

TAX BREAK SAMPLE



MARRIED COUPLE (2 PAYE INCOMES) EARNING €110,000 - YEAR 1

Tax Payable Prior to Purchase		Tax Payable After Purchase		Overall Surplus	
Gross Salaries	<u>110,000</u>	Gross Salaries	<u>110,000</u>	Loan Interest	(14,089)
		Tax Payable	<u>23,780</u>	Less Rental Income	<u>15,000</u>
					911
		Tax Savings	12,538	Tax Saving on other income	12,538
				Tax Saving on other rental income	139
Tax Payable	<u>23,780</u>	Total Tax Payable	<u>11,242</u>	Net Surplus	<u>13,588</u>

MARRIED COUPLE (1 PAYE INCOME) EARNING €80,000 - YEAR 1

Tax Payable Prior to Purchase		Tax Payable After Purchase		Overall Surplus	
Gross Salary	<u>80,000</u>	Gross Salary	<u>80,000</u>	Loan Interest	(14,089)
		Tax Payable	<u>18,490</u>	Less Rental Income	<u>15,000</u>
					911
		Tax Savings	12,538	Tax Saving on other income	12,538
				Tax Saving on other rental income	139
Tax Payable	<u>18,490</u>	Total Tax Payable	<u>5,952</u>	Net Surplus	<u>13,588</u>

SINGLE PERSON EARNING €70,000 (PAYE ONLY) - YEAR 1

Tax Payable Prior to Purchase		Tax Payable After Purchase		Overall Surplus	
Gross Salary	<u>70,000</u>	Gross Salary	<u>70,000</u>	Loan Interest	(14,089)
		Tax Payable	<u>18,040</u>	Less Rental Income	<u>15,000</u>
					911
		Tax Savings	12,538	Tax Saving on other income	12,538
				Tax Saving on other rental income	139
Tax Payable	<u>18,040</u>	Total Tax Payable	<u>5,502</u>	Net Surplus	<u>13,588</u>

Disclaimer: These calculations are for illustrative purposes only, we advise that you seek independent professional advice before proceeding with any investment.

TAX BREAK SAMPLE

Schedule 1



CASTLEMANOR RETIREMENT VILLAGE RESIDENTIAL UNITS

Schedule 1

SUMMARY SCHEDULE TO CALCULATE ESTIMATE OF CAPITAL ALLOWANCES AVAILABLE ON CONSTRUCTION COST

All Figures are VAT inclusive & in Euro

Purchase Price of units	325,000
<i>Split:</i> Site	82,000
Construction Agreement	233,000
Fit out	10,000

Construction work
 50% complete by 24th March 2007
 balance complete pre 31st December 2007

Capital Allowances available on construction cost and fit out	% Complete	% Allowances available	Capital Allowances
Expenditure pre 24th March 2007	50%	100%	116,500
Expenditure between 25th March 2007 - 31st December 2007	50%	75%	87,375
			<u>203,875</u>
Fit out over 8 years			10,000
			<u>213,875</u>
Percentage of Allowances available			65.81%

Allowances can be claimed by investors as follows:

	Construction	Fit out	Total
Years 1 - 6	30,581	1,250	31,831
Year 7	20,388	1,250	21,638
Year 8	-	1,250	1,250

Note

For the purpose of these calculations, capital allowances have been calculated on the estimated cost of construction of the unit and not under the formula method specified in Section 279 Taxes Consolidation Act 1997.

Final expenditure at defined dates, 24th March 2007 and 31st December 2007, to be confirmed.

The above calculations are based on the assumption that the investor does not reclaim the VAT.



TAX BREAK SAMPLE

Schedule 2



CASTLEMANOR RETIREMENT VILLAGE RESIDENTIAL UNITS

Schedule 2

INVESTOR CLAIMING CAPITAL ALLOWANCES ON CONSTRUCTION AND FIT-OUT OVER 8 YEARS

Breakdown of Purchase Price (all figures VAT Inclusive)

Site cost	82,000
Construction cost	233,000
	<u>315,000</u>
Fit out	10,000
	<u>325,000</u>

Capital Allowances available

Construction Cost	203,875
Years 1 - 6	30,581
Years 7	20,388
Fit out years 1 - 8	1,250

Financial Calculations

	Guaranteed Rent Year 1	Guaranteed Rent Year 2	Guaranteed Rent Year 3	Guaranteed Rent Year 4	Estimated Pooled Year 5	Estimated Pooled Year 6	Estimated Pooled Year 7	Estimated Pooled Year 8	Total
Capital allowances on construction	30,581	30,581	30,581	30,581	30,581	30,581	20,388	-	203,875
Capital allowances on fit out	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	10,000
Total capital allowances	31,831	31,831	31,831	31,831	31,831	31,831	21,638	1,250	213,875
Rental income	15,000	15,000	15,000	15,000	15,000	16,000	16,000	16,000	123,000
Less loan interest	(14,089)	(14,089)	(14,089)	(14,089)	(14,089)	(14,089)	(14,089)	(14,089)	(112,710)
Less management fees and service charges					(2,500)	(2,500)	(2,500)	(2,500)	(10,000)
Rental cashflow	911	911	911	911	(1,589)	(589)	(589)	(589)	290
Less: Capital Allowances on Fit out	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(10,000)
Rental Loss available against other Rental Income	(339)	(339)	(339)	(339)	(2,839)	(1,839)	(1,839)	(1,839)	(9,710)
Cashflow									
Tax saving on capital allowances	12,538	12,538	12,538	12,538	12,538	12,538	8,359	0	83,589
Tax saving on rental losses	139	139	139	139	1,164	754	754	754	3,981
Rental cashflow	911	911	911	911	(1,589)	(589)	(589)	(589)	290
Annual cashflow **	13,588	13,588	13,588	13,588	12,113	12,703	8,524	165	87,860

** The annual cashflow surplus could be used to repay the loan, thus reducing the interest payments.

Assumptions for Investor Taxation Benefits and Cashflow Calculations

- The qualifying capital allowances on construction are utilised by the investor over 7 years, however the tax life is 15 years.
- The qualifying capital allowances available on fit out costs are 12.5% per annum over 8 years and are offset against case V income only.
- All figures and calculations are based on a 12 month period.
- The investor borrows 85% of the purchase price, on an interest only basis rate of 5.1% for the first 8 years.
- The investor is a self employed marginal rate (41%) taxpayer .
- PRSI and Levies are ignored for the purpose of these calculations.
- Excess capital allowances available for offset against other income is capped at €31,750 per person per annum.
- The rental income is guaranteed at €15,000 for the first 4 years.
- All figures are VAT inclusive. The investor does not reclaim the VAT on acquisition, or account for VAT on the rental income.
- Stamp Duty at the residential rate is applied to these units on the VAT exclusive figure (€277,533 @ 5% = €13,877)
- Rent pooling from year 5 is subject to revenue approval.
- Investor has sufficient total income and rental income at the marginal rate to absorb the capital allowances and rental loss respectively each year .
- Investor does not come within restrictions on claiming tax reliefs in excess of €250,000.



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