

Tenant (Incremental) Purchase Scheme 2016

Tenant Information Handbook

Prepared by The Housing Agency
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1. What is the Tenant (Incremental) Purchase Scheme 2016?

This is a scheme that allows local authority tenants to buy their homes.

The Tenant (Incremental) Purchase Scheme 2016 was introduced under the Housing (Sale of Local Authority Houses) Regulations 2015 as amended. The rules of the scheme were updated in 2023 by the Housing (Sale of Local Authority Houses) (Amendment) Regulations 2023.

The eligibility criteria for the Tenant (Incremental) Purchase Scheme 2016 changed on the 29th January 2024. The minimum reckonable income amount has reduced from €12,500 to €11,000. The length of time you must be in receipt of social housing supports remains at 10 years. In the case of joint tenancies, only one tenant must be in receipt of social housing supports for 10 years.

2. How does the scheme work?

Under this scheme, you can apply to your local authority to buy your local authority house. If approved, you must continue to live in the house for as long as you own it.

You will get a discount on the price of the house based on your income. Your local authority will also place a charge on your house called an 'incremental purchase charge'. This charge will be equal to the discount you get on the price of your house. The charge will remain in place for 20, 25 or 30 years (depending on the discount given). Each year, the local authority will reduce the charge by 2%. At the end of the 20, 25 or 30 years, the charge will be zero as long as you follow the terms and conditions of the scheme.

You will be able to resell your house at any time if your local authority agrees. However, if you sell before the end of the 20, 25 or 30 years, you will have to pay back the value of the outstanding charge on your house to your local authority.

See sections 13 and 14 for more information about the discount and charge, and examples of how they work.

3. Can I apply?

You can apply for the scheme if you and / a joint tenant, meet the following conditions:

Time receiving Social Housing Support - the period of time you will be required to be in receipt of social housing support to be considered eligible under the scheme has been changed from 1 year to 10 years. Time spent in HAP or RAS tenancies can be counted towards the 10 years period as long as there is no break in social housing support. In the case of joint tenancies either you or the joint tenant must be in receipt of social housing support for at least 10 years before being eligible to apply.

Income – you must have an annual income of at least €11,000 (see section 11 for more details).

Anti-Social Behaviour – no-one living in your house can be engaged in anti-social behaviour (this will be checked with the Gardaí).

Arrears – you must not have been behind in your rent or local authority charges for more than 12 weeks in the past three years. If you were, you must have made a payment arrangement with your local authority and be following that arrangement.

Previous Ownership – you must not have bought a house under an earlier tenant purchase scheme.

4. Are all local authority properties included in the scheme?

No. The following types of properties are not included

- apartments, flats, maisonettes and duplexes
- houses specially designed for older people
- houses provided for people with disabilities to help them leave institutional care and live in the community
- houses that are part of a group housing scheme for Travellers
- caravans, mobile homes or other homes that can be moved
- houses in a private development transferred to the local authority by the developer, for example, Part V properties.
- houses reserved by the local authority for particular reasons

Your local authority can tell you if your type of property is included in the scheme.

5. Will my house be repaired or improved before I buy it?

No. The market value (price) of your house will reflect its existing condition. The local authority will give no guarantees as to the state of repair or structural condition of the house.

6. Who will maintain my house after I buy it?

You will. Like all homeowners, you will be responsible for maintaining and carrying out repairs on your house from the date you buy it. You will also have to get and keep adequate property insurance on your house and pay for this yourself. As the owner of the house, you will be responsible for the payment of the local property tax for your house.

7. Are there restrictions on the use of my house after I buy it?

Yes. You must:

- live in the house as your normal place of residence;
- get agreement from your local authority if you want to sell, let, sub-let or assign the house, and
- not engage in anti-social behavior or be a nuisance to your neighbours.

8. How much will I pay for my house?

The purchase price of a house is the value of the house for the purposes of calculating the applicable discount and will be calculated as the greater of:

(a) The market value of the house (which reflects its prevailing state of repair and condition) Either the local authority or a qualified valuer acting on behalf of the local authority will decide the market value.

or

(b) Half the estimated cost to the local authority of providing a replacement house to modern standards in its housing stock.

