

# **Tenant (Incremental) Purchase Scheme 2016 Information Booklet**



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## 1. What is the Tenant (Incremental) Purchase Scheme 2016?

Local authority tenants who qualify for this scheme can buy their homes at a discounted rate from their local authority. This scheme is for the purchase of existing local authority houses. It opened on 1 January 2016 and replaced the previous Tenant Purchase Scheme 1995.

The Incremental Tenant Purchase Scheme 2016 was introduced under the Housing (Sale of Local Authority Houses) Regulations 2015. The rules of the scheme were amended in 2022 by the Housing (Sale of Local Authority Houses) (Amendment) Regulations 2021.

The eligibility criteria for the Incremental Tenant Purchase Scheme 2016 changed on 1 February 2022. Previously, you needed an annual income of at least €15,000 and to have been getting social housing support for 1 year to qualify for this scheme. These parameters have changed slightly. The minimum reckonable income amount has reduced from €15,000 to €12,500. The length of time you must be in receipt of social housing supports has increased from 1 year to 10 years. In the case of joint tenancies, both tenants 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 the 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 **only** if you obey 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 14 and 15 for more information about the discount and charge, and examples of how they work.

### 3. Who can apply?

You can apply for the scheme if you meet the following conditions:

- **Property Type** – the Cork City Council property you wish to purchase **must** be a property you are a tenant of. This property **must** contain 3 bedrooms and **must not** be a property type outlined in the excluded property type list (see Section 4 for details).
- **Social housing support** – you must have received social housing support for at least 10 years. In the case of joint tenancies, both tenants must be in receipt of social housing supports for 10 years.
- **Income** – you must have an annual income of at least €12,500 per year. (Your annual income can be a combination of your gross income from employment and your income from **some** social welfare payments. You will **not** qualify if your income is solely from Department of Social Protection welfare payments, (see section 12 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.
- **Income Relief** – no household member is permitted to have previously claimed income relief in respect of interest paid on money borrowed to purchase or build a dwelling.

#### **4. Are all Cork City Council properties included in the scheme?**

No, not all Cork City Council properties are included in the scheme. 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 Cork City Council by the developer.
- Houses reserved by Cork City Council for particular reasons.

In line with Cork City Council's Housing Stock Management Policy, only 3-bedroom qualifying properties are to be sold to eligible applicants under the Tenant (Incremental) Purchase Scheme 2016.

#### **5. Will the 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?**

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 the house.

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

Yes. You must:

- Live in the house as your principal place of residence.
- Get agreement from your local authority if you want to sell, let, or sub-let the house.
- Not engage in anti-social behaviour or be a nuisance to your neighbours.

## **8. Are there any disqualifications from purchase?**

Yes, there are. Cork City Council shall not proceed with the sale of a house to a tenant where:

- (a) At any time during the 3 years immediately before applying to purchase a house under this scheme, the tenant or a member of their household was in arrears of rent, rent contributions, charges, fees or any other moneys due and owing to Cork City Council or an approved body for an accumulated period of 12 weeks or more in respect of a dwelling.
- (b) The tenant or the household member concerned has not entered into rescheduling arrangements with Cork City Council or approved body concerned for the payment of such arrears, or having entered into such arrangements, has not, in the opinion of the authority or body, substantially complied with their terms.
- (c) The tenant had previously purchased a dwelling.

## **9. How much will I pay for the house?**

You will pay the market value of the house – less a discount. Either the local authority or a qualified valuer acting on behalf of the local authority will evaluate the current market value.

## **10. Can I appeal the valuation of the 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.

## **11. 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 15 for more details regarding this.

Please note that Cork City Council will have first option to buy back your house while the incremental purchase charge is in place.

## 12. How is my income calculated for the scheme?

Cork City Council will calculate your gross income in accordance with the Reckonable Income directions under section 24 of the Housing (Miscellaneous Provisions) Act 2014.

### 12 A). Deductions from gross income:

Cork City Council shall not make any deductions from gross income for the purposes of determining reckonable income.

