

# A Guide to Section 23 Relief



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*This document is intended for guidance only. While every effort has been made to ensure the accuracy of the content, it does not purport to be a legal interpretation of the relevant provisions and has no binding in law.*

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## 1. What is Section 23 Relief?

Section 23 relief is a commonly used term for rented residential relief. The relevant legislation is contained in Chapter 11 of Part 10 of the Taxes Consolidation Act, 1997. In general, section 23 relief is a tax relief that applies to rented residential property in a tax incentive area. It is available to a person who has incurred expenditure on the purchase, construction, conversion or refurbishment of a qualifying property and who lets that property, having complied with certain conditions. The meaning of the terms construction, conversion and refurbishment is set out in *Appendix 1* Relief for expenditure incurred can be set against the rent received from that property and other Irish rental income so that the amount of a person's taxable income is reduced. The term 'property' as used in this document refers to rented dwellings such as houses or apartments.

It should be noted that it is the first use of the property following construction, conversion or refurbishment that determines the type of relief that will apply. If the property is first used by an individual as his or her sole or main residence, owner-occupier relief applies. If the property is first let by an individual under a qualifying lease, section 23 type relief applies. It is not possible for both types of relief to apply to the same property at different times.<sup>1</sup>

## 2. What schemes does Section 23 Relief apply to?

Section 23 relief applies to the following schemes:-

### A. Terminated Schemes

- Custom House Docks Area
- Temple Bar Area
- 1994 Urban Renewal
- Seaside Resorts
- Islands

While the period during which qualifying expenditure has to be incurred has ended for the above schemes, Section 23 relief may still be applicable to properties in these areas. It should be noted that some holiday cottages in the seaside resort areas that are registered or listed with Fáilte Ireland qualify for relief in the form of capital allowances rather than Section 23 relief. This document does not apply to such properties.

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<sup>1</sup> Certain properties were originally designated as being eligible only for owner-occupier relief under the integrated area urban renewal and town renewal schemes. Following a recommendation by the Minister for the Environment, Heritage and Local Government, these properties became eligible to opt for section 23 relief where this was the preferred choice. The option to choose applies to expenditure incurred under the particular schemes on or after December 2001, or to expenditure incurred before that date if there was no purchase contract in place at that date and the property was purchased by 1 September 2002.

## B. Current Schemes

- Integrated area urban renewal
- Living over the shop<sup>2</sup>
- Park and ride <sup>2</sup>
- Rural renewal
- Town renewal <sup>2</sup>
- Student accommodation

Qualifying expenditure can be incurred on these latter schemes up to 31 July 2006, provided that certain conditions are fulfilled. Details of the qualifying periods for both the current and terminated schemes are contained in *Appendix 2*. Details of the qualifying areas for the integrated area urban renewal, town renewal and rural renewal schemes are contained in *Appendix 3*. Details of the areas designated for the 1994 urban renewal scheme are contained in statutory instruments that are available at [www.irishstatutebook.ie](http://www.irishstatutebook.ie).

Further details about these schemes are available at [www.revenue.ie](http://www.revenue.ie).<sup>3</sup> Guidelines outlining the conditions applying to the student accommodation scheme have been published by the Department of Education and Science and are available at [www.education.ie](http://www.education.ie). An explanatory note on this scheme has also been published by Revenue and is available at [www.revenue.ie](http://www.revenue.ie) under publications/technical guidelines.

Guidelines governing the park and ride scheme were issued by the Department of the Environment, Heritage and Local Government and can now be obtained from the Department of Transport.

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<sup>2</sup> In the case of the living over the shop scheme, expenditure must be on “necessary construction” (to be determined by the relevant local authority) rather than on “construction”. In the case of a building that is within the site of a park and ride facility, only construction expenditure qualifies for relief, and not refurbishment or conversion expenditure. Expenditure on the refurbishment of a façade of a property will qualify for relief in the town renewal scheme.

<sup>3</sup> The following documents are available under publications/leaflets and guides/leaflets and guides for individuals/income tax –  
IT 26 Urban Renewal Scheme (scheme now terminated)  
IT 26A Integrated Area Urban Renewal Scheme  
IT 29 Tax Relief for Renewal and Improvement of Certain Resort Areas (scheme now terminated)  
IT 65 Rural Renewal Scheme  
A Guide to Living over the Shop Scheme  
A Guide to the Town Renewal Scheme

### 3. How a property qualifies for relief

To qualify for relief the following conditions must be satisfied;

- Expenditure must be incurred on the construction, conversion or refurbishment of a property under the terms of a tax incentive scheme within the qualifying period. It is not sufficient to merely own a property in a designated area
- In the case of the integrated area urban renewal, town renewal and the living over the shop schemes, the property must have been certified by the relevant local authority as meeting the objectives of the plan for the particular scheme in question
- The property must be situated wholly within a designated area, front onto a qualifying street (living over the shop scheme) be within an 8km distance of a certifying educational institution (student accommodation scheme) or be situated within the site of a park and ride facility. As each individual dwelling must be situated **wholly** within a designated area there is no relief available for dwellings situated partly inside and partly outside a designated area. Therefore, a single apartment block that straddles a designated/non-designated area will contain both qualifying and non-qualifying apartments; there is no provision for apportioning the qualifying expenditure over the non-qualifying apartments
- The property must be suitable for use as a dwelling and be used **only** as a dwelling. For example, if part of a house owned by a doctor is used as a surgery or office no relief is due. Land such as a yard, garden or car parking space that forms part of the property also qualifies for relief
- Where qualifying expenditure is being incurred up to the 31 July 2006 extended deadline, a full and valid planning application covering the work represented by that expenditure must have been submitted to the relevant local authority by 31 December 2004
- Where qualifying expenditure is being incurred up to the 31 July 2006 extended deadline, and where the construction, refurbishment or conversion does not require the submission of a planning application, work to the value of 5% of the development costs must have been carried out by 31 December 2004 and a detailed plan in relation to the development work and a binding written contract under which the expenditure is to be incurred must have been in place by that date
- Where qualifying expenditure is being incurred up to the 31 July 2006 extended deadline under the integrated area urban renewal scheme, a certificate must have been issued by the relevant local authority stating that 15% of the total project cost had been incurred by 30 June 2003. This certificate must be issued on or before 30 September 2003 (see note 1 to **Appendix 2** for further details)

