McCann FitzGerald

Ireland – Building for the future

Budget 2018 construction and real estate measures

In his Budget speech today, the Minister for Finance and Public Expenditure and Reform committed a total of €1.83 billion for housing in 2018 including:

- 3,800 new social houses to be built next year by the local authorities and Approved Housing Bodies
- an extra 4,000 social housing homes to be delivered next year through an increase in funds allocated to the Social Housing Current Expenditure Programme
- an increase in the Rebuilding Ireland target of social housing homes to 50,000, of which 33,500 will be delivered through construction
- an increase in the Housing Assistance Payment Scheme enabling an additional 17,000 households to be supported and accommodated
- increased funding for homeless services
- the potential to fund the construction of an additional 6,000 homes by way of €750 million of the Ireland Strategic Investment Fund being available for commercial investment in housing finance through the new Home Building Finance Ireland.

One of the measures, however, introduced to raise funds for the Exchequer is the foreboded increase in the rate of stamp duty applying to transactions involving non-residential property. The increase will be from 2% to 6% and will apply to certain instruments executed on or after 11 October 2017. It will apply to instruments that are or are deemed to be, Conveyances or Transfers on Sale (of any property other than stocks or marketable securities or a policy of insurance or a policy of life insurance) or Leases (of any land, tenements or heritable property other than a lease of any dwellinghouse part of a dwellinghouse, or apartment at a rent not exceeding €30,000 per annum for an indefinite period or any period not exceeding 35 years), in each case, executed on or after 11 October 2017. However, so as not to adversely impact the supply of residential property, there will be a stamp duty refund scheme with respect to commercial land purchased for the development of housing, subject to certain conditions including commencement of the development within 30 months of the land purchase.

Other tax measures introduced to deal with housing supply and affordability include incentives to sell, rent and measures to deter hoarding of property including:

Enhancement of CGT exemption on disposal of certain land or buildings

- The "7-year CGT relief" which allows the owner of land or buildings located in the European Economic Area, where that land or building was acquired between 7 December 2011 and 31 December 2014 at market value (or at no less than 75% of market value if acquired from a relative) to sell the assets after the seventh anniversary of its acquisition and enjoy relief from capital gains tax on any chargeable gain referable to that 7 year period will be enhanced to allow the land or building to be sold between the fourth and seventh anniversary with full exemption from capital gains tax on any gain arising.

Increase in Vacant Site Levy

- The vacant site levy will increase to 7% for second and subsequent years with the 3% rate only applicable in the first year (payable on 1 January 2019 with respect to 2018). For this purpose, a vacant site is a site that has been entered on the Vacant Sites Register of the relevant local authority because it has an area in excess of 0.05 hectares and is zoned for either residential or regeneration purposes and certain other criteria are met. In the case of residential land, the site must be situated in an area in need of housing, suitable for the provision of housing and the majority of the site must be vacant or idle. In the case of regeneration land, the site, or the majority of the site must be vacant or idle and the site being vacant must have an adverse effect on existing amenities or reduce the amenity provided by existing public infrastructure and facilities.

Tax deduction for pre-letting expenses

- A new tax deduction is being introduced for pre-letting expenses of a revenue nature of up to €5,000 per property against rental income earned from that property if it has been vacant for a period of 12 months or more. There will be a clawback of the tax relief however if the property is not rented or offered for rent for a period of 4 years. The relief will be available for qualifying expenses incurred up to the end of 2021.

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Mortgage Interest Relief

- As previously committed, the tax relief available for interest on certain mortgages drawn-down from 2004 to 2012 will not be abolished but instead tapered out over 3 years, with 75% of existing relief available in 2018, 50% in 2019 and 25% in 2020.

Separately, we note in relation to land transactions:

Meaning of "Agricultural Land" where leased for solar infrastructure

- in response to the difficulties interpreting land leased for the purposes of solar infrastructure as "agricultural land" for agricultural relief for capital acquisitions tax purposes and retirement relief for capital gains tax purposes, the legislation will be amended so as to ensure that such land continues to be so regarded, but with a condition restricting the amount of the farm land that can be used for solar infrastructure to 50 per cent of the total farm acreage.

Consanguinity Relief

- This stamp duty relief that currently applies to halve the stamp duty rate applying to transfers of farmland between relatives in certain circumstances will be extended for 3 years and the rate of relief amended so as to maintain the "after-relief" rate of stamp duty on the transfer of the relevant farm land at a rate of 1% (thus protecting such transfers from the increase in the rate of stamp duty applying to non-residential property transactions).

For further information on the measures announced in the budget please contact a member of the Tax Team in McCann FitzGerald.

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