

Tax Incentives

Capital Allowances are available in respect of the qualifying construction cost. The rate of **allowance** available is 15% per annum for 6 years and 10% in year 7. These **capital allowances** are available firstly for offset against rental profit from the residential units and then against total Irish source rental income. A maximum of €31,750 per annum can be offset against non Case V income (non rental income).

Capital Allowances are also available in respect of expenditure incurred on furnishing the residential units at a rate of 12.5% per annum for 8 years. These allowances are available for offset against Irish source rental income. The **capital allowances** will be available for offset for the tax year in which the home is leased. If the **capital allowances** exceed total income in any year, the excess can be carried forward for offset against future Irish rental income only.

Qualifying Conditions and Investment Structure

There will be a management company in place to ensure that the village is operated so that the **capital allowances** are available.

All owners of residential units will be members of this management company. Individuals will enter into a fifteen year lease with the operating company to lease their residential units.

The marketing and letting of the homes will be undertaken by the operating company. It will be responsible for the management of the residential units and the provision of services to the occupants in return for a rent. The tax life of the homes is fifteen years and allowances will be clawed back if the retirement home is sold or ceases to be used as a residential unit within fifteen years.

Exit Mechanism

At the end of the fifteen year period, the purchaser will have the option of selling the property, continuing to let the residential unit to the operating company, let it privately to an elderly or infirm person or occupy it themselves.

TAX ON DISPOSAL OF THE RETIREMENT HOME

Capital Gains Tax may be payable on any gain arising on the disposal of the residential unit if the sales proceeds exceeds the purchase price.

GUARANTEED RENT

A guaranteed rent will be offered to owners of the residential unit.

MANAGEMENT CHARGE

The guaranteed rent will be net of the management charges.

INVESTMENT PROPOSAL

	TYPE A	TYPE B	TYPE C
Building	345,000	375,000	355,000
Fixture & Fitting	10,000	10,000	10,000

Total Cost (incl.VAT)	355,000	385,000	365,000
Saving on capital allowances	152,191	165,025	156,469
Net Cost after allowances	202,809	219,975	208,531

STAMP DUTY

Stamp Duty is payable on the VAT exclusive cost of the retirement unit excluding fit out.

TAX RELIEF INDIVIDUALS

Based on current projected costings, the following capital allowances will be available. These projections have assumed 93% of cost to be allowable but the final allowances may potentially be in excess of 93%.

TYPE A UNIT - Cost €355,000 (including fit out)

Capital Allowances	%	Building Allowances (€)	%	Fit out Allowances (€)	Total (€)
Year 1	15	48,128	12.5	1,250	49,378
Year 2	15	48,128	12.5	1,250	49,378
Year 3	15	48,128	12.5	1,250	49,378
Year 4	15	48,128	12.5	1,250	49,378
Year 5	15	48,128	12.5	1,250	49,378
Year 6	15	48,128	12.5	1,250	49,378
Year 7	10	32,085	12.5	1,250	33,335
Year 8	-	-	12.5	1,250	1,250
TOTAL		320,850		10,000	330,850
Total Saving at 46% (inc 5% PRSI & levies)		147,591		4,600	152,191

TYPE B UNIT - Cost €385,000 (including fit out)

Capital Allowances	%	Building Allowances (€)	%	Fit out Allowances (€)	Total (€)
Year 1	15	52,313	12.5	1,250	53,563
Year 2	15	52,313	12.5	1,250	53,563
Year 3	15	52,313	12.5	1,250	53,563
Year 4	15	52,313	12.5	1,250	53,563
Year 5	15	52,313	12.5	1,250	53,563
Year 6	15	52,313	12.5	1,250	53,563

Year 7	10	34,875	12.5	1,250	36,125
Year 8	-	-	12.5	1,250	1,250
TOTAL		348,750		10,000	358,750
Total Saving at 46% (inc 5% PRSI & levies)		160,425		4,600	165,025

TYPE C UNIT - Cost €365,000 (including fit out)

Capital Allowances	%	Building Allowances (€)	%	Fit out Allowances (€)	Total (€)
Year 1	15	49,523	12.5	1,250	50,773
Year 2	15	49,523	12.5	1,250	50,773
Year 3	15	49,523	12.5	1,250	50,773
Year 4	15	49,523	12.5	1,250	50,773
Year 5	15	49,523	12.5	1,250	50,773
Year 6	15	49,523	12.5	1,250	50,773
Year 7	10	33,015	12.5	1,250	34,265
Year 8	-	-	12.5	1,250	1,250
TOTAL		330,150		10,000	340,150
Total Saving at 46% (inc 5% PRSI & levies)		151,869		4,600	156,469

- Qualifying percentage is expected to be 93% based on figures available to date.
- Tax saving at 46% will be available to self-employed individuals, certain Company Directors and 50% plus Directors.
- Tax saving will be at 41% for all other individuals.