- After its purchase, construction, conversion or refurbishment, the first use of the property must be its letting under a qualifying lease, and it must continue to be so let for a period of 10 years from the date of the first qualifying lease. Reasonable periods of temporary disuse between the ending of one qualifying lease and the commencement of another such lease are acceptable. A qualifying lease is a lease drawn up at arm's length under which rent is received. Any premium payable cannot exceed 10% of the combined site and construction costs of the property in the case of a property that is constructed. In the case of refurbishment and conversion projects, the premium cannot exceed 10% of the market value of the property at the time that the refurbishment or conversion work was completed. The lease cannot allow the lessee, or any other person, to acquire an interest in the property for less than the market value of the property. There are additional requirements for qualifying leases of properties that are let under the student accommodation scheme. The Department of Education and Science Guidelines should be consulted for these additional requirements
- In the case of the rural renewal scheme, the duration of a qualifying lease cannot be for a period of less than 3 months. For the period 1 June 1998 to 5 April 1999 the minimum period of a qualifying lease was 12 months. Holiday lettings are not allowed as the property must be used as the sole or main residence of the lessee
- In the case of the seaside resorts scheme, a property must be used primarily for letting to tourists and be occupied for no other purpose from April to October each year. Lettings to non-tourists are permitted in the remaining months but a property cannot be let to, or occupied by any person for more than two consecutive months at any one time or for more than six months in any year. A register of lessees must be maintained
- The property has to meet certain floor area specifications (see *Appendix 2* for details)
- A certificate of reasonable cost or a certificate of compliance must have been issued in respect of the property (see *Appendix 4* for details)
- Where it is required, planning permission must have been granted for refurbishment and conversion work.

Guidelines outlining the conditions applying to the student accommodation scheme have been published by the Department of Education and Science and are available at [www.education.ie](http://www.education.ie). An explanatory note on this scheme has also been published by Revenue and is available at [www.revenue.ie](http://www.revenue.ie) under publications/technical guidelines.

In the case of the park and ride scheme, the relevant local authority must have certified that there has been compliance with guidelines that were issued by the Department of the Environment, Heritage and Local Government and that are now available from the Department of Transport. There is a limit on the amount of qualifying expenditure that can be incurred on residential accommodation (both owner-occupied and rented) at a park and ride facility. If the construction expenditure

on the residential element of a scheme exceeds 25% of the total allowable expenditure, there is no relief due for the residential element.

## **4. Qualifying period**

*Appendix 2* contains details of the qualifying periods for both the terminated and the current schemes. Relief is only available for expenditure on construction, conversion or refurbishment work that is carried out during the qualifying period. Allowable expenditure must therefore be directly attributable to work that was actually carried out during the qualifying period.

## **5. Qualifying expenditure**

### **5.1 Costs taken into account in calculating qualifying expenditure**

Not all of the costs incurred by the purchaser, developer or builder in relation to the purchase of a newly constructed, refurbished or converted property are taken into account in calculating the amount of the qualifying expenditure. Broadly speaking only the direct costs of construction and site clearance and preparation are allowed. It should be noted that the costs contained in the certificate of reasonable cost that is issued by the Department of the Environment, Heritage and Local Government should not be used as a basis for calculating the relief. The treatment of VAT as a cost is dealt with in section 5.3. Costs that are allowed in calculating the amount of the qualifying expenditure include;

- Direct construction, conversion or refurbishment costs such as cost of building materials, hire of equipment, labour costs, administrative overheads, architects' fees, legal fees
- Site clearance and preparation costs such as laying foundations, walls, power supply, drainage, sanitation and water supply
- Interest paid on money borrowed to fund direct construction, conversion or refurbishment costs
- Fees paid to local authorities for the provision of certain infrastructure and services.

Costs that are not allowed in calculating the amount of the qualifying expenditure include;

- Direct site costs or the cost of the pre-refurbished/converted building in the case of a refurbishment or conversion project
- Costs associated with the acquisition of the site or building such as legal fees and stamp duty
- Interest paid on money borrowed to fund the purchase of the site and interest on other borrowings not directly related to the construction, conversion or refurbishment costs
- Marketing and selling costs such as money spent on advertising the property and auctioneers' fees

- Costs attributable to a person's own labour, where the person is not a builder or developer and carries out work himself or herself.

The price paid for the completed property does not include legal and other professional fees and stamp duty paid in connection with the purchase of the property.

The examples in sections 5.4 to 5.6 illustrate how the various costs are treated.

## **5.2 Grants**

Grants and other payments received directly or indirectly from the State, any local authority or any public body must be deducted from the allowable construction costs in arriving at the amount of the expenditure that qualifies for relief.

## **5.3 Value-Added Tax**

VAT should only form part of the allowable construction costs if it is a **net** cost to the person constructing, refurbishing or converting the property, i.e. where the person is not entitled to a VAT input credit for the VAT paid. The allowable construction costs should be exclusive of VAT where the person carrying out the work is able to reclaim any VAT paid by him or her as part of those costs. It would be expected that where the work is carried out by a person who is a builder or a developer that the allowable construction costs would not include VAT. The allowable construction costs can be inclusive of VAT where the person carrying out the work cannot reclaim VAT. It would be expected that where a person who is not registered for VAT carries out the work himself or herself, or engages a builder to carry out the work, the allowable construction costs would include VAT. Any VAT paid on the purchase of the site, or in connection with its purchase, should be treated in the same way.

