Pre-letting expenditure in respect of vacant residential premises

Part 4, Chapter 8

This document should be read in conjunction with section 97A of the Taxes Consolidation Act 1997

Document created January 2018

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Introduction

Section 97A of the Taxes Consolidation Act 1997 inserted by the Finance Act 2017 provides that expenses incurred on a vacant residential premises prior to it being first let after a period of non-occupancy are authorised as a deduction against rental income from that premises.

This manual explains how the section applies and the conditions attaching to the deduction.

1 Premises to which deduction applies

The section applies to expenditure on a premises which has been vacant for at least 12 months and which is then let as a residential premises between 25th December 2017 (the date of the passing of the Finance Act 2017) and 31 December 2021.

A 'vacant premises' means any premises that is not occupied for the entire 12 months before the 'specified day'. The 'specified day' means the day on or after 25th December 2017 on which a vacant premises is first let as a residential premises after the end of the period during which it was not occupied.

2 Date expenditure incurred

The expenditure must have been incurred in the 12 months before the premises is let as a residential premises: the 'specified period'.

3 Expenditure must be otherwise qualifying

Where a person incurs expenditure on a vacant premises during the 12 months prior to first letting after the 12 month vacant period, and this expenditure would be authorised as a Case V deduction under section 97(2) if it had been incurred on or after the first day the premises was let, then it may be authorised as a Case V deduction under section 97A(3). The subsection applies notwithstanding the restrictions that would otherwise be imposed by section 105 on rent and interest on money borrowed prior to the premises being occupied. The deduction is subject to a cap and to claw-back in certain circumstances.

4 Cap on deduction

The deduction authorised is capped at €5,000 per vacant premises by section 97A(4).

5 Claw-back in certain circumstances

If the person who incurs the expenditure ceases to let the property as a residential premises within 4 years of the first letting the deduction will be clawed-back in the year in which the property ceases to be let as a residential premises. This cessation can be either on sale of the property or change of use from rented residential property. The claw-back will be made by deeming the deduction previously allowed to be a Case V profit or gain of the year of cessation.

6 Amounts allowed as a deduction under this section cannot also be allowed under another section of the Act.

Section 97A(6) provides that there will be no allowance or deduction under any other section of the Act other than this section for expenditure treated as being authorised as a deduction under the section. This prevents double deduction of the expenditure.