NewsAlert
Real Estate Tax Services

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Irish Budget 2012 - What does it mean for you?

The Minister for Finance introduced the 2012 Irish Budget last month. The Budget speech included a number of positive developments intended to help stimulate investment in Irish real estate. The key changes that are likely to be of most interest from a property perspective are outlined in this newsalert.

Business measures

The Minister again highlighted that the 12.5% corporation tax rate will be maintained.

Stamp duty

A single stamp duty rate of 2% applies to transfers of non-residential property (including commercial property, business assets) executed after 6 December 2011, regardless of the value of the property.

Capital taxes

The capital gains tax (CGT) rate is increased from 25% to 30% for disposals made after 6 December 2011.

A CGT incentive relief is introduced for properties bought between 6 December 2011 and the end of 2013. Where such property is held for more than 7 years, any gain arising in that period will not be subject to CGT.

VAT

The standard rate of VAT will be increased from 21% to 23% with effect from 1 January 2012. In line with previous announcements, the Finance Minster also re-iterated there would be no further increases to the standard VAT rate in the lifetime of the present government. In the context of property transactions, this change should only have a cash-flow impact for business with full VAT recovery entitlement.

Other areas

The Minister announced that the government would not seek to introduce legislation to abolish upward only rent reviews in existing business leases.

The Minister also spoke about an opportunity for NAMA to approve rent reductions where rents incurred by a tenant on NAMA properties are in excess of the current market levels and viability is threatened.

Measures to support the continued success of the international funds industry, the corporate treasury sector, the international insurance industry and the aircraft leasing industry are to be included in the Finance Bill, together with improvements to the personal tax treatment of expatriates.

Our View

We believe that the changes being introduced are likely to have a positive impact on the Irish property market and, allied to the anticipated start of a phased selling of Irish property by NAMA, should help stimulate investment. The lack of available credit is, however, a problem that needs to be addressed.

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For more information, please contact your local PwC real estate tax service provider or one of the contacts below.

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