9. Can I appeal the valuation of my house?

If you do not agree with the local authority's valuation of your house, you may hire an independent valuer from a panel of valuers set up by your local authority. You must pay the cost of this independent valuation yourself.

10. Can I re-sell my house?

Yes. You can re-sell your house at any time. However, if you re-sell your house while the incremental purchase charge is in place, you will have to get the written agreement of your local authority. You will also have to pay the current value of the outstanding incremental purchase charge to your local authority. See section 14 for more details on this. Your local authority will have first option to buy back your house while the incremental purchase charge is in place.

11. How is my income calculated for the scheme?

Your local authority will calculate your gross income. This includes income from wages, salaries, and some social welfare payments.

In addition to the State Pension (Contributory and Non-Contributory) being considered as a primary source of income, the Widow's, Widower's, Surviving Civil Partner's (Contributory and Non-Contributory Pension), Blind Pension, Invalidity Pension and Disability Allowance are now also considered primary sources of income.

Certain social welfare payments are not assessable as reckonable income, such as Child Benefit, Carer's Allowance (Full or half rate), and Carer's Benefit. The full list of income disregards is available from your local authority.

12. Whose income is included?

The only income included will be that of the tenants of your house and the spouse, civil partner or other partner (cohabitant) who lives in the house with you. If joint tenants apply for the scheme, you or the joint tenant must have been in receipt of social housing support for at least 10 years.

13. What discount will I get?

Depending on your gross annual income, the discounts will vary between 40% and 60%. The discount will be given against the market value (purchase price) of your house.

Gross annual income	Discount
Between €11,000 and €20,000	60%
Between €20,001 and €29,999	50%
€30,000 or more	40%

Example:

If your local authority house is valued at €150,000 and your gross annual income is €18,000, you will get a discount of 60% against the purchase price. This means you will pay €60,000 for the house (40% of €150,000 is €60,000).

However, the local authority will place an incremental purchase charge on the house equal to the discount you get.

14. What is the incremental purchase charge?

One of the conditions of the sale is that your local authority will place an incremental purchase charge on the house equal to the value of the discount you get. This charge is sometimes informally known as the 'clawback'. If you sell the property within 5 years of purchasing your home from the local authority, you will need to pay back the full incremental purchase charge.

This charge will reduce to zero over 20, 25 or 30 years (called the 'charge period'), as long as you follow the conditions of the sale under the scheme.

You will have to pay back the value of the outstanding charge to the local authority if:

- you sell the house before the end of the charge period; or
- your incremental purchase charge is not reduced for one or more years because you did not follow the conditions of the scheme. It remains due for repayment at the end of the charge period. The period of the incremental purchase charge will depend on the discount. For example, if you get a discount of 50% based on your gross annual income (see section 13), the charge period will be 25 years.

Discount	Charge period
60%	30 years
50%	25 years
40%	20 years

Here are two examples of how the scheme works.

Example 1:
You buy your house and keep it for the full charge period

Purchase price (market value) at date of sale	€150,000
Discount	50% (based on your Income)
Purchase money (price actually paid):	€75,000
Incremental purchase charge on house:	50% of value of house
Charge period:	25 years (based on discount)

Each year, the incremental purchase charge will drop by 2% of the value of the house. After 25 years, the charge will be zero.

Example 2:
You buy your house and re-sell it after 10 years

Purchase price (market value) at date of sale:	€150,000
Discount:	50% (based on your income)
Purchase money (price actually paid):	€75,000
Incremental purchase charge on house:	50% of value of house
Charge period:	25 years (based on discount)

Resale of house after 10 years:

Market value of house on resale:	€160,000
Outstanding incremental purchase charge:	30% (50% less 20% = 30%)
Pay back to local authority to clear charge:*	€48,000 (€160,000 x 30% = €48,000)

* The original incremental purchase charge was 50% but each year it has reduced by 2%. So, over the 10 years, the charge has fallen by 20% (2% x 10 = 20%). This means you only have to pay back 30% (€48,000) of the current market value.

