

Getting the VAT back when buying new homes to let

Purchasing new property for letting is becoming a less risky investment thanks to the VAT refunds that investors are receiving with professional advice from LowEQ Financial Consultants

LowEQ Financial Consultants offer you a cash-flow incentive scheme that takes the heat out of the price you pay up-front, by way of a substantial cash refund to the tune of almost 12% of the purchase price.

For example, on a new home costing €300,000 you receive €35,683 back from the Revenue directly to your bank account (as a VAT refund). On top of this substantial sum you also receive in the region of €2,500 (depending on the amount spent) by way of a 21% VAT refund on your legal fees and fit-out costs. LowEQ specialize in achieving VAT refunds on new residential properties in Ireland so that investors can enter the property market at a very low cost to themselves.

How come? Since the late 80's, thanks to an initiative of Alan Dukes, the then Minister for Finance, VAT has been charged on all new homes in the Republic of Ireland, though not advertised. The VAT rate at present is 13.5% and it is included in the price you see quoted on the property when you go to buy it.

As a consequence, your equity requirements when purchasing the property can be considerably reduced by providing access to the VAT charged by the builder / developer and being able to recover the VAT on fit-out, legal and professional fees, etc.

WHAT ARE THE BENEFITS TO YOU AS THE INVESTOR?

- Your cash-flow requirements for the investment are reduced substantially.
- You achieve interest and tax savings of €35,000 (est.) on a €300,000 property.
- You end up paying less stamp duty by buying new versus secondhand, €1,784 less in fact on €300,000 unit. It is remarkable how often investors end up paying too much duty. Not unusually stamp duty is calculated on the pre-VAT value of a new home and not on the purchase price. Remember the old adage: **"You can't tax a tax"**.

There are additional capital allowances on each property available, which could be worth as much as €5,000 for each property (net into your pocket).

"My mortgage broker told me that it couldn't be done. He didn't believe me until I showed him my bank statement with the lodgment from the Revenue Commissioners for €38,300".

(Daniel Desmond, Sales Manager and private investor)

WHAT ARE THE CRITERIA TO QUALIFY FOR THIS SCHEME?

- The house/apartment being purchased must be new.
- You must register for the scheme before the sale is closed on the property that you are buying.
- The property must be bought in the Irish Republic.



Fergal O'Gara M.D. of LowEq Financial Consultants is kept busy these days securing lumpsum VAT refunds for investors in the new homes market.

HOW DO YOU GO ABOUT IT?

Once you have decided on a property (which usually means that you have at least put down a booking deposit on it) you can then use LowEq to register for the scheme. They then guide you through the completion of the claim, so you may make the reclaim at the earliest convenience. The reclaim is made by LowEq on your behalf, and it is followed up until the refund is lodged into your bank account.

"My sister and I managed to buy an investment property between us. Thanks to the refund that Fergal at LowEq organised for us, our total combined outlay from personal funds came to less than €5,000, and we are now in the property letting business!"

(Mary Brennan, private investor)

This scheme offers immediate access to a substantial sum from the Revenue Commissioners, repayable to them over the medium to long term (10-15 years) as the rent is received. The 'loan' is absolutely interest-free. The investor makes considerable interest and tax savings that add up to almost the same amount as the original 'loan' refund. This is not a tax incentive scheme and as a result you get to pick the location and the properties are not overpriced, like many tax incentive properties. It is as if the investor had received an 'almost free' loan to help buy a new home to let something unheard-of anywhere else in the marketplace.

'It gives me great satisfaction personally', says Fergal O'Gara, LowEq's managing director, 'to witness the joy and peace of mind on the faces of the many investors we have helped to secure these lump-sum refunds. The investors are taking some of the risk out of their investment decision and exchanging it for a sense of security.'

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