption in respect of the LPT that would be payable for the years 2014, 2015 and 2016. She does not have to file a LPT return form unless she forms the view that the chargeable value that was declared by Cathal was not reasonable. Where this happens, she should submit a return form with a revised chargeable value and claim the exemption on this return.

6.2.

Martina engages a builder to build a house on a site on her family's land. She makes staged payments to the builder during 2012 and in January and February 2013. She qualifies for mortgage interest relief in respect of the part of the loan that was drawn down in 2012. Martina moves into the house when it is completed in February 2013. She qualifies for an exemption from LPT that she has to claim by filing a LPT return form before 7 May 2013.

6.3.

Seamus qualifies for an exemption when he purchases an apartment in March 2013. However, following a change in his circumstances he moves out of the apartment in December 2013 and begins to rent it out. Seamus is exempt for the years 2013 and 2014. However, as the property will not be exempt on the liability dates 1 November 2014 and 1 November 2015, Seamus will have to pay LPT for 2015 and 2016. He will have to submit a LPT return in respect of the liability date 1 November 2014.

7. Compliance

Where the property is purchased or completed on or before 1 May 2013, the exemption should be claimed on the LPT1 return form by the liable person as part of the normal self-assessment process. However, Revenue may decide to examine the validity of a claim as part of its normal compliance programme. This may involve the liable person being required to provide evidence and supporting documentation to prove that the property is exempt, such as evidence of the date of purchase or completion of construction and of use as the sole or main residence of the person claiming the exemption.