



ISSUE 10

APRIL 2006

1. EDITORIAL

Welcome to the 10th issue of the Morgan McManus Irish/UK Property Bulletin. Those of you unfamiliar with our service can learn more about us by visiting our Website at www.morganmcmamus.com. We have offices in Northern Ireland and the Republic of Ireland and also provide legal services in England/Wales. This publication is being delivered to Accountants and Financial Advisors, Banks, Mortgage Advisors, Property Investment Companies and Private Investors. We hope to give you an insight into the information you will need to ensure that you have adequate legal protection when investing in property, whether that property is in Northern Ireland, the Republic of Ireland or in England/Wales. As we practice in all three jurisdictions we are ideally placed to provide a comprehensive comparative analysis – and that is important, particularly where it is your first venture into international property investment.

We know that you will find the Articles in this issue of interest. We cover tax issues which will apply both in Ireland and the UK which will affect your property decisions. Fergal McManus covers a matter which should be attended to immediately by all Landlords who own investment properties in the Republic of Ireland, namely the registering of the Tenancy with the Residential Tenancies Board. I cover new developments in the UK relating to REITS and Home Information Packs.

Recently, at the Credit Union Building Clones, Morgan McManus contributed to a Seminar organized by *3d property & financial services*, Clones on the *UK PROPERTY MARKET*. Fergal McManus, in his capacity as a Professional Tax Advisor, spoke of the the tax regulations which apply in both jurisdictions and the the tax reliefs available to Rol Tax Residents. He also explained how the Double Taxation Treaty applies to UK/Rol Investors. Colm Prendergast of the Bank of Ireland spoke on the availability of Euro Loans to Rol investors for the purchase of UK property and the *loan to value* restrictions which apply. There was also an anlysis of the UK property market by Ultan Mcmanus of *3d property & financial services* and delegates who attended found the Seminar very informative. If you are interested in attending another such Seminar in the future and you are not already on the

CONTENTS

1. EDITORIAL
2. TAX CHANGES FOR REPUBLIC OF IRELAND LANDLORDS
3. UK BUDGET 2006 - FURTHER NEWS ON REITS
4. UK HOME INFORMATION PACKS - A DEVELOPMENT FOR THE GOOD BUT AT THE VENDOR'S COST.

Client Database of 3d property & financial services you should email Ultan McManus at umcmanus@3d.ie and he can arrange to put you on the List for future Seminars.

As well as providing legal advice to the Private Investor, we also act for Developers and Investment Syndicates and can provide very competitive terms, particularly where we are acting for a number of purchasers in a common property, e.g. a number of apartments in the one block. Further details of our ROI service are available from Fergal McManus (e-mail: fmcmanus@morganmcmanus.ie) Colin O`Neill (e-mail: colinoneill@morganmcmanus.ie) and Brian Morgan (e-mail: bmorgan@morganmcmanus.ie) at our Clones office . Details of our Northern Ireland/UK services are available from Seymour Major (e-mail: smajor@morganmcmanus.co.uk) and Orla Gilligan (e-mail: ogilligan@morganmcmanus.co.uk) of our Enniskillen office. (See telephone contact details at end of this Bulletin).



As you may note, since our last issue, we have been joined by 2 new Solicitors : Colin O`Neill in our Clones office and Orla Gilligan in our Enniskillen office. Colin is NI resident but RoI qualified. Orla is NI resident but qualified in England : a further dimension in our cross-border service !

Brian Morgan, Editor

2. TAX CHANGES FOR REPUBLIC OF IRELAND LANDLORDS



Fergal McManus, Solicitor and Professional Tax Advisor, advises that there is now an incentive for the RoI Landlord to register the Tenancy with the Private Residential Tenancies Board.

The December '05 budget in the Republic of Ireland contained a technical but very important change to the way landlords are taxed on their rental income. Landlords will be aware that loan or mortgage interest payable on borrowed money applied in the purchase, improvement or repair of rented residential premises is deductible against the rental income when one is calculating the rental profit. The Landlord then pays income tax on those rental profits. This is a critically important tax break as many landlords have significant borrowings and a large interest bill every year to deduct against their rental income leaving a much smaller amount of rental profit liable to income tax. Section 11 of the Finance Bill 2006 provides that in the future the landlord will only be allowed take loan or mortgage interest as a deduction in their income tax computation provided that they are able to show that they have met the registration requirements of the Residential Tenancies Act 2004.

Landlords are already legally obliged to register details of their tenancies since the 1st September 2004 with the Private Residential Tenancies Board. To register a tenancy a landlord must complete a registration form (PRTB1) which will be provided by the Private Residential Tenancies Board at 01-8882960 and this form must be signed by the landlord and all the tenants. The form is also available from all Local Authority Housing Sections and can be downloaded from the Department of Environment Heritage and Local Government website www.environ.ie. The registration form requires basic details as to the nature of the tenancy and also requires the tax numbers of the landlords and the tenants to be supplied. There is a registration fee of €70.00 for each tenancy and in respect of multi-let buildings there is a composite fee of €300.00.

Since 2004 landlords failing to register a tenancy are guilty of an offence and upon conviction may be liable for a fine of up to €3,000.00 and or up to 6 months in prison along with a daily fine of €250.00 for a continuing offence. Despite the significant fines and threat of a prison sentence it is likely that compliance with the law

by landlords in this regard has been less than universal to date. With the introduction of the change to the tax deductibility of mortgage interest being contingent upon this registration, there is no doubt that compliance levels will rise immediately. The change to the tax laws means that any mortgage or loan interest accrued since the 1st January 2006 will only be allowable as a tax deduction provided the correct registration has been made.

