

‘Rent-to-buy’ and similar schemes

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'Rent-to-buy' and similar schemes are devised by builders/developers to provide an incentive to purchase a property by giving prospective purchasers the opportunity to live in the property for a trial period before deciding whether to purchase it, and in some cases by discounting the purchase price of the property.

The most common arrangement is for the potential purchaser to occupy the property under a letting agreement. Where the person decides within a pre-agreed period to purchase the property, the purchase price is reduced by some or all of the rent that has already been paid. The purchase price may be further discounted to reward early purchase. Usually, any rent that has already been paid is not refunded if the person decides not to purchase, which may provide an additional incentive to purchase the property.

There are several variations on this type of 'rent-to-buy' scheme. For example, the prospective purchaser may occupy the property under a caretaker's agreement and instead of paying rent, pay a deposit towards the purchase price of the property. Alternatively, the prospective purchaser may pay an option to purchase the property at a pre-agreed price within a pre-agreed timeframe. Such deposits and option payments may be paid up-front or by instalments over the pre-agreed period.

Because of the variations in the types of arrangements used, each case is ultimately to be decided on its facts and circumstances. Tax and Duty Manual [Part 22-01-03](#) outlines some of the tax consequences that are likely to result from three different types of arrangements from the perspective of both vendor and purchaser. The types of arrangements and tax consequences outlined are intended as general guidance and are not to be taken as being definitive or exhaustive.

The VAT treatment of 'rent-to-buy' schemes is outlined in the [Rent to Buy Scheme](#) area of the Revenue website and in Tax and Duty Manual [VAT Rent to Buy Scheme](#). The VAT treatment is not relevant in determining the treatment under other tax heads.