New Properties Purchased from a Builder or a Property Developer

Part 02-08

This document should be read in conjunction with section 9 of the Finance (Local Property Tax) Act 2012 (as amended)

Document last reviewed November 2018

Contents

1. Introduction 2
2. Legislation 2
3. Duration of exemption 2
4. Qualifying conditions 2
5. Claiming the exemption 3
6. Examples 3
6.1. 3
6.2. 3
6.3. 3
7. Compliance 4

1. Introduction

New and unused residential properties that are purchased from a builder or a property developer and that meet the conditions for eligibility for the exemption described in Instruction 2.4 are exempt from local property tax (LPT).

2. Legislation

The relevant provision is contained in section 9 of the Finance (Local Property Tax) Act 2012 (as amended). The reference to “first sale” in this section is to the first sale by the builder/property developer while the property is still new and unused and not to any subsequent sale by the purchaser. Section 6 of this Act is also relevant in relation to the conditions to be met.

3. Duration of exemption

The usual LPT rule is that a property that is exempt from the charge to LPT on the first valuation date will not be chargeable until the next valuation date. This means that a property that was exempt on 1 May 2013 will continue to be exempt until 1 November 2019, regardless of whether the qualifying conditions cease to be satisfied in the intervening period. 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.

While the exemption that is available for a builder or a property developer under section 6 of the Finance (Local Property Tax) Act 2012 (as amended) is open-ended, the exemption under section 9 has an end date. It is available only for the duration of the first valuation period of 1 May 2013 to 31 October 2019. Whoever the liable person is on the liability date 1 November 2019 will have to pay LPT from 1 January 2020.

The exemption applies where a property is purchased at any time in the period 1 January 2013 to 31 October 2019. Therefore, a property may be exempt even though it was acquired before the first liability date of 1 May 2013.

4. Qualifying conditions

The property must be purchased from a builder or a property developer who constructed the property, or who arranged to have it constructed, as part of a trade carried on by that person. It must be new and unused, i.e. it must not have been previously occupied as a residence or been used to generate income of any kind for the builder or the property developer. See Instruction 2.6 for details of these qualifying conditions.

Where a receiver or a liquidator has taken control of properties owned by a builder or a property developer, Revenue takes the view that those properties continue to be exempt where the receiver or the liquidator meets the qualifying conditions for the exemption. Therefore, where a person purchases a new and unused property from such a receiver or liquidator, this exemption also applies.

5. Claiming the exemption

The person who otherwise would be liable to LPT on 1 May 2013 should claim the exemption on the LPT1 return form as part of the normal self-assessment process. The code "A" should be inserted in the exemption box on the return form.[1]

Where a property is purchased after 1 May 2013, the builder/property developer is responsible for filing the LPT1 return form and the new owner does not have to claim the exemption or file a return for the first valuation period 1 May 2013 to 31 October 2019.

6. Examples

6.1.

Liam buys an apartment in February 2013 from the builder who had built it as part of his building trade. The apartment had not been occupied since its completion and had not generated income of any kind for the builder. As Liam owns the property on the liability date 1 May 2013, he should file an LPT1 return form and claim the exemption.

6.2.

Martin, who works full time as a solicitor, obtains planning permission to build a house at the end of his large garden. He engages a builder to do this. He intends to use the house as accommodation for visiting relatives. However, Martin loses his job shortly after the house is completed and sells it in April 2013. Because Martin does not carry on the trade of a builder or a property developer the house is not treated as part of his trading stock. The new owner does not qualify for an exemption.

6.3.

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

Marion buys a new house from Building Contractors Ltd. on 1 June 2013. The house qualifies for an exemption under section 6 of the Finance (Local Property Tax) Act 2012 (as amended). As the company owns the house on 1 May 2013, it files the LPT return form and claims the exemption. The house continues to be exempt after Marion buys it but she doesn't have to claim the exemption, which will automatically continue until the end of 2019.

7. Compliance

The exemption should be claimed on the LPT 1 return by the person to whom Revenue sends the return form as part of the normal self-assessment process. However, Revenue may decide to examine the validity of the claim at a later stage as part of its normal compliance programme. This may involve requiring the person to provide evidence and supporting documentation to back up the claim for exemption.

Where the validity of a claim is being verified by Revenue, the person should provide evidence that the property was newly constructed and was purchased from a builder/property developer. Relevant evidence may include promotional sales material issued by the builder/property developer, the purchase contract or evidence of a claim for exemption by the builder/property developer.