The price charged by a builder or developer for a property includes VAT. This VAT is an extra cost for a purchaser who chooses not to register for VAT in connection with the supply of rented accommodation. It is therefore taken into account in calculating the amount of the qualifying expenditure. However, if the purchaser registers for VAT, he or she can reclaim, or claim input credit for, the VAT paid on the purchase of the property. In these circumstances in calculating the amount of the qualifying expenditure, the amount of the price paid for the completed property that is used in the formula in section 5.5 should be the VAT exclusive price.

### **Example**

In example 1 in section 5.5 Mr. Nolan's qualifying Section 23 expenditure according to the price adjustment formula is €78,125 if he does not register for VAT. However, if Mr. Nolan elects to register for VAT and to charge VAT on the rent that he receives from his tenants, he is entitled to reclaim the VAT paid on the purchase of the house. In such circumstances he is not entitled to the amount of the relief produced by using the VAT inclusive purchase price in the price adjustment formula. Instead, the VAT exclusive price must be used. The VAT exclusive price is;

$$\frac{250,000 \times 100}{113.5} = 220,264 \text{ (where VAT charged at } 13\frac{1}{2}\% \text{)}$$

Using the figures from the example in section 5.5, the qualifying expenditure according to the formula is as follows-

$$220,264 \times \frac{€50,000}{€60,000 + €100,000} = €68,833$$

Mr. Nolan's qualifying section 23 expenditure as a VAT registered person is reduced to €68,833 from €78,125.

**Qualifying expenditure can be incurred in various ways as set out below.**

### **5.4 Construction by site owner**

Where a person owns a site or a building and carries out the construction, refurbishment or conversion himself or herself, or engages a builder to carry out the work, the amount of the relief is the cost of having the property constructed, refurbished or converted. As indicated in section 5.1, the expenditure that qualifies for relief is the expenditure incurred directly on construction and the cost of site clearance and preparation. It does not include the costs of acquiring the site or the building, or any cost attributable to the person's own labour. Where a builder is engaged to carry out the work, the amount of the relief is the amount reflected in the contract with the builder and includes the builder's profit.

#### **Example 1**

Mrs. O'Connor owns a site and engages a builder to construct a house on the site. She agrees to pay the builder €130,000 for the completed house. The builder's direct construction costs are €100,000 and his profit is €30,000. Mrs. O'Connor is entitled to relief of €130,000.

## Example 2

Mr. Whelan purchases a badly run down house for €60,000. He carries out the refurbishment work himself in his spare time. He spends €30,000 on building materials and €10,000 on the hire of building equipment. These costs include VAT that Mr. Whelan is not able to reclaim. Mr. Whelan is entitled to relief of €40,000.

### 5.5 Purchase of a property from a builder<sup>4</sup>

Where a newly constructed property is purchased from a person who carries on the trade of a builder, the amount of the relief is calculated by using the following formula -

$$\text{Price paid to builder} \times \frac{A}{B + C}$$

A = construction expenditure incurred in the qualifying period

B = total construction expenditure

C = expenditure on the acquisition of the site

The price paid is the actual purchase price of the property. The construction expenditure and site costs used in the formula are those incurred by the builder and not those charged to the purchaser by the builder. As indicated in section 5.1, the expenditure that qualifies for relief is the expenditure incurred directly on construction and the cost of site clearance and preparation. The formula operates to exclude the site cost so that relief is not available for the full amount paid to the builder. This is why Section 23 properties are advertised as qualifying for, for example, 80% relief or 90% relief, depending on the cost of the site and any costs attributable to the purchase of the site. The amount of the relief includes a portion of the builder's profit.

The formula is generally used where newly constructed properties are purchased unused from a builder. However, in the case of the student accommodation scheme the formula can be used where a builder sells a property that has already been let by him under a qualifying lease. The period of such letting cannot exceed one year. This provision applies to sales of property on or after 5 December 2001. It caters for situations where a builder lets a property to students at the start of an academic year while awaiting the sale of the property.

The same formula applies to the purchase of a newly refurbished or converted property from a builder with A and B in the formula being the refurbishment or conversion costs and C being the cost of the building, including site, prior to refurbishment or conversion.

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<sup>4</sup> A builder means a builder, developer or other person who sells newly constructed, refurbished or converted property in the course of the trade of building/developing.

### **Example 1**

A builder buys a derelict property for €100,000. He spends €60,000 directly on refurbishment and €4,000 on marketing and selling the refurbished property. A delay in obtaining planning permission resulted in him being unable to get all of the work done within the qualifying period. Work to the value of €10,000 is carried out outside of the qualifying period. He sells the refurbished property for €250,000 to Mr. Nolan.

The qualifying expenditure according to the formula is as follows;

$$250,000 \times \frac{€50,000}{€60,000 + €100,000} = €78,125$$

Mr. Nolan's qualifying Section 23 expenditure is €78,125

If there is a subsequent sale of a property before it is used, the relief for the new purchaser is limited to the **lower** of the qualifying expenditure on the first purchase and the qualifying expenditure on the later purchase.

### **Example 2**

The house in the previous example that was sold for €250,000 was bought by Mr. Nolan. However, Mr. Nolan was unexpectedly forced to sell the house before it could be used. He sold it to Mr. Hurley for €230,000. Mr. Hurley's qualifying expenditure according to the formula is as follows-

$$230,000 \times \frac{€50,000}{€60,000 + €100,000} = €71,875$$

Mr. Hurley's relief is €71,875 as it is lower than €78,125, which was the relief that would have been due to Mr. Nolan. If Mr. Hurley had purchased the house for €260,000, the qualifying expenditure according to the price adjustment formula would have been €81,250. In this case, Mr. Hurley's relief would be limited to €78,125, the amount of Mr. Nolan's relief.

