bhsm

Ireland’s Vacant Homes Tax and Property Law

By Rachel Nangle, Solicitor, BHSM LLP

In an effort to combat the escalating demand for housing, and ensure efficient use of available housing stock, Ireland has recently implemented a Vacant Homes Tax (“**VHT**”). It is intended that revenue generated will be reinvested into housing initiatives including the construction of affordable housing units and support for homelessness prevention programmes while also encouraging the reintegration of unoccupied residential properties into the housing market.

Background

VHT applies to non-principal private residences which form residential properties that are occupied for less than 30 days in a 12 month period. VHT was introduced under the 2022 Budget and the first payment of the tax fell due on 1 January 2024.

VHT vs LPT

Local Property Tax (“**LPT**”) and VHT are both taxes due on a property however, VHT does not relate to title and its payment status will not affect the sale of a property, i.e. non-payment of VHT has no legal impact on the disposal of a property but rather, attaches to the registered owner themselves.

LPT on the other hand, forms a charge on the property and must be discharged in full prior to proceeding to the completion of a sale.

Key Components of the Vacant Homes Tax

Tax Rates and Criteria

VHT applies to residential properties that remain unoccupied for an extended period.

Property owners will be subject to a graduated tax rate determined by the duration of vacancy.

The tax is intended to target long-term vacant properties rather than those temporarily unoccupied due to legitimate reasons such as renovation or the owner's absence for work or personal reasons.

Relationship between LPT and VHT

VHT is an annual self-assessed tax and property owners will be required to register their properties and declare their occupancy status, with penalties established for non-compliance.

If the property qualifies for any of the exemptions from LPT, it will not be liable for VHT. Some exemptions include:

- Was the property liable for LPT for the relevant period?
- If so, was the property "*in use as a dwelling*" for less than 30 days in the relevant period?
- If the property was liable for LPT and was not "*in use as a dwelling*" for more than 30 days, is the property eligible for an exemption from VHT?
- If the property was liable for LPT and not "*in use as a dwelling*" for the relevant period, a VHT return must be submitted, and payment arrangements confirmed to Revenue.

Requirements and Exemptions

There are a number of exemptions specific to VHT. Each exemption has its own qualifying conditions (including where a property was in use for less than 30 days in the chargeable period). Some examples include:

- sold in the chargeable period or actively marketed for sale on the open market at market value with no conditions attaching designed to delay or disrupt a sale.

- subject to a qualifying tenancy or the property was actively marketed for rent market value with no conditions attaching designed to delay or disrupt the negotiation of a tenancy.

- the death of the owner of the property occurred within the chargeable period who occupied the property as their main residence prior to death and/or where a grant of representation issued in the estate of the former owner in the chargeable period.

- the property was vacant due to a physical or mental infirmity suffered by the owner and the infirmity in question has been certified by a medical practitioner.

In order to prove that a dwelling was not liable for the VHT in any particular period, an owner may be required to produce evidence such as a utility bill, evidence of a short term letting if the property was tenanted, or a statutory declaration confirming the property was "*in use as a dwelling*" for more than 30 days in the relevant period.

VHT Charges & Penalties

Following the 2024 Budget VHT is charged annually with a rate for the initial chargeable period at five (5) times the LPT base rate on the value of the property.

Penalties for failure to comply with VHT obligations will include surcharges and interest on late payments.

Conclusion

The introduction of the VHT marks an additional step toward addressing the country's housing crisis. By motivating property owners to actively participate in resolving the shortage, the government aims to create a more balanced and sustainable housing market however, the long term impact of the VHT has yet to be seen.

How we can help

If you have any queries or concerns, or would like to discuss the above in further detail, please feel free to contact Rachel Nangle in our Commercial Real Estate Department (rnangle@bhsm.ie / +353 (0)1 440 8342).

This article is for general information purposes. Legal advice must be obtained for individual circumstances. Whilst every effort has been made to ensure the accuracy of this article, no liability is accepted by the author for any inaccuracies.