### 12 B). Reckonable income:

Cork City Council shall include the following sources and classes of income in determining reckonable income:

- (i) income from employment, including self-employment.
- (ii) overtime payments, bonuses, and commission, as follows:
  - **overtime:** restricted to a maximum of 10% of basic income, except where there is a regular overtime pattern.
  - **bonuses:** restricted to a maximum of 10% of basic income.
  - **commission:** restricted to a maximum of 30% of basic income.
- (iii) maintenance payments received.
- (iv) income from rental properties, dividends, capital investments and other similar sources of income.
- (v) income from social welfare payments (including pensions) by the Department of Social Protection, but only where these payments constitute a secondary source of income, **i.e.** a social welfare payment to a tenant in receipt of income from employment is reckonable income, as is a social welfare payment to the spouse, civil partner or cohabitant of a tenant in employment, whether or not that payment is in addition to employment income of that spouse, civil partner or cohabitant.
- (vi) pensions other than social welfare pensions, from whatever source, including from abroad.

## 12 C). Income Disregards:

Cork City Council shall disregard income from the following sources for the purposes of determining reckonable income:

- Child Benefit.
- Carer's Allowance, Carer's Benefit and Half-Rate Carer's Benefit.
- Family Income Supplement.
- Guardian's Payment.
- Exceptional Needs Payments.
- Diet Supplement.
- National Fuel Scheme.
- Respite Care Grant.
- Prescribed Relative Allowance.
- Living Alone (Pension) Allowance.
- Age 80 (Pension) Allowance.
- JobBridge, the National Internship Scheme.
- Domiciliary Care Allowance.
- Tús (Community Work Placement Initiative).
- Back to Education Allowance.
- Gateway (Local Authority Activation Scheme).
- Rural Social Scheme.
- Community Employment Programme.
- Fostering Allowance.
- Blind Welfare Allowance.
- Back to Work Family Dividend.
- Boarding-Out Payments.
- Student grants and scholarship schemes.
- Home Tuition Scheme.
- Youth reach training allowance.
- Payments by charitable organisations, one of the functions of which is to assist persons in need by making grants of money to them.
- Payments made by another EU Member State that correspond to Child Benefit.
- Rehabilitation training allowances.

In determining reckonable income, Cork City Council shall disregard income that is once-off, temporary or short-term in nature and that is outside the regular pattern of a person's annual income. Otherwise, where income fluctuates from week to week, reckonable income shall be determined based on a person's average earnings over a typical work period.



## 12 D). Documentation Required in respect of Reckonable Income Sources:

Cork City Council shall require a tenant to provide documentary evidence to verify different types of reckonable income, as follows:

- **Employee / PAYE Income:**
  - a. **Revenue's Statement of Liability document for the previous tax year.** The Tenant and (if applicable) Joint Tenant may obtain their Statement of Liability document from Revenue's online myAccount service. It is accessible through the 'Review your tax' link in PAYE Services. This must be submitted with your application if you are a PAYE earner.
  - b. **Salary Certificate.** The Tenant and (if applicable) Joint Tenant must have their employer complete the Salary Certificate included in Appendix 2 of the Application Form.
  - c. **Payslips.** The Tenant and (if applicable) Joint Tenant must submit **recent** Payslips: 3 rent payslips if paid monthly, 6 recent payslips if paid fortnightly, 12 recent payslips if paid weekly.
- **Income from Self-Employment:** A copy of your "Self-Assessment – Chapter 4 of Part 41A TCA 1997" Income Tax Assessment. This document is sent to you by Revenue when you submit a "Form 11 Return of Income", either online at [www.ros.ie](http://www.ros.ie) or by submitting a paper version of the form to your local tax office.

Cork City Council may request a copy of the income and expenditure accounts for each business or such documentation that satisfies the Housing Department as to the nature and amount of income involved.

- **Department of Social Protection Payments:** You will need to obtain a Statement of Payments for the previous income year from your local Social Protection Office located on Hanover Street, Cork. Tel: 021-480 6800.
- **Rental Income from Land or Property:** A copy of accounts or a statement of rental income that satisfies your Local Authority.
- **Interest on savings, investments, or dividends:** A statement from the financial institution or other provider, detailing the amount paid.
- **A pension other than a pension paid by the Department of Social Protection:** An official document issued by the body involved, detailing the payments made.
- **Maintenance Payments Received:** The Court Order, formal or informal maintenance arrangement or agreement, or solicitor's statement, detailing the amount and frequency and end-date of payments, and documentary evidence that the required payments are being made in accordance with the order, arrangement, agreement, or statement concerned.
- **Income from any Other Source:** Documentary evidence from the appropriate person or body involved, detailing the source and nature of the income and the amount paid.

### 13. Whose income is included?

All tenants of the house, and the tenant's spouse/civil partner/cohabitant living with the tenant.