Fergal McManus, Solicitor and Professional Tax Advisor.

Email: fmcmanus@morganmcmanus.ie

3. UK BUDGET 2006 - FURTHER NEWS ON REITS



Brian Morgan, Solicitor advises on further developments with REITS subsequent to the UK Budget

In our last issue we covered the fact that Gordon Brown had retracted the ability to invest your residential property in your SIPP but forecasted that this would probably lead to further investment in residential property through the use of REITS.

In the budget Gordon Brown announced more flexible terms for the implementation of REITS (*Real Estate Investment Trusts*). REITs will be introduced in January 2007. There will be many good reasons for property companies to change into a REIT structure, such as the fact that the gearing or borrowing a property company will be allowed to undertake has been effectively doubled. Furthermore, the charge for a company wanting to become a REIT will be 2% of the gross market value of its investment properties and will not be based on Capital Gains Tax as previously thought.

What will this mean for Individual investors?

Effectively REITs are firms that are allowed to trade property assets within their portfolio without paying corporation tax. The benefit to investors is that they allow people with modest means to invest in a diversified property portfolio indirectly. Instead of buying houses or commercial premises the individual investor will buy units of REITs. He can then trade them without worrying about the management or hassle of maintaining or selling a property. In simple terms, the individual buys into property without owning the actual bricks and mortar.

Tax advantages

There are tax advantages too. Investors will not pay tax on rental income in the way they would if they directly owned and rented out a property, or capital gains tax when properties are sold. Instead, they will pay tax on dividend income paid on shares and CGT on the trust itself.

What does this mean for the UK property market?

While not likely to provide the capital growth that residential SIPP might have provided, any legislative measure which provides tax relief on property purchase, as the Irish experience has shown, must add to capital growth in the property market in the long term. Taking into account the reduction in interest rates in the UK some months ago and the fact that property prices appear now to be on the up in England, this looks like a good time to be investing in the English property market.

Brian Morgan

Email: bmorgan@morganmcmanus.ie

4. UK HOMES INFORMATION PACKS - A DEVELOPMENT FOR THE GOOD BUT AT THE VENDOR'S COST.



Brian Morgan, Solicitor advises that while Home Information packs will ultimately streamline the property selling process for the good it will be at cost to the Vendor. If you are considering selling maybe you should do so now.

Home Information Packs, which are being introduced by the UK Government to reform the home buying and selling process and will become mandatory from 1 June 2007. Currently, one million pounds a day is wasted on failed transactions as buyers often spend hundreds of pounds on valuations, legal advice and searches on transactions that ultimately break down. By providing key information at the beginning of the process, it is believed that Home Information Packs will prevent waste and significantly cut the number of sales that fall through. The Packs are expected to cost around £600 +VAT for the average home. Most of those costs are currently paid by the buyer.

It is believed that the system will provide transaction improvements by reducing the abortive costs to consumers and the industry as well as reducing the number of failed transactions caused by survey or valuation inspection finding. Included in this is the Home Condition Report, which is expected to be cost around £300, for an average home, plus VAT. The content of the pack includes searches and other information which is currently paid for by the buyer, If several buyers pursue the same home, then currently these costs are paid for several times rather than just once with the Home Information Pack.

Home Inspectors/Certification Scheme:

Only inspectors qualifying under a certification scheme approved by the Secretary of State will be able to prepare home condition reports. The scheme will be responsible for monitoring and auditing inspectors' work. This will be robust to ensure that standards are maintained.

If inspectors fail to maintain the correct standard or act in a way that is partial to one party contrary to the rules of the scheme, their certification will be removed, along with that their ability to produce HCRs.

Home Condition Report:

The Home Condition Report will be an objective report on the condition of the property that buyers, sellers and lenders will have a legal right to rely on. Home Inspectors will have to have suitable insurance that will be backed up by insurance of last resort provided by the certification scheme.

Selling in the future?

If you are thinking of selling your property maybe now is the time to start bearing in mind the above extra cost and bureaucracy which will arise next year.

Brian Morgan

Email: bmorgan@morganmcmamus.ie



MORGAN MCMANUS SOLICITORS

OFFICES AT

ENNISKILLEN

12 PAGET LANE,
ENNISKILLEN,
COUNTY FERMANAGH. BT74 7HT
TELEPHONE 028 6632 0102
FACSIMILE 028 6632 2232

CLONES

LAW CHAMBERS,
THE DIAMOND,
CLONES,
COUNTY MONAGHAN
TELEPHONE 047 51011
FROM NORTHERN IRELAND - 00353 47 51011
FACSIMILE 047 51679
FROM NORTHERN IRELAND - 00353 47 51679

MORGAN MCMANUS



NEWTOWNBUTLER

THURSDAY EVENINGS - BY APPOINTMENT ONLY

MAIN STREET,
NEWTOWNBUTLER,
COUNTY FERMANAGH. BT92 6JT

EMAIL US

NORTHERN IRELAND LAW@MORGANMCMANUS.CO.UK
REPUBLIC OF IRELAND LAW@MORGANMCMANUS.IE

IF YOU ARE INVESTING IN PROPERTY IN NORTHERN IRELAND, THE REPUBLIC OF IRELAND OR ENGLAND/WALES AND WANT TO KEPT INFORMED OF LEGAL DEVELOPMENTS, SUBSCRIBE TO OUR FREE IRISH/UK PROPERTY BULLETIN BY VISITING OUR WEBSITE AT www.morganmcmamus.com