

Repayment of appropriate tax to first time purchasers section 266A TCA 1997

Part 08-04-10

This document should be read in conjunction with section 266A of the
Taxes Consolidation Act 1997

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Executive summary/Introduction

Finance Act 2014 inserted a new section, section 266A TCA 1997. This section provides for the repayment of Deposit Interest Retention Tax (DIRT) on certain savings held by a qualifying first-time purchaser.

First-time purchasers of a house or apartment will be eligible to make a claim to the Revenue Commissioners for a refund of the DIRT paid on the interest earned on their savings.

The relief applies to first-time purchasers where the property is purchased or self-built.

Under section 266A 2(b), DIRT will only be refunded where the DIRT would not otherwise fall to be repaid under any other provision of the Tax Acts, for example a claim being made under the Help to Buy (HTB) Incentive [Section (9)(3) Finance Act 2016 refers] or by virtue of age or disability.

Section 266A has effect on, and from, 14 October 2014 to 31 December 2017 inclusive.

1. Qualifying conditions

1.1. Eligible first-time purchaser

The first-time purchaser at the time of a relevant purchase or completion must not have either individually or jointly with any other person, previously purchased or built a house or apartment.

A first-time purchaser buying jointly with another person cannot avail of the DIRT refund unless the other person is also a first-time purchaser.

1.2. Date of purchase

The repayment of DIRT will only be made to eligible first-time purchasers on the conclusion of the conveyance or transfer of the property into the name of the first-time purchaser during the period from 14 October 2014 to 31 December 2017, inclusive.

1.3. Date of completion

For a newly built house to qualify under this section its construction must be completed between 14 October 2014 and 31 December 2017 inclusive, to a standard where it is suitable for immediate occupation as the first-time purchasers' place of residence.

1.4. Place of residence

The house or apartment purchased or self built must be for use as the first-time purchasers' place of residence. Properties acquired for investment purposes are not eligible for DIRT refunds.

1.5. Relevant savings

Where the property is purchased, relief is confined to DIRT deducted from interest received on savings, up to a maximum of 20% of the purchase price of the house or apartment, held at any time in the 48 months prior to the purchase date.

When the property is self-built, relief is confined to DIRT deducted from interest received on deposit, up to a maximum of 20% of the completion value of the house, held at any time in the 48 months prior to the completion date. While the completion value will be self-assessed, it may be subject to audit in the normal course by the Revenue Commissioners.

Savings include the aggregate amount of any relevant deposits held in the name of a first-time purchaser, individually or jointly with another first-time purchaser. Savings could be held in multiple Bank, Building Society or Credit Union accounts. The first-time purchaser will need to obtain evidence of the DIRT deducted from their financial institution.

2. Claiming the relief

2.1. How to make a claim

To make a claim, the property must be registered for Local Property Tax (LPT). Once registered, the taxpayer can [log in](#) to the LPT system and enter their **PPSN/Tax Reference Number, Property ID and Secure LPT PIN**.

Once in the LPT system, clicking on the **Claim DIRT F.T.B. Refund** button will display a claim form enabling the taxpayer to enter the required information and submit their claim.

2.2. Required information

The following information is needed to make a claim:

- Amount of DIRT to be refunded
- Purchase price or completion value for self-build
- Purchase date or completion date
- Email address
- Bank account details to which the refund is to be paid (if bank account details are already on file they will be displayed and can be amended if necessary)
- Evidence of DIRT deducted (that is, bank statements or interest certificates)

3. Duration of the scheme

Section 266A has effect on and from 14 October 2014 and will be in place up to and including 31 December 2017.

In relation to a house purchase the conclusion of the conveyance or transfer of the property into the name of the first-time purchaser must be completed during this time period.

In relation to a self built house its construction must be completed between 14 October 2014 and 31 December 2017. It must also be built on property conveyed or transferred into the name of the first-time purchasers on or before 31 December 2017. This allows for the building of a house on land which was already owned by the first-time purchaser.

4. Examples

Figures used in the below examples are for illustrative purposes only.

The amount of DIRT suffered will be supplied by the first-time purchasers' financial institution and will depend on the timings of the savings made, interest rates, prevailing DIRT rate etc.

Example 1

Mary, a first-time buyer, buys a house on 31 October 2014 for €200,000.

Relief is confined to DIRT paid on savings up to a maximum of 20% of the purchase price which is €40,000 (€200,000 @ 20%).

In the 48 months prior to the purchase date (i.e. 1 November 2010 to 31 October 2014) Mary:

- Saved €30,000,
- Earned interest of €455 prior to DIRT being deducted,
- Paid €155 DIRT on the interest,
- Relief due of €155.

Therefore, as the savings are under the maximum of 20% of the purchase price Mary is entitled a full refund of DIRT, in this case €155.

Example 2

Joint first-time buyers John and Louise complete the construction of their newly built home on 31 January 2015 and it is suitable for immediate occupation.

The house is valued at €300,000. Relief is confined to DIRT paid on savings up to a maximum of 20% of the completion value of the house which is €60,000 (€300,000 @ 20%).

In the 48 months prior to the purchase date (i.e. 1 February 2011 to 31 January 2015) John and Louise held the following on deposit;

John:

- Saved €30,000
- Earned interest of €420 prior to DIRT being deducted
- Paid €143 DIRT on the interest

Louise:

- Saved €35,000
- Earned interest of €490 prior to DIRT being deducted
- Paid €167 DIRT on the interest

In this case the savings are over the maximum of 20 % of the completion value. The joint first-time buyers are not entitled to a refund of all DIRT paid, but only on the DIRT on the maximum savings allowable.

The following formula can be used to determine the relief for each first-time buyer:

Max Relief x DIRT Paid on interest
Savings

$$\text{John: } \frac{€60,000}{€65,000} \times €143 = €132.00. \quad \left| \quad \text{Louise: } \frac{€60,000}{€65,000} \times €167 = €154.15.$$

Example 3

As the financial statements will relate to full calendar years, if the purchase or completion date is during the calendar year, there will be part of a year at the start and end of the 48 month period where you will need to do a pro-rata calculation. The calendar years in-between will be full years and the full DIRT figure can be taken from the interest cert or bank statement.

The following formula and example should help you with calculating the DIRT relief due each year:

DIRT Paid on interest / 12 (months) x (months applicable for that year)

Example:

David, a first-time buyer, buys an apartment on his own on 31 January 2017.

Example of relief due for each year						
Year	Annual Statement	Period of Statement	Months Applicable	Periods Applicable	DIRT Paid	DIRT Available for Refund
Year 5	2017	1/1/2017 to 31/12/2017	1	1/1/2017 to 31/1/2017	€144	€12
Year 4	2016	1/1/2016 to 31/12/2016	12	1/1/2016 to 31/1/2016	€128	€128
Year 3	2015	1/1/2015 to 31/12/2015	12	1/1/2015 to 31/1/2015	€110	€110
Year 2	2014	1/1/2014 to 31/12/2014	12	1/1/2014 to 31/1/2014	€98	€98
Year 1	2013	1/1/2013 to 31/12/2013	11	1/2/2013 to 31/1/2013	€84	€77

The total amount of DIRT Refundable to David is €425

5. Compliance

Control systems are in place to ensure that the total of the relevant amount of DIRT is refunded only once for each house purchase or house completion.

The first-time purchasers will declare that the amount of the DIRT refund sought is correct and statements of the amounts of DIRT deducted from their interest will be obtained from their financial institutions and supplied with their claim.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

6. Revenue contacts

Enquiries can be submitted online on www.revenue.ie through the LPT 'Your Enquiries' mechanism which is available on the taxpayer's individual LPT details page.