

International Property Tax - Frequently asked Questions

If I receive rental income abroad do I need to file a tax return?

If you are receiving rental income from a property you own overseas you would have a tax obligation in the foreign country where the property is located. If you are resident in Ireland or the UK you have an obligation to declare this income as 'Worldwide Income' in your annual tax return.

✚If I file an overseas tax return will I have to pay tax again on the same income at home?

If you are receiving rental income from a property you own overseas and you file a tax return in that country you should not pay tax twice on the same income provided that there is a Double Tax Treaty in operation which covers the taxation of income.

✚Do I need a Tax ID number when buying an overseas property?

In general you will need a Tax ID when purchasing a property as this will be used for all future correspondences with the tax office. Some countries make it compulsory to register for an ID number at the initial purchase stage while others allow applications after the purchase has been finalised.

✚What taxes would I have to pay on an investment property?

Each country has their own laws governing what taxes are payable, how often they have to be paid and by whom they have to be paid. The list below is a general overview of some of the taxes home owners might have to pay abroad. *They are not a list of all taxes a homeowner will have to pay.*

Initial taxes:

- Transfer Taxes
- Stamp Duty
- Local Taxes
- VAT
- Land registry fees
- Communal taxes

Ongoing Taxes:

- Income taxes
- Local taxes
- Environmental taxes
- Wealth taxes

Taxes applicable when selling the property

- CGT
- Inheritance taxes (IHT)

Where property is purchased through a company Corporate tax would also apply.

✚What is Double Taxation Agreement?

A Double Taxation Agreement (DTA) is an agreement made by two countries to offset an individual's tax liability in one country against those in another. Each DTA is different and what may be covered in one treaty may not be covered in another.

To view a full List of countries with a Double Taxation Agreement with Ireland [click here](#).

To view a full List of countries with a Double Taxation Agreement with the UK [click here](#).

➤What expenses are allowed as a deduction against my tax?

Each country will have its own rules and regulations about what is allowable as a deduction when determining taxable income. In most countries there are certain deductions allowed which will reduce the amount of income to be taxed but there are a number of countries where your rental income is taxed on the gross amount without any allowable deductions i.e. you are taxed on your full rental income.

➤When would I need to file a tax return?

The tax deadline for filing an income tax return will depend on the country where your income was received and how often you received that income. Some countries require only one tax return while others may require a monthly, bi-monthly or quarterly return to be submitted.

➤What is Notary Deed?

A Notary Deed or Title Deed is a form of contract executed by a Notary within the country where the property is purchased. The Notary Deed details who the owners of the property are and sets out the rights and obligations that effect the property. It has become compulsory in most countries for purchasers to be issued with a Notary Deed as they are needed for registering for a Tax Id number and for use when filing a tax return.

➤I have been asked to enter a reduced figure on the Notary Deed as I have been told that I will pay less tax. Is this true?

Undervaluing the property price in the Notary Deed was and in still is common practice in countries like Bulgaria and Turkey. Buyers are often told that by doing this they will pay less tax initially. While this is true there is a catch which comes after the property has been sold a gain has been made. This is best illustrated in the example below:

Property Price:	€180,000
Initial taxes due @ 4%	
Selling Price:	€250,000
CGT @ 20%	

Situation A: buyer inputs the actual price in the Notary Deed:

Purchase stage:

Notary Deed price:	€180,000
Tax due (€160,000 @ 4%:)	€ 7,200

Selling stage:

Sale Price:	€250,000
CGT is calculated on profit (€250,000 -	€ 70,000

€180,000)
CGT @ 20 % of gain: € **14,000**
NB: Total tax paid in situation A: €21,200

Situation B: buyer inputs a reduced price in the Notary Deed:

Purchase stage:

Notary Deed price: €140,000
Tax due (€160,000 @ 4%:) €5,600

Selling stage:

Sale Price: €140,000
CGT @ 20% of gain
(€250,000 - €140,000) €110,000
CGT due €22,000

NB: Total tax paid in situation B: €27,600

From the example above it is clear that while a tax saving will be made at the outset in the long-term the buyer will ultimately lose out when its time to pay tax on their capital gain.

✚ If we sign up for more than one year in advance is there a discount?

Yes, if you think that you will hold the property for a number of years and you will continue to receive rental income in the future we will offer a special discount to clients who sign up for more than one year's tax filing services.

✚ I own a property in a country where there is no income tax but live in the UK, do I still need to file a return?

Those lucky enough to own a property in a country with a 0 income tax rate are exempt from paying tax on income in that country but unfortunately, if you are tax resident in the UK you will have to declare income received outside of the State as worldwide income in your annual tax return.

✚ Are you able to obtain a tax ID number of my behalf?

We can assist you with your Tax ID application.* We complete the paperwork and submit the application on your behalf to the relevant tax office saving you valuable time and money as most countries require that you submit the application in person.

*Certain countries apply