

Town Renewal Scheme – A Last Chance!

Fergal McManus, Partner in Morgan McManus Solicitors warns that time is running out on Tax Reliefs available.

It is probably generally accepted that the take-up under the Town Renewal Scheme has not been as good as was expected. Similar schemes had been a huge success in regenerating inner city Dublin and the Docklands. One initial misconception was that the Scheme would provide for grants to refurbish buildings. This was never the case. The intention of the scheme was to offer tax breaks to property owners who either built new properties or converted or refurbished old properties in designated areas. In effect, the property owner or developer is obliged to risk his or her own money by spending it on building, converting or refurbishing a building. The property owner's "commercial risk" is reduced by the fact that he or she will pay less tax. In other cases, the person to whom the completed property is sold can avail of the tax breaks and, as such, the seller can demand a higher sale price.

Local Assistance

In the Counties of Cavan and Monaghan, certain properties in the following towns were designated for Tax Relief: Cavan, Cootehill, Ballyjamesduff, Bailieboro, Clones, Castleblaney and Ballybay. Each Local Authority has been proactive in promoting the Scheme and I understand that each town has a liaison person who will assist interested parties.

Changes to the Scheme

Since the Scheme was announced in 2000, there have been three significant changes.

- The first of these is to extend Tax Relief to landlords of newly erected residential property (this is commonly known as s.23 Relief). Under the original Scheme, s.23 type Relief was only available to refurbished residential accommodation, as opposed to newly erected houses or apartments. This distinction is now gone and Relief is available for both new and refurbished residential accommodation.
- The second change in Budget 2002 was to extend the deadline for availing of the Tax Relief until 31st December 2004. In effect only development costs incurred prior to that date would qualify for Tax Relief.
- Last December, in Budget 2003 the Minister announced that the completion deadline had been extended one last time – until 31st July 2006. It should be noted, however that a precondition of availing of this time extension is that a valid application for planning permission for the

project must be **submitted** to the Local Authority by 31st December 2004. At the time of the announcement it was widely believed that the Planning Permission for the project must have been granted by 31st December 2004. This widespread belief is wrong. The legislation is quite clear on the point and to avail of the time extension, the valid application for Planning merely needs to be **submitted** by the 31st December 2004.

All of these changes were designed to encourage better take up under the Scheme.

Type of Tax Reliefs

A designated property will not qualify for all the possible Tax Reliefs – it will depend ultimately on the specific designation the building received under the Town Renewal Plan. Broadly speaking, Tax Relief is available under the Scheme for new-build, refurbishment or conversion of residential, commercial and industrial property. The actual type of Tax Relief will depend on the type of development it is proposed to carry out. Property owners should seek specific advice from their solicitor, accountant or Local Authority in this regard.

The end of property tax shelters

It is the policy of the present Minister of Finance to phase out all property based tax incentives - not just the Town Renewal Scheme. Practically all of these tax shelters will end on 31st July 2006 i.e. 30 months from now. Many experts anticipate that there will be huge demand for such tax shelters as that deadline approaches because a similar opportunity may never arise again for property owners and investors. Many property owners may look back with regret at not taking advantage of the Scheme when they had the chance. For example, if you have a site in any town which carries designation for the building of residential accommodation and you go ahead and build a small number of houses or apartments, then there is every prospect that investors looking for tax shelters will be interested in the property if there is any sort of reasonable rental market. Very often, the Tax Relief available to an apartment purchaser will be just as critical as the location or the price of the property. **An opportunity exists for property owners with initiative to capitalise on this likely demand.**

Time is running out

Time is running out. Say for instance, a property owner has designation to convert a mews building into two townhouses. Firstly the owner must retain an Architect or Engineer who must inspect the site and prepare plans and specifications usually in consultation with the Planning Office, and then a valid Planning Application in accordance with statutory requirements must be submitted to the Local Authority by the 31st December 2001. Assuming the application is successful, then the property owner must seek the various

consents from the Local Authority and Department of Environment required for the Tax Relief, find a building contractor and actually convert the property all before 31st July 2006. **All of this is achievable if the property owner begins now.**

Use the Scheme or sell the property?

This Scheme is likely to be a “never repeated offer”. If you have designation for a building and you do not have the necessary resources to take advantage of the Scheme then you should seriously think about selling the property. Property prices are at record levels and, with the benefit of the tax designation, it should achieve an even better price. It will ultimately be for the benefit of the entire community if full advantage of the Scheme is taken because the fundamental objective is to aid the renewal of towns. A property owner who cannot maximise the benefits under the Scheme should definitely consider taking his profit now by selling on to somebody with the ability to develop the property and take advantage of the Scheme. **In another 11 months time, a property carrying tax designation but without the benefit of planning permission will get no premium on the usual market price.** This is because it will be impossible for any purchaser to take advantage of the Tax Reliefs.

Time is running out and you should urgently contact your Solicitor, Accountant or Local Authority to assess how you can take advantage of the Scheme.

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