



The new Special Condition 3 in the standard contract for sale has been introduced, firstly, to recognise any practice issues arising from the introduction of the reverse charge provisions in certain surrenders and assignments of leaseholds and the "Economic Value Test" introduced by the Value Added Tax Act, 1972 (as amended) and related VAT regulations (herein collectively called "the VAT Act") and, secondly, to formalise the procedures in relation to sales where the "VAT Form 4A" procedure is to be used.

For the majority of transactions Clauses 3(a) and (b) are all that may be required if Special Condition 3 is not being deleted in its entirety, as will be the case in most residential sales.

Practitioners are warned that, where a substantive VAT issue arises, careful consideration should be given to the particular circumstances of the case and if practitioners are in any doubt about the application of the relevant provisions of the VAT Act they should proceed with great care and take specialist advice where appropriate.

It is recommended that the VAT treatment of any transaction should be determined and agreed pre-contract.

Notes:

- 1 *A copy of the new Special Condition 3 has recently been circulated to every practitioner.*
- 1 *The new Special Condition 3 can also be downloaded from the Society's website www.lawsociety.ie*
- 1 *The new VAT clause will be incorporated into the contract document at the next available print run and the revised contract will thereafter be called "2001 (Revised) Edition".*
- 1 *Until then it is suggested that the three new pages be photocopied or downloaded from the website and inserted in contract documents in substitution for the old pages 3 and 4.*

UPDATE: Practitioners should have regard to the changes made by any subsequent edition of the Conditions of Sale or any subsequent practice note.

**NEW VAT CLAUSE
IN CONTRACT FOR
SALE**

**2001 (REVISED)
EDITION**

**EXPLANATORY
MEMORANDUM**

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