Grant Thornton

Investing in Irish real estate

Irish tax considerations

At Grant Thornton, we have a dedicated and experienced Irish real estate tax advisory team. If you are considering investing in Irish real estate, our experts can ensure that your real estate investment is carried out in a tax efficient manner.

As a Grant Thornton client, you can expect to receive a high standard of professional service that is partner-driven and commercially led.

Tax is increasingly becoming a key component of any real estate investment cost structure and we work closely with our clients to assist them in carefully managing this cost. We do this by identifying optimal structuring options based on key commercial objectives, partnering with our clients in the negotiation of the tax aspects of real estate transactions as well as providing on-going advice and support as needed throughout the life-cycle of such projects.

Understanding the key tax rates, holding structures and overall operational tax considerations is imperative to appraising any real estate investment opportunity. As a starting point, we have set out a brief overview of these areas in this document. Our dedicated real estate tax advisory team would be delighted to discuss any of these aspects in further detail as well as explore ways in which we can assist and add value.

Key Irish tax rates

At Grant Thornton, our dedicated real estate tax team have successfully advised on and provided key support in relation to all types of property investments for a wide range of clients, from individuals and small companies to large multinationals and investment funds.

Corporate ownership: Trading

Profits from the sale of development land in the course of a land dealing trade:

- 12.5% corporation tax: Fully developed qualifying land
- 25% corporation tax: Undeveloped or partially developed land

Corporate ownership: Investment

- 33% Capital Gains Tax (CGT)/corporation tax: Sale of land/ property held as a capital investment asset
- 25% corporation tax: Rental profits (potential additional 20% close company surcharge)
- 25% corporation tax: Non-resident landlords (following Finance Act 2021 changes)

Personal ownership

Both Irish and non-resident individuals are subject to marginal rates of income tax (up to 55%) on Irish rental or trading profits or 33% CGT on disposal where held as an investment.

Certain regulated Irish fund vehicles

- May be exempt from tax on income/gains at fund level.
- Withholding/exit taxes may apply on distributions.

Common property holding vehicles

Below is a brief summary of some of the corporate structures that are commonly used for Irish real estate investment:

	Irish fund ICAV/QIAIF	**Investment limited partnership**	**Irish property trading company**	**Non-Irish incorporated property holding company**
Tax residence	Ireland	Tax transparent - dependent on tax residence of individual partners	Ireland	Foreign
Regulation	Irish Central Bank	Irish Central Bank	Unregulated	Unregulated
Irish tax rates on rental income	0%	Tax transparent vehicle Limited partner taxed on net rental profit at 25% corporation tax irrespective of tax residency position (as well as potential close company surcharge of 20%)	25% corporation tax (as well as potential close company surcharge of 20%)	25% corporation tax
Tax deductibility for interest	Arm's length interest deduction against rental income and subject to certain restrictions.	Yes (Subject to impact [if any] of interest limitation rules from 1 January 2022)	Yes (Subject to impact [if any] of interest limitation rules from 1 January 2022)	Yes (Subject to impact [if any] of interest limitation rules from 1 January 2022)
Irish tax rate on disposal of property	0%	Tax transparent - 33% CGT for investment property for partners	12.5% trading rate for fully developed "qualifying land". 25% otherwise. 33% for investment assets	33% CGT
Irish tax rate on disposal of units/ shares	20%/25% withholding tax	Tax transparent - 33% CGT for partners	33% CGT	33% CGT
Withholding tax on dividends out of rental income/property gains	20% under IREF regime/25% IUT (refunds available in certain circumstances)	N/A if non resident. 25% on dividends from an Irish tax resident company but wide-reaching exemptions subject to certain conditions	25% on dividends from an Irish tax resident company but wide-reaching exemptions subject to certain conditions	May be 20% withholding tax on payment of rents subject to certain exceptions
Tax depreciation on fit out costs	N/A	4%/12.5% capital allowances in certain circumstances	N/A for property traders	4%/12.5% capital allowances in certain circumstances

Key Irish tax considerations for real estate transactions or structures

Capital Gains Tax (CGT) withholding
Irish tax legislation provides for withholding tax (up to 15%) of the proceeds on the sale of certain real estate assets or shares deriving their value from Irish property. It is possible to obtain clearance from this requirement in certain circumstances.

