

ANNEX D

Help to Buy

Background

As a complement to the structural actions in the Action Plan for Housing and Homelessness published on 19th July 2016, the launch of a new tax-based 'Help to Buy' incentive in the Budget was announced.

This Help to Buy incentive is aimed at assisting first time buyers of new homes to fund the deposit required under the Central Bank macro-prudential rules. It will also assist those looking to build once-off houses for their own occupation.

Outline of the Incentive

The incentive will take the form of a rebate of income tax paid over the previous four tax years as a contribution to the deposit needed to fund the purchase of a new home.

The maximum rebate available will be up to 5% of the purchase price of a new home valued at up to €400,000. Where a new homes is valued between €400,000 and €600,000, the maximum rebate (i.e. €20,000) will continue to be available. No rebate will be available for new purchases costing over €600,000.

The amount of rebate available to an applicant is calculated based on their total income tax (including DIRT) paid over the previous four tax years. No refund of USC will be available.

The property (house or apartment) must be a new build or a self-build. It must be purchased or built as the applicant's principal private residence. The relief is not available for buy-to-let properties.

In order to qualify, applicants must take out a mortgage of at least 80% of the purchase price, or in the case of a self-build, 80% of the valuation approved by the mortgage provider. Individuals who are in a position to avail of a mortgage at a lower loan to value ratio than 80% already have sufficient resources to more than meet the deposit requirements of the macro-prudential rules and thus are less in need of assistance from the Exchequer.

This incentive will be open to applicants who have signed contracts to purchase their home on or after 19 July 2016. In the case of a self-build, applicants who drew down the first tranche of their mortgage on or after 19 July 2016 will also be eligible. This was the date of the launch of 'Rebuilding Ireland: Action Plan for Housing and Homelessness'. The backdating of this incentive was announced at that time with a view to avoiding any potential interruption in house sales, by purchasers who may otherwise have deferred purchases, pending the commencement of the incentive. The incentive is scheduled to run until the end of 2019.

Additional Information

To be eligible for the incentive, you must be a First Time Buyer (FTB). If you have purchased a house before, you will not be eligible for the incentive.

The maximum amount of rebate available is €20,000 per property. This can be made up of the income tax (including DIRT) paid over the previous four years by an individual or by joint purchasers.

In line with the Central Bank macro-prudential rules, a joint purchase between a FTB and a non-FTB will not be eligible for the incentive.

With a view towards incentivising the additional supply of homes, the rebate will only be available in respect of newly built property.

Self-builds are included in the incentive, although they still must meet all the other conditions as set out by the incentive, including the requirement to take out a mortgage of at least 80% of the valuation of the property.

Applicants will be able to apply online via the Revenue website to see how much of a rebate they could be entitled to under the scheme. It is expected that the electronic facility to avail of this scheme will be available from January 2017. Rebates in respect of eligible purchases made between 19 July 2016 and 31 December 2016 can also be processed from January 2017.

Some individuals may not qualify for the incentive. As with all time limited or targeted reliefs, there will always be those who just miss out. This incentive prioritises those who are struggling to raise sufficient deposits in order to purchase their first home. Any extension of the parameters of this measure could make it less targeted and indeed significantly more costly to the Exchequer.

Examples of potential applications under the Help to Buy

Example 1

Rose and Charlie signed a contract to buy a new house for €300,000 from a developer in August 2016. They paid a deposit of €38,000, in line with the minimum deposit requirement under the Central Bank macro-prudential rules. As their contract with the developer to purchase the property was put in place after 19 July 2016, they are eligible to apply to Revenue for the Help to Buy scheme, when applications begin to be accepted from January 2017. This may see them qualify for a rebate of income tax paid over the previous four years up to a maximum of 5% of the purchase price of the property, which equates to €15,000.

Example 2

Mairead and James are hoping to purchase their first home, a newly-built apartment priced at €280,000. Under the Central Bank rules they will require a minimum deposit of €34,000, which comprises €22,000 (10% of the first €220,000) and €12,000 (20% of the additional €60,000). Under the Help to Buy initiative, as first time purchasers they would be eligible for a refund of income tax paid over the previous four years of 5% of the purchase price of the property. Assuming they have

paid sufficient income tax over the previous four years, this would equate to €14,000. They can use this as part of their deposit when signing the contract to purchase their new apartment.

Example 3

Denise and Noel are looking to buy a home together valued at €350,000. Noel is a first time purchaser but Denise has bought a house previously. If they are buying the property jointly they would not qualify for the Help to Buy scheme as Denise has previously owned a house.

Example 4

Deirdre and Evan are planning to self-build their own home in 2017. They estimate that the value of the home will be €375,000 when completed. For this, provided they have paid sufficient income tax over the previous four years and they are taking out a minimum 80% mortgage, they will qualify for a rebate under the Help to Buy scheme of €18,750.

Example 5

Adam and Cillian are hoping to buy a newly-built house priced at €530,000. As first time purchasers they should qualify for the Help to Buy scheme provided they have paid income tax in the previous four years. However, as the property they hope to buy is over the €400,000 limit, the maximum rebate they can hope to receive under the scheme is €20,000.

Example 6

Amy is looking to buy her first property. The home she is considering is a new build priced at €680,000. As this is over the threshold for the Help to Buy scheme she will not qualify.

Example 7

Tom and Mary signed a contract to purchase a newly built home off the plans in May 2016. Neither of them have purchased a property before. They paid the deposit on the house at the time of contract signing but the developer is still constructing the estate and they have not moved into their new home. As they signed the contract to purchase their property prior to 19 July 2016, they will not qualify for the Help to Buy incentive.

Example 8

Simon is purchasing a second-hand home. Unfortunately, as this is not a new build it does not qualify for the Help to Buy incentive.

Example 9

Katherine is purchasing a new build home, at a value of €300,000. Katherine is not taking out a mortgage and is paying in cash. As such, she does not qualify for the Help to Buy incentive.