Where the purchaser enters into separate contracts for the purchase of the site and the construction of the property, the transaction may be regarded as a single contract for the purchase of a completed house and the price adjustment formula is used accordingly.

### Example 3

Mr. O' Dwyer purchases a house from a builder by means of two separate contracts – one for the purchase of the site for €60,000 and another for a building agreement for the house for €200,000. The house is constructed at the instigation of the builder rather than Mr. O'Dwyer. The builder had incurred €50,000 on the acquisition of the site and €150,000 directly on construction costs.

Mr. O'Dwyer's qualifying expenditure is not the amount reflected in the building agreement for the house. It is the amount produced by the price adjustment formula in section 5.5 that includes the site cost. His qualifying expenditure according to this formula is;

$$260,000 \times \frac{\text{€}150,000}{\text{€}150,000 + \text{€}50,000} = \text{€}195,000$$

### 5.6 Purchase of a property from a person who is not a builder

Where a newly constructed property is purchased from a person who does not carry on the trade of a builder, the amount of the relief is the lower of;

- the direct cost of construction, excluding site cost and costs attributable to the purchase of the site, as set out in section 5.1 above
- or**
- the amount produced by the formula in section 5.5 above.

Generally, in a market where property prices are rising, the relief will be based on the expenditure on the construction work carried out during the qualifying period.

The purchase of a newly refurbished or converted property from a person who does not carry on the trade of a builder is treated in the same way as the purchase of a newly constructed property from that person.

### Example

Mr. McDonald, a farmer, has some spare land and decides to construct a house on it. He engages a builder to carry out the construction and agrees to pay the builder €200,000. As Mr. McDonald already owned the land, there is no site cost. The builder spends €150,000 directly on the construction, all of which is carried out during the qualifying period. Mr. McDonald sells the house for €350,000. Qualifying Section 23 expenditure according to the formula is as follows -

$$\text{Price paid to non-builder} \quad \times \quad \frac{A}{B + C}$$

A = construction expenditure incurred in the qualifying period

B = total construction expenditure

C = expenditure on the acquisition of the site

$$350,000 \times \frac{\text{€}150,000}{\text{€}150,000} = \text{€}350,000$$

However, in this case the amount of the qualifying Section 23 expenditure is €200,000, the cost of construction, as it is lower than the €350,000 produced by the price adjusting formula.

## 6. What to check before purchase

The purchaser should ascertain the scheme under which the property is to qualify for relief. This is important as different conditions apply to the various schemes. Section 2 above has details of the relevant information sources for the various schemes. Details of the qualifying areas for the integrated area urban renewal, town renewal and rural renewal schemes are contained in *Appendix 2*. Details of the areas designated for the 1994 urban renewal scheme are contained in statutory instruments that are available at [www.irishstatutebook.ie](http://www.irishstatutebook.ie).

### 6.1 Documentation required

A person claiming relief should be able to show that he or she has fulfilled all of the relevant conditions and that he or she is entitled to the relief. The person also needs to be able to calculate the amount of the relief to which he or she is entitled. Section 5 contains details about how the relief is calculated. A statement from the builder stating that the property qualifies for, for example, 80% or 90% relief, is not sufficient as it does not give a breakdown of the builder's costs. The following documents, as appropriate, may be required to support a claim for relief in the event of the claim being audited by Revenue. They should be retained, and only if requested, given to the claimant's tax office. If the property is sold within the 10-year period following its first letting under a qualifying lease, the new purchaser will require the documents to support a claim for relief. The documents are;

- A certificate of consistency from the local authority stating that the construction, refurbishment or conversion of the property is consistent with the objectives of the integrated area urban renewal, living over the shop or town renewal plans
- To qualify for the extended termination date of 31 July 2006 for the integrated area urban renewal scheme, a certificate must have been issued by the relevant local authority stating that 15% of the total project cost had been incurred by 30 June 2003. This certificate must have been issued on or before 30 September 2003 (see note 1 to *Appendix 2* for further details)
- Where expenditure is being incurred up to 31 July 2006 on schemes other than the urban renewal scheme, evidence that a full and valid planning application was submitted by 31 December 2004 and evidence that the work to which the expenditure is attributable was covered by the planning application. Expenditure on any additional work that did not form part of the original planning application does not qualify for relief

- Where expenditure is being incurred up to 31 July 2006 on schemes other than the urban renewal scheme, and where the construction, refurbishment or conversion does not require the submission of a planning application, there must be evidence that work to the value of 5% of the development costs had been carried out by 31 December 2004 and that certain documentation was in existence by that date. The documents are a detailed plan in relation to the development work and a binding written contract under which the expenditure was incurred
- A certificate of compliance in the case of a newly constructed, refurbished or converted house purchased from a builder. This is issued by the Housing Grants Section of the Department of the Environment, Heritage and Local Government in Ballina. The certificate must be obtained before tax relief is claimed (see *Appendix 4* for details)
- A certificate of reasonable cost where a new house is to be let by the person who built it, or had it built, or where a refurbished or converted house is to be let by the person who refurbished/converted it, or had it refurbished or converted. This is issued by the Housing Grants Section of the Department of the Environment, Heritage and Local Government in Ballina. The certificate must be obtained before tax relief is claimed (see *Appendix 4* for details)
- Where planning permission was required for conversion or refurbishment work, a copy of the planning permission
- A copy of the purchase contract between the vendor and the purchaser showing the purchase price
- Details of the total cost of the construction, conversion or refurbishment, including (separate) details of any work carried out outside of the qualifying period. (see *Appendix 2* for details of qualifying periods) In the case of the purchase of a property from a builder, a statement of the builder's costs is required. The statement should provide separate details of the site acquisition costs and the direct construction, conversion or refurbishment costs incurred by the builder. As stated in section 5, only the costs directly attributable to construction, conversion or refurbishment are allowed. This information is required by the claimant to calculate the amount of the relief. In the case of the purchase of a newly refurbished or newly converted property, evidence of the cost of the building before refurbishment or conversion is required
- A copy of the first qualifying lease and any lease drawn up during the 10-year period following the first qualifying lease (see section 3 for more detail on qualifying leases)
- In the case of the student accommodation scheme, a certificate from the relevant educational institution(s) in accordance with section 4 of the Department of Education and Science guidelines

- In the case of the park and ride scheme, a certificate from the relevant local authority stating that the development complies with the requirements laid down in guidelines issued by the Department of the Environment, Heritage and Local Government and now available from the Department of Transport in relation to residential accommodation at a park and ride facility.

