

Sale of property

Irish capital gains tax exemption

A capital gains tax exemption is in place in Ireland for property purchased between 7 December 2011 and 31 December 2014.

The capital gain arising on a sale of land and/or buildings can be fully or partially exempt from Irish tax if certain conditions are satisfied.

Conditions

- (i) The property must be acquired in the period commencing 7 December 2011 and ending on 31 December 2014.
- (ii) The property must be in Ireland or any other European Economic Area (EEA) state
- (iii) The property must be acquired for consideration equal to market value.
- (iv) If the property is acquired from a relative (this term does not include spouse) consideration of not less than 75% of the market value must be paid.
- (v) The property must be held by the acquirer for at least 7 years.
- (vi) The exemption applies to residential and commercial property.

If a property is purchased on or before 31 December 2014, held for 7 years and then immediately sold, the entire capital gain arising will be exempt from Irish capital gains tax.

Where the property is held for more than 7 years, the exemption operates to time apportion the gain and exempts part of that gain. For example, if the property is sold 10 years after the purchase, 70% of the gain will be exempt from capital gains tax. The balance of the gain (30%) will be subject to capital gains tax.

Therefore, the timing of any sale in the future will need to be carefully considered.

Other issues

- Low rate of stamp duty on **residential** property purchases (1% up to EUR1m and 2% on excess above EUR1m). A rate of 2% applies to commercial property purchases
- Owners of **residential** property will be subject to an annual property tax based on market value of the property (0.18% on value up to EUR1m and 0.25% of value in excess of EUR1m)
- It should be possible to structure any rental income so that tax thereon is minimized.

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For further information, please contact:

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