



The Conveyancing Committee has been requested to publish to the profession the following practice note by the Revenue Commissioners

‘Residential property tax: certificate of clearance

Practitioners are no doubt aware that residential property tax has been abolished with effect from 5 April 1997. However, the existing tax clearance arrangements in the case of sales of houses above a specified value threshold are being maintained.

The value threshold relating to the residential property tax certificate of clearance procedure is £115,000 in 1997.

Tax clearance procedure

The new threshold, which relates exclusively to the tax clearance procedure, applies to house sale contracts executed on or after 5 April 1997. From that date, where the sale consideration for residential property exceeds £115,000, the vendor must provide the purchaser with a certificate from the Revenue Commissioners indicating that all residential property tax due for years for which the tax was in operation has been paid. Otherwise the purchaser must deduct an amount (‘specified amount’) from the purchase price and remit it to the Revenue Commissioners.

Applications

Practitioners are once again requested to make applications for residential property tax clearance certificates **immediately** a contract for sale is executed and **well in advance of the closing date**. Failure to submit an application until days before the closing of a sale will prejudice the timely issue of the clearance certificate.

It should be noted that where a certificate of clearance is not furnished by a vendor on the closing of a sale, and the sale consideration exceeds £115,000, the purchaser is obliged to deduct a ‘specified amount’ from the consideration and to pay it over to the Revenue Commissioners. The specified amount is 1.5% of the difference between the sale price and the market value exemption limit (as at the previous 5 April), multiplied by the number of years that the vendor has owned the property, up to a maximum of five years. It is **not** acceptable for a vendor to give an undertaking to a purchaser that a certificate of clearance from residential property tax will be provided **after** the sale has been closed.

A leaflet (RP5) relating to the operation of the certificate of clearance from residential property tax is available from tax offices or from the Capital Taxes Division in Dublin Castle. Assistance or information regarding the clearance certificate may be obtained by calling (01) 6792777, exts 4308, 4626 and 4628.’