

## **Annex C - Mortgage Interest Relief**

Mortgage Interest relief will only be available now for the first seven tax years from the date on which a mortgage is taken out. This means that any taxpayer who has received mortgage interest relief for more than 7 tax periods will no longer be eligible for such relief from 1 May 2009. This is the stage at which home owners are no longer classified as first-time buyers for the purposes of the tax relief. Interest relief will be allowed on a pro-rata basis for the first 4 months of 2009, i.e. that portion of the relief that may already have been granted in respect of this year. This equates to a maximum relief amount for 2009 of €1,000 single/€2,000 married for those affected. These home owners, eligible for relief at 15%, may receive relief of up to €150, if single, or €300, if married or widowed subject to paying sufficient mortgage interest to avail of the relief for the first four months of 2009.

The relief will continue to be available on the interest paid for the first seven years of any new qualifying loans taken out after 1 May 2009. However, in cases where an individual has already had mortgage interest relief for a seven-year period, they will only qualify for the reduced rate of relief as was the case heretofore. The current rate for such taxpayers is 15% on a maximum interest amount of €3,000 p.a. for a single person or €6,000 p.a. for a married couple or widowed, subject to paying sufficient interest to avail of the relief. As a transitional measure, where a qualifying loan is taken out by such an individual between 1 May 2009 and 31 December 2009, only a proportionate amount of the annual relief limit will be available in 2009.

### **Example 1**

Keith took out a mortgage for a house purchase in 2001 for €200,000.

Keith would have had the benefit of tax relief on the interest paid on his mortgage for the tax periods from 2001 until 30 April 2009 at which stage he would be no longer be entitled to the relief as a result of the changes announced today, as he has already had the relief for 7 tax periods. However, he will have the benefit of tax relief on the interest paid this year up to the end of April, subject to a maximum of one third of the yearly limit on interest relief for the 2009 tax year.

### **Example 2**

John, who is married, took out a mortgage for the purchase of his family home in 2001 for €350,000. The balance outstanding on the mortgage at 1 September 2009 is €150,000 at which stage John re-mortgages for €250,000. He uses the new loan to pay off the existing mortgage of €150,000 and builds a house extension with the other €100,000.

In this scenario, John has had the benefit of tax relief on the interest paid on the original mortgage for the tax periods from 2001 until 30 April 2009 at which stage he would be no longer be entitled to the relief on that loan as a result of the changes announced today, as he has already had the tax relief for 7 tax periods on the interest paid on that loan. John will have the benefit of tax relief on the interest paid on the new 'top-up' element of €100,000 for the 7 years, 2009 – 2015 inclusive.

As regards the 2009 tax year:

- For the period 1 January to 30 April 2009, the relief is the interest paid @ 15% subject to a maximum of €2,000 @ 15%.
- For the period 1 May 2009 to 31 December 2009, the relief is the interest paid @ 15% subject to a maximum of €4,000 @ 15%.

### **Example 3**

Mary, a first-time buyer, takes out a qualifying home loan to purchase a house in 2006. She switches lender in 2010 in order to obtain a better interest rate. She remains entitled to the tax relief for the full seven-year period, i.e. 2006 – 2012 inclusive, as switching mortgage provider will not affect entitlements.