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## **Tax Relief at Source – Mortgage interest paid**

### **Frequently asked questions as regards Budget 2012 changes**

**Q.1 For which tax years does tax relief apply to interest paid on qualifying home loans?**

- A.** Interest paid on qualifying home loans taken out on or after 1 January 2004 and on or before 31 December 2012 will qualify for tax relief up to, and including, the 2017 tax year. Interest on home loans taken out on or after 1 January 2013 does not qualify for tax relief.

**Q.2 In respect of whom does the 30% rate of tax relief mentioned in the Budget apply?**

- A.** The 30% rate of tax relief applies to the interest paid (subject to upper thresholds – see Q.4 below) by an individual -
- (a) In the tax years 2012 to 2017 inclusive; and
  - (b) on a loan used to acquire, in the period 2004 to 2008 (both years inclusive), his or her first principal private residence and which remains, for the relevant tax year in respect of which tax relief is claimed, his or her principal private residence.

**Q.3 Do I have to make a claim to Revenue for the new 30% rate of tax relief?**

- A.** No. Revenue and your lender will make the changes. For administrative reasons this will take a period of time to complete but you will not lose out – you will get the full relief due to you in 2012.

**Q.4 Will Revenue write to me?**

Revenue does not envisage writing to customers unless there is information we need that we do not have. If so Revenue will make contact with the customer.

**Q.5 Have the upper thresholds (or ceilings) on the amount of interest paid qualifying for tax relief changed?**

- A.** No. The upper thresholds remain at -

	<b>Married / Civil partnership / Widowed</b>	<b>Unmarried / Not in civil partnership</b>
<b>First time buyers (First 7 tax years of entitlement to tax relief on interest paid)</b>	€20,000	€10,000
<b>Non-First time buyers</b>	€ 6,000	€ 3,000

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**Q.6 Apart from the new 30% rate of tax relief, what are the other rates of tax relief on interest paid on qualifying home loans?**

**A.** The other rates of tax relief are -

<b>First time buyers (First 7 tax years of entitlement to tax relief on interest paid)</b>	25% in years 1 & 2 22.5% in years 3,4 & 5 20% in years 6 & 7 15% in subsequent years
<b>Non-First time buyers</b>	15% in all years

**Q.7 We are a married couple who purchased our first principal private residence (and which is still our principal private residence) in 2004. Does the interest we will pay qualify for the new 30% rate of tax relief in 2012?**

**A.** Yes. However, as 2012 is the ninth tax year in respect of which you have claimed tax relief, the upper threshold on the amount of interest qualifying for tax relief is €6,000.

**Q.8 We are a married couple who purchased our first principal private residence (and which is still our principal private residence) in 2007. Does the interest we will pay qualify for the new 30% rate of tax relief in 2012?**

**A.** Yes. As 2012 is the sixth tax year in respect of which you have claimed tax relief, the upper threshold on interest qualifying for tax relief is €20,000. This upper threshold will drop to € 6,000 for the 2014 tax year.

**Q.9 We are a married couple who purchased our first principal private residence (and which is still our principal private residence) in 2009. Does the interest we will pay qualify for the new 30% rate of tax relief in 2012?**

**A.** No. You must have purchased your house between the years 2004 and 2008 inclusive to be eligible for the 30% rate.

**Q. 10 How does the Budget announcement in relation to TRS impact on mortgage holders?**

**A.** From 1st January 2012 the rate of mortgage interest relief for first time buyers who took out their first mortgage on their home [principal private residence] between the years 2004 to 2008 [inclusive] and are residing in that home increased to 30% until 2017. If you took out a loan outside of these dates the existing rules, rates and thresholds remain unchanged.

**Q. 11 I am currently in year 4 of my First Time Buyer ceiling how much of a percentage increase will I get?**

**A.** If 2011 is the fourth consecutive year in which you are in receipt of mortgage interest relief, then instead of getting a rate of relief in 2012 of 22.5% in 2012, due to budget changes you will be entitled to 30% an increase of 7.5%.

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**Q. 12 I am a first time buyer in the period 2004-2008 as I bought my first home in 2005 how come my ceiling is only €3,000?**

**A.** As a first time buyer, a higher ceiling applies to the first 7 years of the mortgage. In this instance, the first year of your mortgage is 2005 so that in 2012, your ceiling drops from €10,000 to 3,000. This change applied, irrespective of the most recent Budget change. Your rate of relief will however increase from 15% in 2011 to 30% in 2012.

**Q. 13 I took out a top-up in 2009 for use on my current principal private residence, which I purchased in 2005. I am a first time buyer since 2005. What rate do I get on this loan?**

**A.** You would be entitled to 30% on this top-up as the original loan for the property was taken out between 2004 and 2008 and this was your first home loan.

Example

John purchased property in 2005 and make first repayment in 2005. John took out a top-up for €50,000 in 2009. Interest paid for 2012 on original loan €12,000 top-up €3,000

John is entitled to mortgage interest relief at a rate of 30% up to his maximum ceiling of €3,000.

**Q.14 I purchased a house in 2004 and I forgot to register loan. What do I do?**

**A.** You should apply online at [www.revenue.ie](http://www.revenue.ie). Claims for previous years must also be applied for online and are subject to the statutory 4 year time limit. The Finance Act 2003 introduced a four-year time limit for claiming tax repayments from 1<sup>st</sup> January 2004.

**Q. 15 I bought my previous home in 2004 and then bought my current home in 2009 do I get an increase in mortgage interest relief arising from the Budget?**

**A.** No. The increased mortgage interest relief is specifically confined to those who bought a home in the period 2004-2008.

**Q. 16 I took out my first mortgage in 2002 and I subsequently took out a top up in 2008 for an extension to my home that I forgot to register. What relief do I get on the top up now arising from the Budget?**

**A.** The relief on the top up loan is not altered by the Budget as you took out your first mortgage in 2002. You will be entitled to the 15% rate subject to a ceiling of €3,000 as before. You should apply online at [www.revenue.ie](http://www.revenue.ie).