## **7. How to claim Section 23 relief**

The mere purchase of a Section 23 property does not entitle a person to tax relief. The property must be rented under a qualifying lease before the relief can be claimed. Section 3 contains more detail on the conditions to be fulfilled and on qualifying leases. It must continue to be let under a qualifying lease(s) for a period of 10 years from the date the property is first let under a qualifying lease, apart from reasonable periods of temporary disuse between the ending of one lease and the commencement of another. A claimant does not need to obtain any form of advance approval or permission from Revenue to apply for the relief. Provided that all of the conditions of a scheme are fulfilled, the relief can be claimed in an individual's annual income tax return under the self-assessment system.

Under the self-assessment system, a return of income must be made on or before 31 October in the year following the year of assessment. From 2005, all individuals, whose income from all sources such as rented property or investments is not accounted for under the PAYE system, are obliged to make an annual return of income. If there is no actual rental tax liability because of a rental loss, the individual may still be obliged to make an annual return of income.

Where an annual return of income is not required, a claim for the relief should be made to the individual's local tax office. The claim can be made for the year in which the first qualifying lease is drawn up. If the property is already let when the work is being carried out, the claim can be made for the year in which the conversion or refurbishment work is completed.

## **8. How Section 23 relief is granted**

Section 5 contains details of how to calculate the amount of the relief. The full amount of the relief is deducted from the rental income of the particular property in the first year of letting, together with other allowable deductions such as mortgage interest and insurance costs. If the deductions exceed the rental income from the property, the excess can be deducted from other rental income arising in Ireland for that year. Any remaining excess deductions are treated as a rental loss for that first year and can be carried forward against any Irish rental income arising in later years until the loss is used up. If an individual does not have sufficient rental income to absorb a rental loss, the carry forward of the rental loss can continue beyond the 10-year period following the first letting of the property under a qualifying lease. Section 23 relief cannot be set against rental income from properties outside Ireland or against income from an individual's employment, profession, trade, investment or sale of capital assets.

The following example shows how the relief is granted;

### Example

In August 2004 Mr Ryan purchased a house from a builder for €379,000. The construction costs were €298,000 and the site cost was €43,000. The formula in section 5.5 is used to calculate the Section 23 qualifying expenditure;

$$379,000 \times \frac{\underline{\text{€}298,000}}{\text{€}298,000 + \text{€}43,000} = \text{€}331,208$$

The amount of the qualifying expenditure is €331,208. This amount can be deducted from the gross rent received from the property. The property is let from September 2004.

Gross Rent 2004		4,500
Less;		
Insurance	400	
Repairs	300	
Section 23 relief	<u>331,208</u>	
Total deductions		<u>331,908</u>
<b>Rental Loss</b>		<b>327,408</b>

This loss of **€327,408** is available against all Irish rental income in the year in which it arises. Any excess can be carried forward against Irish rental income for later years.

Mr Ryan owns two other properties for which he completed a 2004 rental computation.

	<b>Property 1</b>	<b>Property 2</b>	<b>Property 3</b>
(Section 23 property)			
<b>Loss (327,408)</b>			
Profit		20,000	30,000

€0,000 of the loss of €327,408 is set against the profit arising from properties 2 and 3, so no tax is payable on Mr. Ryan's rental income for 2004. A loss of €277,408 can be carried forward against Mr. Ryan's Irish rental income in later years.

## 9. Withdrawal of Section 23 relief

### 9.1 Property ceases to be a qualifying property

The relief is withdrawn if, at any time during the 10-year period following the first letting of the property under a qualifying lease, the property ceases to be a qualifying property. If this happens, the relief already granted will be withdrawn by treating the amount allowed as if it were rent received in the year in which the property ceased to be a qualifying property. Relief will not be available to a subsequent purchaser.

A property ceases to be a qualifying property if there is a breach of the conditions pertaining to a scheme.

Examples of breaches of the conditions are the use of the property, at any stage, as the claimant's residence, the extension of the property beyond the space limitations allowed, the rent-free occupation of the property or the letting of a property under the rural renewal scheme for periods of less than 3 months. Section 3 contains details of the conditions to be fulfilled. Any such withdrawal of relief should be accounted for under the self-assessment system as the receipt of rent on the relevant income tax return.

### 9.2 Sale of a Section 23 property

To continue to be entitled to Section 23 relief, *a property must be retained and let under a qualifying lease for a period of 10 years from the date that the property was first let under a qualifying lease*. Section 3 contains details of qualifying leases. The relief already granted is withdrawn if the property is sold within this 10-year period. In the year of sale the seller is treated as having received an amount of rent equal to the amount of the Section 23 relief granted up to the year of sale. Section 10 contains details of the Section 23 relief that is available to a subsequent purchaser of the property.

#### **Example**

Mr Browne refurbished a rural renewal scheme property owned by him during 2001. The refurbishment costs were €50,000. He is entitled to Section 23 relief on this amount. He let the property under a qualifying lease in February 2002.

