

# PROPERTY SALES CAN TAX THE BRAIN

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When buying, selling or gifting property, I find that many of my clients are unaware of the taxes involved in these transactions. Taxation can seem like a minefield but if you know the basics which apply to you, the fear factor can be removed.

**When buying a property** the only tax you will be concerned with is Stamp Duty. This is a tax paid by the purchaser, not the person selling the property. Stamp Duty is payable at a rate of 1% on houses which are worth up to €1,000,000. For those lucky few who can afford a house worth over €1,000,000, they will be subject to a rate of 2%. For example, if you purchase a house for €250,000, you will pay stamp duty of €250. If you purchase non residential property such as land, there is a single rate of 2% stamp duty on the purchase price.

If you transfer land to a family member either by way of a gift or a sale, stamp duty shall still apply but shall be reduced to 1% of the value of the land. This relief only applies to non-residential property but shall cease after the 31st of December 2014.

There are a number of exemptions to the payment of stamp duty. For example, stamp duty is not payable on transfers between spouses and civil partners.

Also, Young Trained Farmer relief still applies. This is an exemption from stamp duty to encourage the transfer of farmland to a new generation. Again, the transfer may be by way of gift or sale. The farmer must be less than 35 years of age on the date of execution of the deed of transfer and must be the holder of a (FETAC) Certificate in respect of Teagasc approved training courses. The farmer must also, for a period of five years from the date of execution of the deed of transfer spend not less than 50% of his/her normal working time farming the land and retain ownership of the land. .

If you receive a gift of land or property, you may have to pay Capital Acquisitions Tax which is more commonly known as Gift Tax. The gift is taxed if its value is over a certain limit or threshold. Different tax-free thresholds apply depending on the relationship between the person giving the gift and the person receiving the gift. There are also a number of exemptions and reliefs that depend on the type of the gift. If you receive a gift from your spouse or civil partner, you are exempt from Capital Acquisitions Tax. The rates of Capital Acquisitions Tax increased to 33% from 30% from 5 December 2012.



**When selling a property**, you will only be concerned with Capital Gains Tax (CGT). Since 2012, the rate of CGT is 33%. This is an increase of 13% since the 2008 budget. CGT is a tax charged on the capital gain (profit) made on the disposal of any property. It is payable by the person making the disposal. The gain/profit (the difference between the price you paid for the property and the price you sold it for) is considered taxable income. For example, if you purchased or inherited land in 2010 which was valued at €100,000 and you are today selling it for €150,000, you have made a gain/profit of €50,000 and you shall pay CGT on 33% of €50,000.

Disposal of a property doesn't just refer to the sale of the property. It includes any transfer of ownership by way of exchange, gift or settlement on trustees.

There are a number of exemptions to this tax. Transfers of properties between spouses and civil partners are exempt from CGT. The transfer of a site from parent to child for the purposes of constructing the child's principal private residence, where the site's market value does not exceed €500,000, is also exempt from CGT.

There is also a relief from CGT for farmers who dispose of part of their farm. However, there are a number of conditions which must be complied with. One of these conditions is that the farmer must be 55 years of age or over.

The sale of a family home which lies on one acre of land or less will also be exempt from this tax.

Should you have any queries regarding this article, please feel free to contact Jacquelyn on 086 1617418 to make an appointment.

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