

Tax Alert – VAT & Property

URGENT ACTION REQUIRED



VAT & Property Transactions – Urgent Action Required

Finance Act 2008 introduced significant changes to the VAT rules concerning Irish property transactions. Most of these changes will come into effect on 1 July 2008.

One of the biggest changes concerns the area of leases, and short leases in particular. No new 'waivers of exemption' will be granted after 1 July 2008. Most waivers in place on that date will continue to operate, until cancelled. However, in a number of circumstances, these waivers will cease automatically and a large VAT payment may be due to Revenue. This scenario could arise in particular where a landlord has let a property (commercial or residential) to a connected tenant (and the tenant does not have full VAT recovery). Connected is defined very broadly.

All landlords should review such arrangements **immediately** as it may be possible to amend the terms of the relevant lease(s) now to avoid the large payment to Revenue on 1 July 2008. It will not be possible to make the necessary changes after 1 July 2008.

Please contact us immediately if you have any relevant lettings which need to be reviewed.

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