<b>2002</b>		<b>2003</b>	
Rental Income	5,000	Rental Income	6,000
Section 23 Relief	<u>50,000</u>	Loss forward from 2002	<u>45,000</u>
Loss	(45,000)	Loss	(39,000)
<b>2004</b>			
Rental Income	8,000		
Loss forward from 2003	<u>39,000</u>		
Loss	(31,000)		

The property is sold in February 2005. As it is sold within the 10-year period following its first letting under a qualifying lease, there is a withdrawal of the relief already granted. Mr Browne is assessed for the year 2005 (the year of sale) on the amount of the relief granted to him as if it were additional rental income together with any rent received in respect of the property in 2005 to the date of sale.

### 2005

Rental Income	1,200
Rent deemed received (Section 23 relief)	<u>50,000</u>
Total Rental Income	51,200
<i>Loss forward</i>	<i>(31,000)</i>
<b>Net Rental Income</b>	<b>20,200</b>

Although the full amount of the section 23 relief is withdrawn, the net effect is that Mr. Browne is assessed for 2005 only on the amount of Section 23 relief actually availed of by him up to the time of sale, i.e. €20,200. If Mr. Brown had received rental income from other properties during this period and this income had absorbed some of the section 23 relief, the amount of the assessment for 2005 would be higher.

### 9.3 Death of a claimant<sup>5</sup>

The death of the owner of a Section 23 property within 10 years of first letting the property is treated as the disposal of the property and there is a withdrawal of all of the relief already granted. The withdrawn relief is accounted for in the same way as the disposal of the property as detailed in section 9.2 and is a liability for the deceased person's estate. The interest in the property passes at the time of death and the beneficiary of the property is entitled to section 23 relief from that time provided that he or she fulfills all of the relevant conditions. Section 3 outlines the conditions that must be fulfilled for the property to qualify for relief. The new owner must continue to let the property under a qualifying lease(s) for the remainder of the 10-year period and may claim the relief even if the deceased person, for whatever reason, has not claimed the relief.

Where the beneficiary is the surviving spouse, and that spouse is the assessable spouse for the year of death, the loss arising due to his or her Section 23 relief claim may be set against the pre-death profit arising from the withdrawal of the relief from the deceased person.

In effect, no additional liability arises for the year of death as a result of the transfer of the property. However, where the deceased spouse was the assessable spouse, the surviving spouse becomes chargeable for that year on the income from the year of death. As there is no provision for setting a Section 23 loss for the post-death period against the pre-death liability, a tax liability is likely to arise for the estate of the deceased spouse. Such a liability could also arise where the couple are taxed as single persons for the year of death. To alleviate this situation, Revenue allow the deduction due to the surviving spouse to be set against the amount assessable on the deceased in

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<sup>5</sup> See Tax Briefing issue 23 September 1996 available at [www.revenue.ie](http://www.revenue.ie) under 'Publications'.

the year of death in respect of the withdrawal of the Section 23 relief. A formal undertaking has to be given by the surviving spouse that if any event occurs that gives rise to a further withdrawal of relief, within the 10-year period from the date the property was first let by the deceased spouse, the amount of the relief to be withdrawn from the surviving spouse will be the full amount of the section 23 relief allowed in relation to the property both in the pre-death and post-death period. This practice applies where the ownership of a property passes on or after 6 April 1995.

### **Example**

In the example in section 9.2 Mr. Browne's income for 2005, the year in which he sold the Section 23 property, is as follows;

#### **2005**

Rental Income	1,200
Rent deemed received	<u>50,000</u>
<i>(Section 23 relief)</i>	
Total Rental Income	51,200
<i>Loss forward</i>	<i>(31,000)</i>
<b>Net Rental Income</b>	<b>20,200</b>

Mr. Browne is assessed on €20,200, the amount of Section 23 relief actually used by him up to the time of sale. If he had died in February 2005 the liability would also have been based on rental income of €20,200. If Mrs. Browne inherits the property she will be entitled to claim the full amount of the relief that was originally granted to her deceased husband. This amount was €50,000. If Mrs. Browne is the assessable spouse, her position for 2005 is as follows;

Rental Income	20,200
(pre death husband)	
Less rental loss	<u>20,200</u>
Rental income	Nil
Rental Income	6,000
(post death wife)	
Remaining S23 relief	<u>29,800</u>
<i>Rental Loss</i>	<i>(23,800)</i>

This loss of €23,800 can be carried forward against Mrs. Browne's future rental income. However, if Mrs. Browne was not the assessable spouse she will only be entitled to set her Section 23 loss against the pre-death liability if she gives a formal undertaking that if, for whatever reason, she becomes subject to a withdrawal of the Section 23 relief granted, the amount to be withdrawn will be €50,000, the full amount of the Section 23 relief, and not just whatever amount she may have claimed in the post-death period. Without such an undertaking Mr. Browne's estate would have additional taxable income of €20,200. An assessable spouse is subject to the same withdrawal of relief but does not have to provide the formal undertaking.

## 9.4 Transfer of property between spouses

The Revenue practice referred to in the second paragraph of section 9.3 also applies where a section 23 property passes between spouses as a result of a legally enforceable maintenance arrangement (as defined in section 1025 Taxes Consolidation Act, 1997) or in circumstances where a property is transferred from the name of one spouse into the joint names of both spouses. Where one of the parties was the sole owner of the property and becomes a joint owner, 50% of the full amount of the relief granted is withdrawn from that person. Where one of the parties was the joint owner of the property and becomes the sole owner, 50% of the relief would already have been granted to each party and this 50% is the amount that is withdrawn from the other spouse. The practice applies only to transfers of property between spouses and does not apply to transfers between parents and children or between any other parties.

## 10. Purchase of a second-hand section 23 property

If a Section 23 property is sold more than 10 years after the date on which the property was first let under a qualifying lease, there is no withdrawal of the relief already granted and the new purchaser is **not** entitled to relief, even if relief was not claimed by the original owner. If a property is purchased within the 10-year period and the property is still a qualifying property, Section 23 relief will be available to the new purchaser provided that he or she fulfills all of the relevant conditions. Section 3 outlines the conditions that must be fulfilled for the property to qualify for relief. The new owner must continue to let the property under a qualifying lease(s) for the **remainder** of the 10-year period and may claim the relief even if the original owner, for whatever reason, has not claimed the relief. The 10-year period does not start again for the second owner.

