

IF YOURE INVESTING, DO IT BEFORE THE END OF THE YEAR



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Are you one of the lucky few who has spare cash lying about? Are you considering using that money to buy an investment property? If so, my advice to you is to do so before the 31st of December this year. Why? If you sell that property in seven years time, any financial gain you make will be exempt from capital gains tax. This exemption will not apply to any properties purchased after the 31st of December, 2013. With speculation that capital gains tax could eventually increase to 40%, this exemption is a welcome relief to many investors.

This exemption was passed in the Finance Act 2012 and was introduced to give those with cash an incentive to spend it on property investments. Surprisingly however, many of my clients who were considering investing in the new year were not aware of this exemption and are now racing to invest before the new year to avail of this exemption.

The incentive applies to “land or buildings”, i.e. residential and commercial property.

Where the property is held for a period in excess of seven years, the relief from capital gains tax is allowed in the proportion that seven years bears to the total period of ownership. For example, if the taxpayer owns the land for 10 years then 7/10 of the gain will not be a chargeable gain.

In order for the relief to apply, the property must be bought for an amount equal to the market value of the property. If you buy the property from a relative, the price paid for it cannot be less than 75% the market value of the property on the day of purchase. It should be noted that the legislation underpinning the relief contains anti-avoidance measures and provisions designed to guard against artificial arrangements.

This exemption applies to all properties purchased between the 7th of December 2011 and the 31st of December, 2013. Therefore, if you have purchased a property during this period and intend selling it sometime in the future, then I would advise you to wait seven years before selling to avail of the exemption. If you were to sell the property before owning it for seven years, the financial difference between the price you paid for it and the price you sell it for, assuming it is a gain will, in most cases be subject to capital gains tax.



Budget 2014 has extended this exemption to the end of 2014 in respect of all commercial properties.

If you are considering purchasing an investment property, feel free to contact Jacquelyn Dunne on 086 1617418.

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