Stamp duty
Stamp duty is charged on the price paid (or the market value where the price paid is less than market value) of the property. Stamp duty on commercial property is charged at a flat rate of 7.5%. Potential refunds of up to 5.5% are also available on land acquired for residential development subject to certain conditions. The rate of stamp duty on residential property is 1% on the first €1m of the consideration and any consideration in excess of €1m is charged at 2%. With regard to leases, stamp duty is also chargeable on rent and premiums payable under a lease depending on the lease terms and underlying property.

Stamp duty on bulk housing purchases
Legislation was introduced in 2021 for a new stamp duty charge of 10% on the multiple purchase of residential houses (both directly and indirectly i.e. via share acquisition). Where the legislation applies, a higher stamp duty rate of 10% will apply on or after 20 May 2021 to the purchase of 10 or more houses within a 12 month period. There are a number of exemptions to this provision such as the acquisition of apartments, purchases of houses by Local Authorities, the Housing Agency, and Approved Housing Bodies as well as certain agreements to lease to these organisations.

Relevant Contracts Tax (RCT)
A withholding tax regime applies to certain payments in the construction industry. The legislation obliges a person (principal) to obtain specific Revenue authorisation prior to making every payment to each contractor. The authorisation will indicate the applicable tax rate 0%, 20% or 35% and the amount of tax to be withheld from the payment. The rate will depend on the contractor's own tax compliance status.

VAT
13.5% rate on the sale of real estate generally. However, specific VAT on property rules should be considered.

Anti-Tax Avoidance Directive (ATAD)
Anti-hybrid rules which restrict the deductibility of certain payments and DAC6 Mandatory Disclosure rules which provides for obligations to report details of certain cross-border arrangements to a local tax authority should also be considered.

Dividend withholding tax
A current rate of 25% deduction at source on dividend payments but exemptions may be available in certain circumstances.

Interest withholding tax
A current rate of 20% may apply on certain interest payments made but exemptions may be available in certain circumstances.

Interest Limitation Rules (ILR)
Ireland has introduced ILR for accounting periods commencing 1 January 2022. Generally, where ILR applies, it provides for a restriction on interest deductibility equal to 30% of EBITDA (as defined under tax principles) with certain limited exceptions. Please refer to our article on the introduction of ILR in Ireland after Finance Bill 2021 for further detail.

Transfer pricing rules and documentation requirements
May apply depending on the size of the corporate entity/ group on inter-group transactions.

Local Property Taxes (LPT)
LPT is payable in respect of owners of Irish residential real estate on an annual basis. The rate of tax depends on the market value of the property.

Capital allowances
Plant and machinery allowances may be available for qualifying expenditure and can be written off over an 8-year period on a straight-line basis. Allowances are also available for certain industrial buildings at 4% per annum.

Zoned Land Tax (ZLT)
Finance Act 2021 provided for the new self-assessed ZLT which will replace the existing vacant site levy and once implemented, will apply at a rate of 3% per annum on the market value of land that is within the scope of the regime. Broadly this is stated as land zoned as being suitable for residential development, that is serviced and that is not affected in physical condition by considerations which may impact the ability to provide housing on the land. The ZLT is likely to be administered from 1 January 2024.

Irish Real Estate Funds (IREF)
An IREF is a fund that derives 25% or more if its market value from assets deriving their value from Irish land and similar assets (e.g. loans/shares). While the majority of Irish regulated funds are exempt from Irish tax, unit holders may be subject to 20% withholding tax on certain events.

Contact

Should you have any queries in relation to the tax implications of investing in Irish real estate, please contact a member of our real estate tax advisory team.

Our team can help you by advising and providing additional support services through all stages of the property investment cycle which would include:

- Identifying optimum structuring solutions for the acquisition, development and financing of Irish real estate transactions;
- Tax due diligence services;
- Consideration of alternative investment vehicles which best suit client requirements (including ICAV, REITs, limited partnerships, Section 110 companies, etc.). This would include an assessment of the impact of the Irish Real Estate Fund tax regime;
- Stamp duty advice on property/share acquisitions;
- Tax advice in relation to establishing a business of dealing in and developing land;
- Tax review of financial models;
- Consideration of Irish withholding taxes obligations;
- Capital allowances/tax depreciation;
- Tax deductibility of financing and other related costs (to include consideration of the new interest limitation and anti-hybrid rules);
- VAT and RCT obligations and VAT recovery;
- Ongoing Irish tax compliance obligations (i.e. employer taxes, corporation tax, income tax, VAT and IREF);
- Forward funding/forward sale tax structuring;
- Exit strategy considerations for investors;
- Transfer pricing obligations; and
- EU Mandatory Disclosure DAC 6 Reporting obligations.

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