### 10.1 Documentation required

Section 6 contains details of what should be checked before purchasing a second-hand property. Section 6.1 contains details of the documentation that is required in support of a claim for relief. A second purchaser has the same responsibility as the original purchaser to prove that he or she has fulfilled all of the required conditions for entitlement to relief. The same documentation is therefore required. The new purchaser should check that the original owner let the property under a qualifying lease throughout his or her period of ownership and should obtain copies of the lease(s).

The new purchaser need not be concerned with any withdrawal of relief from the seller as this is a matter solely for the seller and Revenue.

## 10.2 Amount of relief on second-hand property

A purchaser of a second-hand qualifying property is generally entitled to the full amount of the relief that was available to the original purchaser. Section 5 deals with the costs that are relevant for the purpose of the relief and how to calculate the amount of the relief in different situations. However, if the amount of relief produced by the following adjustment of purchase price formula is **lower** than the relief that was available to the original purchaser, the amount produced by the formula is to be used.

$$\text{Price paid to original owner} \quad \times \quad \frac{A}{B + C}$$

A = construction expenditure incurred in the qualifying period

B = total construction expenditure

C = expenditure on site acquisition

The same formula applies to the purchase of a newly refurbished or converted property, with A and B in the formula being the refurbishment or conversion costs and C being the cost of the building, including site, prior to refurbishment or conversion.

Generally, in a market where property prices are rising the relief due to a second (or subsequent) purchaser will be the amount of relief that was available to the original purchaser. This is because the price paid for the property by the subsequent purchaser will be higher than the price paid by the original owner.

### **Example**

Mr. Kennedy bought a refurbished urban renewal property from a builder for €250,000 in April 2000. The builder, who purchased the property for €100,000 had spent €60,000 directly on refurbishment and €4,000 on marketing and selling the refurbished property. The builder incurred legal costs of €10,000 in dealing with a compensation claim by a visitor who had been injured on the building site. Mr. Kennedy's qualifying expenditure according to the price adjustment formula was as follows;

$$250,000 \quad \times \quad \frac{€50,000}{€60,000 + €100,000} \quad = \quad €78,125$$

Mr. Kennedy let the property under a qualifying lease in June 2000. He sold the property to Mr. Daly for €300,000 in January 2005. Mr. Daly's qualifying expenditure according to the adjustment of price formula is as follows;

$$300,000 \quad \times \quad \frac{€50,000}{€60,000 + €100,000} \quad = \quad €3,750$$

The amount of Mr. Daly's qualifying Section 23 expenditure is restricted to €78,125, the amount of relief that was available to Mr. Kennedy, as this is lower than the amount of €3,750 produced by the price adjustment formula.

### **10.3 Obligations on new owner**

As with the first purchase of a qualifying property, the property must be let by any subsequent purchaser under a qualifying lease before relief can be claimed. It must continue to be let under a qualifying lease(s) for a period of 10 years from the date of the first qualifying lease, apart from reasonable periods of temporary disuse between the ending of one lease and the commencement of another. A new claimant does not need to obtain any form of advance approval or permission from Revenue to apply for the relief.

Provided that all of the conditions pertaining to a scheme are fulfilled, a claimant can claim the relief in his or her annual income tax return under the self-assessment system. The claim can be made for the year in which the first qualifying lease is drawn up by the new owner. See sections 7 and 8 for details of how to make a claim and how Section 23 relief is granted.

As with the first purchase of a qualifying property, the relief is withdrawn if, at any time during the remainder of the 10-year period from the time the property was first let under a qualifying lease, the property is either sold or ceases to be a qualifying property. Section 9 contains details of how a property might cease to be a qualifying property and how to account for the withdrawal of relief.

## **APPENDIX 1**

### **Construction, Refurbishment, Conversion**

#### **Construction**

The meaning of construction is generally self-explanatory. However, in the case of the living over the shop scheme any construction must be 'necessary construction'. Additional storeys can be built only where they are required to restore or enhance the streetscape. A replacement building can be constructed where a dangerous building order has been issued and it is required to restore the streetscape. The replacement building must be consistent with the character and size of the original building. Extensions, limited to 30% of the existing floor area, to existing buildings must be necessary to facilitate access to residential accommodation or to provide essential facilities. What constitutes necessary construction is determined by the relevant local authority.

#### **Refurbishment**

Refurbishment includes construction, reconstruction, repair or renewal and the provision or improvement of water, sewerage or heating facilities where a certificate of compliance or of reasonable cost in respect of the work is issued by the Department of the Environment, Heritage and Local Government. The Department of the Environment, Heritage and Local Government are required to certify that the refurbishment work was necessary for the purposes of ensuring that a house is suitable for use as a dwelling. In relation to the façade of a house that fronts onto a street in the town renewal scheme, the construction, reconstruction, repair or renewal must be carried out in the course of the maintenance, repair or restoration of that façade. In the case of the rural and town renewal schemes, the pre-refurbished building can contain a single dwelling. In the case of the living over the shop, urban renewal and student accommodation schemes, the pre-refurbished building must contain at least two dwellings.

#### **Conversion**

Conversion is the conversion into a house of a building, or part of a building, that was not previously used as a house or the conversion of a building, or part of a building into multiple house units. The conversion of part of a building is restricted to the living over the shop, urban renewal and town renewal schemes. Conversion includes the carrying out of any works of construction, reconstruction, repair or renewal, and the provision or improvement of water, sewerage or heating facilities in the course of the conversion. As the works must be carried out in the course of the conversion, certain works are not regarded as conversion. These would include general repairs to a building or construction that was not actually part of the conversion work.

