

Understanding Stamp Duty



Educating, Developing & Representing



**Irish Taxation
Institute**

About the Author

Marie Bradley is a Fellow of the Irish Taxation Institute (ITI) and is very involved with the activities of the ITI. She has assisted the Institute in preparing recent Finance Bill and Commission on Taxation submissions. She is joint author of the ITI publication, “Capital Allowances and Property Incentives” and is a lecturer for the Part 3 Corporation Tax course. Marie has broad experience in advising personal and corporate clients having trained and worked in small and medium sized firms prior to spending over eight years working in the taxation departments of PricewaterhouseCoopers and KPMG. She now runs her own tax consultancy practice, Bradley Tax Consulting, a boutique firm offering innovative taxation solutions to personal and corporate clients.

About the Registered Tax Consultants

Registered Tax Consultants are the experts in providing commercially focused tax advice to business and individuals. They also possess in-depth knowledge of all taxes operating in Ireland as well as the incentives and reliefs available. Only holders of the AITI (Associate of the Irish Taxation Institute) qualification who are current members of the Irish Taxation Institute can use the title “Registered Tax Consultant”. For more information visit www.taxireland.ie.

Understanding Stamp Duty

Question

How is stamp duty calculated on the purchase of residential property?

Answer

The rate of stamp duty payable depends on the status of the purchaser(s), whether the property is new or second hand, and the purchase price of the property. Where the property is new and includes VAT, stamp duty is payable on the VAT exclusive amount.

First time buyers

No stamp duty applies for all owner-occupying first time buyers of houses or apartments, whether new or second-hand, where the conveyance was executed after 31 March 2007.

New property – owner occupier other than first time buyer

No stamp duty applies to owner occupiers for new houses/apartments where the property is below a certain size (125 square metres) and a floor area compliance certificate has been issued in respect of the property. There are also certain conditions that the purchaser (or a person on his/her behalf) will occupy the property as their principal place of residence and that no rent will be received in respect of the property for two years from the date of the purchase (other than rent received under the rent a room scheme). Under the rent a room scheme no tax is payable on rent received of up to €10,000 where an individual rents out a room(s) in his or her principal private residence.

If the property is larger than 125 square metres, stamp duty is calculated on the greater of the site value or a quarter of the total value of the property.

Second hand property – owner occupier other than first time buyer

In accordance with the stamp duty rate bands for residential property, the first €125,000 will be exempt from stamp duty; the next €875,000 will be subject to stamp duty at a rate of 7% and any additional consideration will be subject to duty at a rate of 9%. Where the consideration is less than €127,000, no stamp duty is payable.

Question

Who is a first time buyer for the purposes of the exemption from payment of stamp duty on the purchase of a residential property?

Answer

Revenue is of the view that a first time buyer is a person:

- » who has not on any previous occasion, either individually or jointly, purchased or built on his or her own behalf a house in Ireland or abroad, and
- » where the property purchased is occupied by the purchaser, or a person on his behalf, as his or her only or principal place of residence, and
- » where no rent other than rent under the rent a room scheme is derived from the property for two years after the purchase.

The first time buyer relief is not available when there is more than one purchaser and all such purchasers are not first time buyers.

Where part of the consideration is provided by an unconditional gift or a bona fide loan by a non first time buyer, relief will not be available unless the donor is not party to the purchase instrument, they do not occupy the residence or intend to do so and there is no arrangement for future transfer of ownership of the property.

A clawback of the exemption from payment of stamp duty will arise if within 2 years of the purchase rent is obtained from the letting of the house (other than under the rent a room scheme). The clawback amounts to the difference between the higher stamp duty rate payable and the duty paid (if any) and becomes payable on the date that rent is first received from the property.

Deemed first time buyers

A person whose marriage is the subject of a decree of divorce, judicial separation, deed of separation or nullity may be treated as a first-time purchaser where the person buys another house to live in. The person must no longer retain an interest in the former marital home and the spouse or former spouse must occupy the former marital home as his or her only or main residence, following the granting of the decree or the making of the deed of separation.

There is some provision to obtain a refund of stamp duty paid where a person purchases a new home prior to the grant of decree or deed of separation where the purchase is made in connection with and within 6 months of the granting of the decree or deed of separation.

Question

Is there a stamp duty exemption for the transfer by a parent of a site to a child?

Answer

An exemption from payment of stamp duty exists on the transfer by a parent to a child (including certain qualifying foster children) of a site for the purposes of enabling the child to construct his or her dwelling house on the site. The exemption is subject to a number of conditions including, inter alia, the market value of the site transferred must not exceed €500,000 and the dwelling house built on the site must be occupied by the child as his or her only or main residence. The site excluding the area for the dwelling must not exceed 1 acre.

Question

Is there a special rate of stamp duty for transfers of property between related persons?

Answer

In the case of “conveyances or transfers on sale” or “voluntary dispositions inter vivos” (i.e. gifts) where the parties to the transaction are blood relatives, the stamp duty that would normally apply is reduced by 50%. This relief is known as consanguinity relief. The instrument (i.e. the Deed of Transfer or Conveyance) must contain a certificate that the parties are blood relatives.

Transactions between lawful spouses are exempt from stamp duty. This reduction in stamp duty applies to, for instance, the sale or transfer of land or other property but does not apply to the sale or transfer of shares.

Question

What is the stamp duty payable on the sale or transfer of stocks and shares?

Answer

The current rate of stamp duty payable on the transfer or sale of stocks and shares is 1% of the consideration or, in the case of a voluntary disposition (i.e. gift) 1% of the market value of the stocks or shares transferred. The stamp duty is payable within 30 days of the date of sale or transfer.

Question

Is stamp duty payable on bank cards?

Answer

Stamp duty of €2.50 per year is payable per ATM and debit (Laser) card and €5 per year is payable per combined ATM and debit card, €30 per year is payable per credit card and €30 per year is payable per chargecard. With regard to combined ATM and debit cards, where such cards are used solely for one function the charge will be €5 and if used for both, the charge will be €10.

Question

Is stamp duty payable on residential leases?

Answer

In the case of residential property a lease for an indefinite term or a term not exceeding 35 years is exempt from stamp duty where the annual rent does not exceed €30,000 for instruments executed on or after 13 March 2008 (previously €19,050) Otherwise, stamp duty is chargeable on such leases at the rate of 1% of the annual rent.

Question

Is there a stamp duty exemption for transfers to a housing authority?

Answer

There is an exemption from stamp duty for a transfer or lease of a house, building or land by or to a housing authority in connection with any of its functions under the Housing Acts or specified functions under the Affordable Homes Partnership. This exemption applies to instruments executed on or after 13 March 2008.

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