

Capital allowances

Plant and machinery

Expenditure incurred on plant and machinery, fixtures and fittings etc, may be written off at 12.5% per annum on a straight line basis over an 8 year period.

Motor vehicles

The annual allowance for motor vehicles (other than taxi and short-term hire vehicles) is 12.5%, on a straight line basis, of the cost of the vehicle. The maximum qualifying cost of motor vehicles purchased on or after 1 January 2007 is €24,000 (previously €23,000). The €24,000 restriction cost applies to both new and second-hand motor vehicles.

Industrial buildings located in Ireland

An annual allowance of 4%, on a straight line basis, may be claimed in respect of expenditure on industrial buildings used for manufacturing purposes. Accelerated allowances and allowances on certain other buildings regarded as industrial buildings are available in certain circumstances. Various conditions apply.

Restrictions

Restriction on utilisation of reliefs for high earners

With effect from 1 January 2007 there is a limit on the use of “specified reliefs” which tax payers can use to reduce their taxable income in any one year. For further details on the restriction of reliefs please refer to page 5: “Restriction of certain tax reliefs for high earners”.

“Specified reliefs” include property based incentive reliefs.

Active partners

Other than in the case of certain active owner-occupiers and hotels located in specified border counties, it is generally only possible to offset capital allowances of up to €31,750 against income from all sources. The balance is generally restricted for use against Irish rental income. In the case of most hotels, passive investors can only utilise allowances against Irish source rental income.

Capital allowances

| Type of Building | Nature of allowances/relief | Relief deadlines | Other |
|--|--|---|--|
| Hotels¹ | 15% per annum (years 1 to 6) and 10% (year 7) where certain planning requirements were met by 31 December 2005 ^{5,6} , otherwise a 4% annual allowance may apply | Tapering of relief applies ² | Certain certification and registration procedures apply |
| Holiday cottages | 10% per annum for ten years where certain planning requirements were met by 31 December 2005 ^{5,6} | Tapering of relief applies ² | |
| Rental refurbishment scheme | 15% per annum on a straight line basis (years 1 to 6) and 10% (year 7) | Tapering of relief applies ² | No transition provisions apply. Relief is subject to compliance with the regulation requirements of the Residential Tenancies Act 2004 |
| Student accommodation | 100% year 1 deduction where a full planning application was received by a planning authority by 31 December 2004 ⁵ | Tapering of relief applies ² | The relief takes the form of a 100% deduction against rental income in the year the property is first let |
| Childcare facilities | 15% per annum (years 1 to 6) and 10% (year 7). 100% initial allowances are available to owner occupiers and lessors. A 15 year minimum holding period applies where first used on/after 1 February 2007; otherwise a 10 year minimum holding period applies | No tapering of relief applies; no deadline for incurring expenditure applies | Exclusions apply in respect of property developers |
| Private hospitals, mental health centres³, nursing homes, private convalescent homes, nursing home residential units and sports injuries clinics | 15% per annum (years 1 to 6) and 10% (year 7). With the exception of sports injuries clinics, a 15 year minimum holding period applies where first used on/after 1 February 2007; otherwise a 10 year minimum holding period applies. A 10 year minimum holding period continues to apply in the case of sports injuries clinics | Tapering of relief applies for sports injuries clinics ² and nursing home residential units ² ; no deadlines for others | Various conditions, including certification, apply to each of the schemes |
| Park and ride facilities | 100% accelerated allowances for expenditure on qualifying facilities and certain related commercial premises for owner occupiers. Otherwise 50% year 1 and 4% per annum thereafter. Residential reliefs also available. Qualifying period for full relief ended 31 December 2006 where full planning application was received by a planning authority by 31 December 2004. | Tapering of relief applies ^{2,3,5} | Certain exclusions apply in the case of property developers. Various certification procedures also apply |
| 1999 Urban Renewal¹/1999 Rural Renewal¹/2000 Town Renewal¹ | Capital allowances at rates of up to 50% in year 1 and 4% per annum thereafter. "S23" type and owner occupier residential reliefs available for certain residential properties. The qualifying period for full relief ended on 31 December 2006 where a full planning application was received by a planning authority by 31 December 2004 | Tapering of relief applies ^{2,5,6} | Double rent relief is specifically denied. Areas have been designated by Ministerial Order specifying the reliefs available. Certain of the non-residential allowances are denied to property developers. Allowances do not apply in respect of property used in some industries and certain large projects ³ |
| Multi-storey car parks | Capital allowances on 100% of the qualifying expenditure in respect of leases granted after 31 July 1998. The qualifying period for full relief on qualifying car parks located outside Dublin and Cork ended on 31 December 2006 where a full planning application was received by a planning authority by 31 December 2004 | Tapering of relief applies ^{2,5} | Double rent relief is not available in respect of leases granted after 30 September 1999 |
| Living over the shop | The qualifying period for incurring capital expenditure is from 6 April 2001 to 31 December 2006 where a full planning application was received by a planning authority by 31 December 2004 ⁵ . "S23" type relief and owner occupier residential reliefs are available | Tapering of relief applies ² . | The incentives apply in Dublin, Cork, Galway, Limerick and Waterford. Certain exclusions apply in the case of property developers. Accelerated capital allowances may be available for associated commercial development |
| Building used for third level purposes | 15% per annum (years 1 to 6) and 10% (year 7). The termination date of the scheme was 31 December 2006 where application for a Ministerial Certificate was received by the Department of Finance by 31 December 2004 | Tapering of relief applies ^{2,3,5} | A Ministerial Certificate of Approval is required. A number of other conditions apply |
| Mid Shannon corridor tourism infrastructure investment scheme | Capital allowances for the construction and/or refurbishment of certain holiday camps and approved tourism infrastructure facilities. 15% per annum (years 1-6) and 10% (year 7). A 15 year holding period applies | 3 year scheme ³ | Projects must receive pre-approval and must be formally certified on completion |

1 Certain large projects require EU approval

2 Full relief is available for qualifying expenditure incurred up to 31 December 2006 (24 March 2007 for nursing home residential units) where certain conditions have been met; 75% relief applies for qualifying expenditure incurred in the period from 1 January 2007 (25 March 2007 for nursing home residential units) to 31 December 2007; 50% relief will apply for qualifying expenditure incurred in the period 1 January 2008 to 31 July 2008; no relief under the scheme will apply for expenditure incurred after that date

3 Only expenditure incurred from the date of a Commencement Order from the Minister for Finance can qualify

4 In the case of rural renewal, certain commercial and industrial allowances are denied in respect of properties used for trades where 250 people or more are employed; in the case of urban renewal, and at the discretion of the Minister, allowances may also be denied in respect of office developments and multi-storey car parks

5 Work to the value of at least 15% of the actual construction or refurbishment costs must have been carried out (and certified by a surveyor/local authority in certain circumstances) by 31 December 2006

6 Where the extended 31 July 2008 deadline was subject to EU Commission approval, a binding written contract for construction/refurbishment must have been in place by 31 July 2006 in certain circumstances.