

# Useful Information for Buy-to-Let Investors



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### Location

Make sure to research the area you're interested in to ensure there is a demand for rented property in that area. Talk to some of the local letting agents about the amenities that should attract your target tenant. You should also get an idea of average rents in the area from the letting agents. Once you have chosen the property you wish to purchase, it is important to remember that it needs to be presented to a standard expected by a prospective tenant.

### Finances

Once you have found the right property, you will need to work through the figures to make sure the project will be profitable.

You will have your mortgage repayments, but you will also need to factor in other costs such as solicitors' fees, stamp duty, letting agency fees, landlord insurance, life cover, service charge and ground rent if the property is leasehold, fitting out the property to a rentable standard. You also need to factor in the ongoing costs of maintenance and repairs.

When working out your finances, you must also consider that they may be periods where your property may be vacant.

### Income Tax

Make sure you make your tax return every year. Rental income is liable to income tax, PRSI and Universal Social Charge (USC) but you are allowed to offset certain expenses against your income tax. The Revenue Commissioners website has a useful 'Revenue Guide to Rental Income' for more information on this visit [www.revenue.ie](http://www.revenue.ie)

You will need to register as a landlord with Revenue by completing a Form TR1. You may be able to offset allowable deductions against your rental income.

Residential property investment is a business, and like any business is liable to taxes including:

- Income tax on rental income
- Stamp duty on property purchase
- Capital Gains Tax (GCT) on disposal

## **Capital Gains Tax**

You may be liable for several kinds of tax when you own a Buy-to-Let property. It's worth taking expert advice to see how you can limit your liability. When you sell your Buy to Let property you will have to pay CGT on the profit at a rate of 33%. The chargeable gain is calculated by deducting any allowable expenditure from the amount realised on the disposal (sale).

## **Management**

Managing a property can be very time consuming so consider employing a letting agency. They can help you find tenants, collect rent and deal with routine problems. There are two main options when using a letting agent:

- 1) Let Only Service: Some landlords use an estate agent solely to find and screen tenants
- 2) Full Management Service: Some landlords use a letting agent to manage the entire process from finding tenants to the on-going management of the property.

Letting agencies typically charge 8-15% of the gross rental income.

## **Financial Management**

It is important to manage your Buy-to-Let property just like any other business. This includes keeping full records of your finances. We would recommend opening a separate bank account for your rental property income and out-goings so that you can manage your finances properly. Try and get the rent paid by standing order into this account and keep accurate up to date records of your property income and expenses including all receipts.

## **Insurance**

There are many different types of insurance policies available to landlords. The policies cover not just the buildings and contents but also the additional risks associated with letting a property, such as emergency repair assistance, landlord's liability and rental guarantee. You need to make sure your tenants understand that they are responsible for insuring their own possessions.

## **Tenancy agreements**

Make sure you have an appropriate tenancy agreement/lease in place, and that it is signed before tenant(s) move in. This will clearly set out your responsibilities and those of your tenant(s).

## **Property safety**

As a landlord you'll have a number of legal responsibilities. For example, you need to ensure that:

- Gas and electrical appliances are safe
- Furniture and furnishings meet fire regulations
- You have smoke alarms installed
- The property is in a good state of repair

## **Investment Property laws**

Landlords must comply with the terms of the Residential Tenancies Act 2004. The PRTB was established to resolve disputes between landlords and tenants and to operate a system of tenancy registration. Landlords and tenants may refer disputes to the PRTB for resolution.

## **Legal obligations of Landlords**

landlords are obliged to:

- Register with the PRTB within 30 days of commencement of the tenancy
- Provide tenants with 28 days' notice of a rent review
- Repair and maintain the premises to the standard that it was originally let at
- Give the tenants peaceful and exclusive occupation
- Provide the tenant with a contact address and telephone number
- Ensure that tenants comply with their obligations particularly with regard to anti-social behaviour
- Serve tenants with a valid Notice of Termination

## **First time landlord**

If you are a First Time Landlord you need to be aware that if the property was previously your Principal Private Residence and you are still receiving mortgage interest relief on the loan, you will need to inform the TRS section by completing Form TRS4 and your TRS will be cancelled.

You will also need to register all residential properties with the Private Residential Tenancies Board 'PRTB'. Failure to register with the PRTB not only prevents you from claiming your mortgage interest as a deductible expense and the PRTB also has its own fines for failing to register.

There are some other good sources of information such as:

Irish Property Owners Association [www.ipoa.ie](http://www.ipoa.ie)

The Private Residential Tenancies Board [www.prtb.ie](http://www.prtb.ie)

Citizens Information [www.citizensinformation.ie](http://www.citizensinformation.ie)