



New 10% Stamp duty Charge on the Purchase of Residential Houses (ROI)

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The Minister for Finance, Paschal Donohoe TD, brought a Financial Resolution to the Dáil last week and this was passed on the 19th May by the houses of the Oireachtas, will impose a stamp duty charge of 10% on the multiple purchase of 10 or more residential houses. This higher charge, as well as applying to bulk purchases, will also apply to a situation where a person acquires 10 or more units on a cumulative basis over a 12-month period.

Once triggered, the 10% rate will apply to all houses acquired in that 12-month period, including the first 9 purchases.

The background to this Financial Resolution is the purchase by institutional investors of all or a significant proportion of residential housing estates, particularly close to the time of completion. This 10% rate is intended to provide a significant disincentive to this practice of multiple purchase by institutional investors of large parts of, or indeed whole, housing estates before they reach the market, thus denying first-time buyers an opportunity to purchase a home.

Multiple purchases by Local Authorities, approved housing bodies, and the Housing Agency will be outside the scope of this higher stamp duty.

The most significant exemption from this higher stamp duty charge is the multiple purchase of apartments. Apartment developments face significant viability challenges and there are clear indications that any additional cost burden in apartment developments would have significant negative consequences for supply, and consequently impact on our future housing model, in particular for urban living.

The main features of the stamp duty proposal contained in the Financial Resolution are as follows:

- I. The higher stamp duty rate will be 10%.*
- II. It will apply to multiple purchases of 10 and above houses within a 12-month period.*
- III. Apartments are fully exempt from this higher stamp duty as are multiple purchases by Local Authorities, Approved Housing Bodies.*
- IV. While the higher rate of stamp duty will apply automatically to all bulk purchases of 10 or more, it will also apply on a cumulative basis where for instance a person is purchasing regularly on a unit-by-unit basis. This is an important safeguard, as otherwise the policy intent of disincentivising multiple purchases could be circumvented through a series of smaller purchases.*
- V. The higher stamp duty charge will therefore take effect once a 10th property is purchased in a 12-month period. This means that where a person or institution has purchased*

incrementally and reaches the 10 threshold, the higher stamp duty will apply to all of the other previous 9 purchases also. In such a situation where they have already paid the standard stamp duty rate, this payment will be offset against this new 10 % charge.

- VI.** *It will apply to all Irish dwellings (other than apartments) acquired, regardless of location. That is, it will apply where there are multiple dwellings in one estate or a single dwelling each in different locations across the country.*
- VII.** *It will also apply in circumstances where multiple purchases of residential units are made indirectly through shares or units of investment funds.*
- VIII.** *On the advice of the Attorney General's office, there is a requirement for a 3-month transition period for execution of contracts that have been entered into but not completed prior to the commencement of the Financial Resolution.*
- IX.** *Units purchased before the Financial Resolution comes into effect can be counted towards triggering the threshold of 10, but higher stamp rates can only be applied to units bought after the introduction of the FR. For example if there were 6 units bought in April, and 5 units bought in June, the April purchases would enable the higher stamp duty charge to be applied to the June purchase.*

Contact us today for a consultation with our experienced tax department.

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