15. How do I finance my purchase?

You will have to pay the purchase money in full at the time the house purchase is completed. You will be responsible for raising the money to do this (for example, from savings, a mortgage loan, and so on). You must meet the local authority's requirements in relation to how you are going to pay for the house.

If you can afford it, you can buy your house without a mortgage loan as long as you meet all the eligibility criteria (see section 3). This includes having a gross annual income of at least €11,000. You must have this income so that you can maintain your house during the charge period. You will not have to pay a deposit as part of your purchase.

You may be able to apply to your local authority for a Local Authority Home Loan. See section 16 for more details. You will have to pay all your costs, including legal fees to complete the purchase of your local authority house.

16. What is a Local Authority Home Loan?

This is a mortgage loan available from your local authority. To apply for the Local Authority Home Loan, you must:

- *be aged between 18 and 70 years*
- *be in continuous employment for a minimum of two years, as the primary earner or be in continuous employment for a minimum of one year, as a secondary earner*
- *as a single applicant have an annual gross income of not more than €65,000 in counties Cork, Dublin, Galway, Kildare, Louth, Meath and Wicklow and be earning under €50,000 in all other counties*
- *as a joint applicants have an annual gross income of not more than €75,000 combined in all counties*
- *submit two years certified accounts if self-employed*
- *provide evidence of insufficient offers of finance from two regulated financial providers*
- *not be a current or previous owner of residential property in or outside the Republic of Ireland, unless you are a Fresh Start applicant*

applicants are required to declare that they are a first-time buyer. They must authorise the local authority to conduct such checks as are necessary to confirm this, such as conducting a Local Property Tax check

occupy the property as your normal place of residence

consent to an Central Credit Register check

currently have a legal right to reside and work in the State and be able to demonstrate that they are habitually resident in Ireland

eligibility is subject to submission of a complete Local Authority Home Loan application form and confirmation by your local authority

You must fill out a Local Authority Home Loan application form which you can get from your local authority and provide the support documents needed to assess your ability to borrow. Further information on the Local Authority Home Loan is available at www.localauthorityhomeloan.ie.

The application for the Local Authority Home Loan is separate from your application for the Tenant (Incremental) Purchase Scheme.

17. Is there a closing date for the scheme?

No, there is no closing date for applying to the scheme. This gives you time to examine the details of the scheme before making a decision.

18. How do I apply?

- You must fill out a Tenant (Incremental) Purchase Scheme application form which you can get from your local authority
- You must give proof of your income.
- You must show your local authority how you intend to pay for the house.
- You must give the local authority any other information it asks for about your application.

19. How will my application be processed?

This may vary slightly from one local authority to the next but, in general, your application will be processed in five stages:

Stage 1 – Income and tenancy eligibility

YYour local authority will assess your application to make sure it follows the rules about income and tenancy **(see section 3)**. It is important to give all the support documents asked for. This is to make sure your application is acceptable. Support documents include Employment Detail Summary (formerly P60), payslips, salary certificates, and so on. If your local authority asks for more information, you must supply it within four weeks. If you do not qualify for the scheme, your local authority will write and tell you.

Stage 2 – Property Valuation

A professional valuer, nominated by your local authority, will visit your house to assess its value.

Stage 3 – Letter of offer giving market value, discount, and price

Your local authority will send you a 'letter of offer', outlining:

- *the market value of the house;*
- *the discount you may get under the scheme;*
- *the price you must pay to complete the purchase; and*
- *the terms and conditions regarding the sale.*

The offer will last for a set period of time. After that, the market value, discount and purchase price you must pay may change.

Stage 4 – Accepting the offer and confirming purchase funding

If you are happy to accept the offer and go ahead with the purchase, you will have to supply evidence (such as a bank statement of savings or a letter of loan offer from your lender) to show that you have the money to complete the purchase. The legal transfer of your local authority house will start only when this stage has been completed.

Stage 5 – Completion of purchase and transfer of ownership

When you have paid the purchase price in full, the legal transfer of the house will be completed and you will become the owner. The local authority cannot transfer the property to you until all stages of the application process have been completed.

For more information about the scheme, please contact your local authority.

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