

I live in the Republic of Ireland, what Taxes will I have to pay on Northern Ireland Residential Investment Property?

STAMP DUTY

When one is acquiring property the first tax one will come across is stamp duty. Stamp duty rates in the Northern Ireland are by and large lower than those in the Republic of Ireland. The following table shows the stamp duty rates that apply on the purchase price.

Purchase price of a residential property	Rate of Stamp Duty land tax % of total purchase price.
£125,000 or less*	0%
£125,001 to £250,000	1%
£250,001 to £500,000	3%
£500,001 or more	4%

*£175,000 for transactions with an effective date on or after 3rd September 2008 and before 1st January 2010.

There is a relief known as Disadvantaged Area Relief which provides for relief from stamp duty for certain designated disadvantaged areas. Large areas of cities and towns throughout Northern Ireland are designated in this way and if you want to know whether your property qualifies for this special treatment then there is a mechanism on the Revenue and Customs Website to put in the postal code and it will then give you a response. This is important Relief as there are many investment opportunities that are less than £150,000 and as such it may well be the case that there will be no stamp duty liability. The **Rates for Disadvantaged** areas are as follows:

Purchase price of a residential property in disadvantaged area	Rate of Stamp Duty land tax % of total purchase price.
£150,000 or less*	0%
£150,001 to £250,000	1%
£250,001 to £500,000	3%
£500,001 or more	4%

*£175,000 for transactions with an effective date on or after 3rd September 2008 and before 1st January 2010.

INCOME TAX

A Republic of Ireland resident landlord will be obliged to file tax returns in Northern Ireland every year and pay any tax due on his property there. You are obliged to file a tax return for Northern Ireland, disclose the rental income and pay the tax liability – any tax already remitted to the Inland Revenue by your tenant or Letting Agent is set against the liability and you pay the balance or you may be due a refund.

Thereafter the rental income must also be disclosed to the Revenue Commissioners in the Republic of Ireland and tax is calculated in the Republic of Ireland as if that rental income arose in the Republic of Ireland. The tax already paid in Northern Ireland/UK is allowed as a credit against the Irish tax liability.

Under the Irish UK Double Taxation Agreement you do not pay tax twice but you do end up paying tax at the rate which is highest between Ireland and England. One important point to realise is that Mortgage interests or loan interests obtained in connection with acquiring the property is tax deductible and a particular importance is the fact that it is not a requirement that the money borrowed be borrowed in Northern Ireland/UK. Therefore interest paid to a Republic of Ireland Bank is off settable against the rental income under a Northern Ireland/UK tax return and a Republic of Ireland tax return.

CAPITAL GAINS TAX

Basically Capital Gains tax arises when contracts to sell the property. By and large the capital gains tax rates in Northern Ireland/UK are significantly higher than the Republic of Ireland particularly if the property is only held for a short period or for a small number of years and can be as high as 50%.

Somewhat interestingly, if an Republic of Ireland Tax Resident sells his property in Northern Ireland or elsewhere in the UK, under the Irish UK Double Taxation Agreement, he only pay capital gains tax in the Republic of Ireland where the rate is only 25%. A Republic of Ireland Tax Resident does not have to pay Capital Gains Tax in the UK. This is a huge tax advantage to a Republic of Ireland Tax Resident over his counterparts across the border and the Irish sea.

Summary

Property in Northern Ireland and other parts of the UK offer a number of distinct tax advantages from the viewpoint of a Republic of Ireland Investor;

1. Low stamp duty tax regime.
2. A low capital gains tax regime for Republic of Ireland Investors (i.e. the Republic of Ireland 20% Capital Gains Tax regime).
3. There is a Double Taxation Agreement which means that you will not pay tax on the double.

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