Grant Thornton
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Tax

VAT on property sales

New property

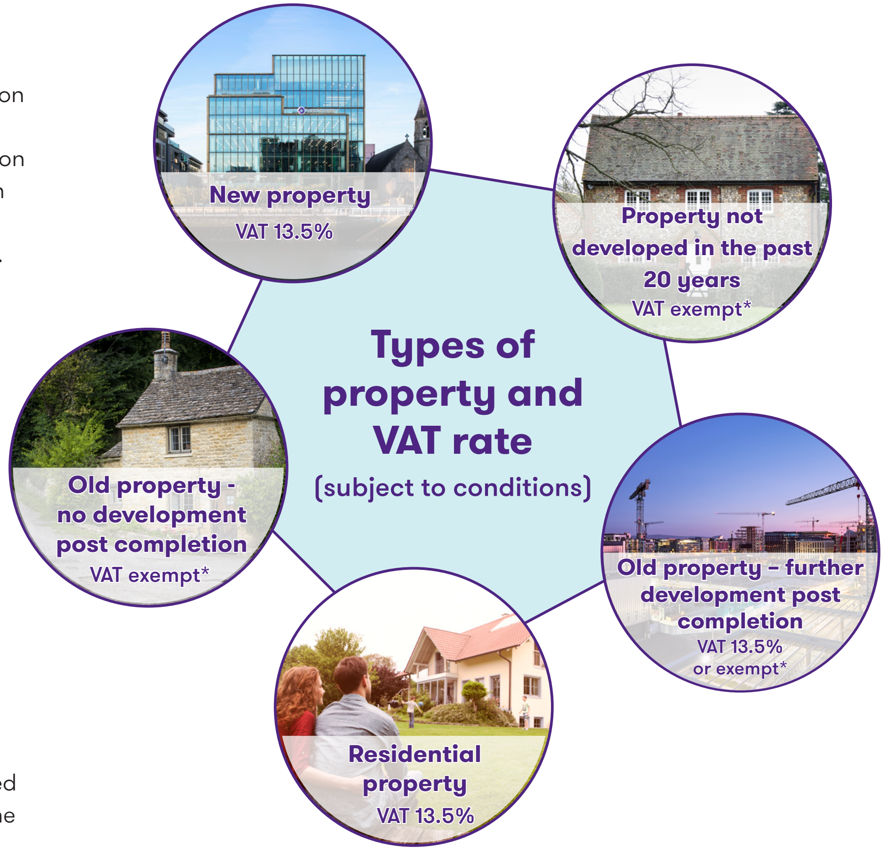
- for the first sale within the first five years of completion of the development, **VAT** is charged at **13.5%**; and
- the second sale within the first five years of completion of the development, where the property has not been occupied for at least 24 months or the first sale was between connected parties, **VAT** is charged at **13.5%**.

Old property – no development post completion

- sales of completed properties five years after completion are **VAT exempt***; and
- sales of properties completed within the previous five years, provided the property has been occupied for at least 24 months and there has been a previous sale of the completed property between unconnected parties, on which VAT arose are **VAT exempt***.

Residential property

- if the sale is by the property developer or a connected party, **VAT** is charged at **13.5%** regardless of when the sale takes place.



Property not developed in the past 20 years

- the sale of property which has not been developed in the past 20 years is **VAT exempt***.

Old property – further development post completion

- where the cost of the development post completion is less than 25% of the current sale proceeds and the development does not materially alter the use of the property, the property is **VAT exempt*** and
- where the cost of the development post completion is at least 25% of the current sale proceeds or the development materially alters the use of the property, **VAT** is charged at **13.5%**.

*A **VAT exempt** sale may give rise to a VAT liability in the form of a capital goods scheme adjustment, ie a clawback of VAT previously recovered. It may be possible to avoid this where the vendor and the purchaser agree to a joint option to tax the sale.

Letting of property

The letting of property is exempt from VAT. A landlord may opt to charge VAT at 23% on rents from a commercial letting. The landlord can then deduct VAT incurred on the acquisition or development of the property. It is not possible to opt to tax rent from residential lettings.

Property types and tax options:

Residential:
- VAT exempt*; and
- not possible to opt to tax a residential letting.

Commercial:
- 23% VAT rate; and
- option to tax in place for the letting.

Commercial:
- VAT exempt*; and
- no option to tax in place.

Holiday lettings:
- VAT at 13.5% provided the holiday letting does not exceed eight consecutive weeks; and
- no option to tax is required.

*A VAT exempt letting may give rise to a VAT liability in the form of a capital goods scheme adjustment, ie a clawback of VAT previously recovered. In the case of commercial lettings, it may be possible to avoid this where the landlord opts to charge VAT on the rents from the letting.

VAT filing and payment dates

- **VAT charged on disposal of a property** – VAT is paid to Revenue on a bi-monthly VAT return during which the sale closes. For example, if the sale closes in January, VAT is included on the January - February VAT return. It is then due to be filed and paid to Revenue by 23 March.
- **VAT charged on letting of property** - VAT is paid to Revenue on a bi-monthly VAT return in which an invoice is issued (if on invoice basis). For example, if the invoice is issued in March, VAT is included on the March - April VAT return. It is then due to be filed and paid to Revenue by 23 May.
- **Capital Goods Scheme (CGS) adjustment (payment position)** – VAT is paid to Revenue on a bi-monthly VAT return, each year, following the financial year end. For example, if the year end is 31 December, it is submitted via the January - February VAT return.

Contact

Our experienced tax team can assist you on this topic. Please contact a member of our team if you require further information.

Jarlath O'Keefe
Partner, Tax
T +353 (0)1 6805 817
E jarlath.okeefe@ie.gt.com

Marian Lee
Director, Tax
D +353 (0)1 680 5939
E marian.lee@ie.gt.com

Kevin Devenney
Director, Tax
D +353 (0)1 433 2438
E kevin.devenney@ie.gt.com

Offices in Dublin, Belfast, Cork, Galway, Kildare, Limerick and Longford.

grantthornton.ie   @GrantThorntonIE   Grant Thornton Ireland

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