### 14. 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 €12,500 and €20,000	60%
Between €20,001 and €29,999	50%
€30,000 or more	40%

#### Example:

If Cork City Council 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, Cork City Council will place an incremental purchase charge on the house equal to the discount you get.

### 15. What is the incremental purchase charge?

One of the conditions of the sale is that Cork City Council will place an incremental purchase charge on the house equal to the value of the discount you get. This charge will reduce to zero over 20, 25 or 30 years (called the 'charge period') if you obey 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 obey 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

Please see below 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:**

Resale of house 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)
Market value of house on resale:	€160,000
Outstanding incremental purchase charge:	30% (50% less 20% = 30%) *
Pay back to Cork City Council 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 must pay back 30% (€48,000) of the current market value.

## **16. 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 if you meet all the eligibility criteria (see section 3). This includes having a gross annual income of at least €12,500. 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 Cork City Council for a Local Authority Home Loan. See section 17 for more details.

You will have to pay all your costs, including legal fees, to complete the purchase of your Local Authority house.

## 17. What is the Local Authority Home Loan?

This is a mortgage loan available from your Local Authority. To be eligible for a Local Authority Home Loan, applicant(s) must:

- i. Be First Time Buyers and neither applicant can have previously purchased or be a current owner of a residential property. With the exception of applicants qualifying under the Fresh Start Principle and those who have inherited residential property. An LPT check will be completed at application stage.
- ii. Be aged between 18 and 70 years.
- iii. Be earning under €65,000 (gross) in the previous tax year as a single applicant for a property in Cork.
- iv. As joint applicants **i.e.** two or more, must have a combined income(s) of under €75,000 (gross) in the previous tax year.
- v. Be in continuous employment (this can be self-employed) for at least two years in the case of the primary earner and in continuous employment for one year in the case of a secondary applicant (if second applicant is employed).
- vi. Provide consent for their PPSN to be used for a CCR New Application Enquiry (NAE) and an LPT property check, at application stage.
- vii. Applicants must have a legal right to reside and work in the State and be able to demonstrate that they are habitually resident in Ireland.
- viii. Be able to provide proof of insufficient mortgage offer from two regulated financial providers.
- ix. Have a minimum deposit of 10% of the market value or purchase price of the property, whichever is the lesser. (This excludes applicants applying under the Tenant Purchase Scheme).
- x. Provide 12 months evidence of rent payments if in rental accommodation.

If you meet all of the above criteria, you will be eligible to submit an application.

You must fill out a Local Authority Home Loan application form which you can obtain online at **[www.corkcity.ie](http://www.corkcity.ie)**

You must provide all the required supporting documents for your Local Authority to assess your ability to borrow. Incomplete applications will not be processed.

**A Local Authority Home Loan application is separate to your application for the Tenant (Incremental) Purchase Scheme.**

## **18. 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 deciding if you wish to apply.

## **19. How do I apply?**

- You must fill out a Tenant (Incremental) Purchase Scheme Application Form which you can obtain from Cork City Council Housing Loans and Grants Section and online at **[www.corkcity.ie](http://www.corkcity.ie)**
- You must provide sufficient proof of your income.
- You must provide Cork City Council proof of how you intend to finance the purchase of your house. This could include your 'Letter of Loan Offer' from a regulated financial institution.

## 20. How will my application be processed?

In general, your application will be processed in five stages:

### Stage 1 – Income and Tenancy Eligibility:

Cork City Council will assess your application to make sure it follows the rules about income and tenancy. It is important to provide all required documents when submitting your application. This is to ensure Cork City Council can accept your application. If Cork City Council requests additional information, you **must** supply the requested information within the period of four weeks.

If you do not qualify for the scheme, Cork City Council will let you know in writing.

### Stage 2 – Property Valuation:

A professional valuer, nominated by Cork City Council, will visit your house to assess its value.

### Stage 3 – Letter of Offer providing Market Value, Discount and Price:

Cork City Council will send you a 'Letter of Offer', outlining:

- The market value (purchase price) of the house.
- The discount applicable to your circumstances under the scheme.
- The price you must pay to complete the purchase.
- The terms and conditions regarding the sale.

**The offer will last for a period of 6 months from the date on the 'Letter of Offer'. After that, the market value, discount, and price may change.**

### Stage 4 – Accepting the Offer and Providing 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 only commence 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 is not obliged to transfer the property to you until all stages of the application process have been completed.