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Department of Housing, Planning,  
Community and Local Government



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

## **Frequently Asked Questions**

Social Housing Policy Unit  
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Community and Local Government

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## Tenant Purchase Scheme 2016- Frequently Asked Questions

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## **1 When did the purchase scheme for existing local authority houses come into operation?**

- The Housing (Sale of Local Authority Houses) Regulations 2015 set the commencement date as 1 January 2016 for the introduction of the tenant purchase scheme for existing local authority houses.
- The implementation of the scheme is a matter directly for local authorities in line with the governing legislation.
- The Department has provided detailed guidance to local authorities on the operation of the scheme and also published an information booklet for tenants interested in purchasing their house.

## **2. What are the eligibility criteria for the 2016 scheme?**

- The scheme is open to eligible tenants, including joint tenants, of local authority houses that are available for sale under the scheme.
- To be eligible tenants must meet certain criteria, including having been in receipt of social housing support for a minimum period of ten years and having a minimum reckonable income of €12,500 per annum.
- All tenants of houses included in the scheme, who meet the eligibility criteria, can apply to purchase their house, provided they are not disqualified from doing so under the provisions of the legislation. Reasons for disqualification include rent arrears, participation in a previous tenant purchase scheme or engagement in anti-social behaviour.

## **3. What is different about the 2016 schemes for existing local authority houses compared to the previous scheme for existing local authority houses (1995 Scheme)?**

- Under incremental purchase, the discounts for tenants are based on household income rather than length of tenancy, which is a much more rational basis for the State to help tenants who wish to move to home ownership.
- The discounts off the purchase price are much bigger under the new scheme - 40%, 50% or 60% compared with a maximum discount of 30% under the 1995 Scheme.

- Incremental purchase protects the State's investment in the sale of the house to the tenant by giving the housing authority a share of any profits made on the resale of the house within a reasonable period after purchase. This was not the case under the 1995 scheme. The local authorities will use these funds to provide new housing or refurbish existing stock.
- Incremental purchase will facilitate tenants in purchasing their houses a lot earlier than they would under traditional tenant purchase schemes.
- Incremental purchase promotes sustainable communities much more effectively than traditional tenant purchase because it encourages purchasers to stay in their homes for a reasonable period after purchase.

#### **4. Why are local authorities excluding certain types of houses from the 2016 scheme?**

- The Regulations under the scheme provide for certain classes of houses to be excluded under the scheme, e.g. houses designed for occupation by older people, group traveller housing and houses provided for persons with disabilities making the transition from congregated settings to community-based living.
- Part V houses in private estates, provided for local authority tenants are also excluded from the scheme.
- In addition, local authorities have powers under Regulation to exempt certain classes of houses for reasons of proper stock and estate management.
- It should be noted that the new Programme for a Partnership Government contains a commitment to make specific provision in the scheme to allow local authority discretion to limit the disposal of certain types of social housing in short supply.

#### **5. Why are Part V houses excluded from the scheme?**

- The provisions of Part V of the Planning and Development Act 2000, as amended, are designed to enable the development of mixed tenure sustainable communities. Part V units are excluded from the schemes to ensure that units delivered under this mechanism will remain available for people in need of social housing support and that the original policy goals of the legislation are not eroded over time. The

## **6. How is the minimum reckonable income calculated?**

- The minimum reckonable income for eligibility under the 2016 Scheme is determined by the relevant housing authority in accordance with the detailed provisions of the Ministerial Directions issued under Sections 24(3) and (4) of the Housing (Miscellaneous Provisions) Act 2014.
- In the determination of the minimum reckonable income, housing authorities can include income from a number of different sources and classes, such as from employment, private pensions, maintenance payments and certain social welfare payments, including pensions, where the social welfare payment is secondary to employment income.
- In determining reckonable income, the income of the tenants of the house, including adult children that are joint tenants can be included, as can the income of the spouse, civil partner or other partner / co-habitant of a tenant who lives in the house with them.
- A number of income sources, including certain social welfare payments, are disregarded for the purposes of determining reckonable income.

## **7. Why is there a minimum annual income of €12,500?**

- In order to ensure the sustainability of the scheme, it is essential that an applicant's income is of a long-term and sustainable nature. This is necessary to ensure that the tenant purchasing the house is in a financial position, as the owner, to maintain and insure the property for the duration of the charged period, in compliance with the conditions of the order transferring the ownership.
- A condition of the transfer of ownership of the house is that the tenant purchaser, for the duration of the incremental purchase charge, must keep the house in good repair and condition and maintain house insurance on the property. The tenant purchaser will also be responsible for the normal charges associated with house ownership, such as local property tax.

## **8. What are the discounts available under the 2016 scheme?**

- The terms of the Scheme involve discounts of 40%, 50% or 60% off the purchase price of the house, linked

to tenant income. On the sale of a house under the Scheme, the housing authority will place an incremental purchase charge on the house equivalent to the discount granted to the tenant. Generally, the charge withers away over a period of 20, 25 or 30 years depending on the level of discount involved.

#### **9. How can a tenant finance the purchase of a house?**

- The financing of any house sold under the Tenant (Incremental) Purchase Scheme is a separate matter from the eligibility criteria for the scheme. In order to participate in the scheme, the tenant must, in the first instance, meet the eligibility criteria as set out in the relevant legislation, including having a minimum reckonable income of €12,500 per annum.
- If the tenant is deemed eligible under the scheme, he or she may fund the purchase of a house from one, or a combination of, own resources or a mortgage provided by a financial institution or a local authority house purchase loan.
- No deposit is required.

#### **10. Why is the payment of water charges linked to the local authority purchase schemes?**

- The link between payment of water charges and the tenant purchase scheme is a legislative requirement.
- The Water Services (No. 2) Act 2013 provides that Irish Water shall collect charges from its customers in receipt of water services provided by it and all dwellings connected to the public water or waste water systems will remain liable for domestic water charges up to the date the suspension of charges took effect (1<sup>st</sup> July 2016).
- Section 3(A)(9) of the Water Services Act 2014 provides that a person who is a tenant of a dwelling let under the Housing Acts 1966 to 2014 and who proposes to purchase the dwelling shall, before completion of the sale, provide the local authority concerned with a certificate of discharge from Irish Water confirming that any water charge in respect of the dwelling owed to Irish Water has been paid (up to 1<sup>st</sup> July 2016). The sale of the dwelling cannot proceed until a certificate of discharge in respect of the dwelling has been received

from Irish Water. There are no plans to amend the legislation in this regard.

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