## **Alterations to Land**

Construction, refurbishment and conversion also refers to work carried out in relation to the land on which the dwellings are situated or which is used in the provision of gardens, grounds, access or amenities in relation to the dwellings. The type of work covered is;

- the demolition or dismantling of any building on the land
- site clearance, earth moving, excavation, tunnelling and boring, laying of foundations, erection of scaffolding, site restoration, landscaping and the provision of roadways and other access works
- the construction of walls, the provision of power supply, drainage, sanitation and water supply
- the construction of any outhouses or other buildings or structures for use by the occupants of the dwellings.

**APPENDIX 2**

**CURRENT INCENTIVE SCHEMES**

<b>SCHEME</b>	<b>QUALIFYING PERIOD</b>	<b>FLOOR AREA</b>
Integrated area urban renewal	1 August 1998 to 31 July 2006 If 15% certificate not issued, end date is 31 December 2004 (see note 1)	Not less than 38 square metres and not more than 125 square metres
Town renewal	1 April 2000 to 31 July 2006 If full and valid planning application not submitted on or before 31 December 2004, end date is 31 December 2004	Not less than 38 square metres and not more than 125 square metres, or 150 square metres in the case of conversion or refurbishment expenditure incurred on or after 6 April 2001
Rural renewal	1 June 1998 to 31 July 2006 If full and valid planning application not submitted on or before 31 December 2004, end date is 31 December 2004	Not less than 38 square metres and not more than 140 square metres for construction expenditure incurred before 6 December 2000, or 150 square metres for conversion or refurbishment expenditure incurred before 6 December 2000, or 175 square metres for expenditure incurred on or after 6 December 2000
Living over the shop	6 April 2001 to 31 July 2006 If full and valid planning application not submitted on or before 31 December 2004, end date is 31 December 2004	Not less than 38 square metres and not more than 125 square metres
Student accommodation	1 April 1999 to 31 July 2006 If full and valid planning application not submitted on or before 31 December 2004, end date is 31 March 2003	Not less than 55 square metres and not more than 160 square metres (see guidelines for further details)
Park and ride	1 July 1999 to 31 July 2006 If full and valid planning application not submitted on or before 31 December 2004, end date is 31 December 2004	Not less than 38 square metres and not more than 125 square metres

**Note 1:** The termination date was originally extended from 31 December 2002 to 31 December 2004 where 15% of the total project cost was incurred by 31 December 2002, and a local authority certificate to this effect was issued by 30 April 2003. These dates were later changed; the current position is that 15% of the total project cost must be incurred by 30 June 2003, and the local authority certificate to this effect must be issued by 30 September 2003.

## TERMINATED INCENTIVE SCHEMES

SCHEME	QUALIFYING PERIOD	FLOOR AREA
Custom House Docks	30 January 1991 to 31 December 1999	In the case of a separate self-contained flat or maisonette in a building of 2 or more storeys not less than 30 square metres and not more than 125 square metres or 90 square metres for construction expenditure incurred before 12/4/1995, or 90 square metres for conversion or refurbishment expenditure incurred before 26/1/94. Otherwise not less than 35 square metres and not more than 125 square metres.
Temple Bar	30 January 1991 to 5 April 1999 unless extension applies. If 50% of costs incurred by 5 April 1999 and certificate stating this issued by 31 July 1999, end date is 31 December 1999.	In the case of a separate self-contained flat or maisonette in a building of 2 or more storeys not less than 30 square metres and not more than 125 square metres or 90 square metres for construction expenditure incurred before 12/4/1995, or 90 square metres for conversion or refurbishment expenditure incurred before 26/1/94. Otherwise not less than 35 square metres and not more than 125 square metres.
1994 Urban Renewal	1 August 1994 to 31 July 1997 unless extension applies. If 15% of costs incurred by 31 July 1997 and certificate stating this issued by 30 September 1997, end date is 31 July 1998. If additional certificate issued by local authority, end date is 31 December 1998. If 50% of costs incurred by 31 December 1998 and certificate stating this issued by 28 February 1999, end date is 30 April 1999.	In the case of a separate self-contained flat or maisonette in a building of 2 or more storeys not less than 30 square metres and not more than 125 square metres or 90 square metres for construction expenditure incurred before 12/4/1995. Otherwise not less than 35 square metres and not more than 125 square metres.

Seaside Resorts	1 July 1995 to 30 June 1998 unless extension applies. If 15% of costs incurred by 30 June 1998 and certificate stating this issued by 30 September 1998, end date is 30 June 1999. If 50% of costs incurred by 30 June 1999 and certificate stating this issued by 30 September 1999, end date is 31 December 1999.	In the case of a separate self-contained flat or maisonette in a building of 2 or more storeys not less than 30 square metres and not more than 125 square metres. Otherwise not less than 35 square metres and not more than 125 square metres
Islands	1 August 1996 to 31 July 1999 unless extension applies. If 15% of costs incurred by 31 July 1999 and certificate stating this issued by 31 October 1999, end date is 31 December 1999.	In the case of a separate self-contained flat or maisonette in a building of 2 or more storeys not less than 30 square metres and not more than 125 square metres. Otherwise not less than 35 square metres and not more than 125 square metres

**APPENDIX 3**

**INTEGRATED AREA URBAN RENEWAL SCHEME  
AREAS DESIGNATED**

<b>CITY/COUNTY</b>	<b>AREA/TOWN</b>
Cork	Blackpool/Shandon City Docks Area
Dublin	Ballymun HARP Inchicore/Kilmainham Liberties/Coombe North East Inner City Millennium/O'Connell St
Galway	3 suburban local authority estates
Limerick	1 large central area
Waterford	Periphery of commercial centre
Carlow	Carlow
Clare	Shannon
Cork	Bandon Cobh Mallow (N) Passage West(S)/Glenbrook
Donegal	Buncrana
Dublin	Dun Laoghaire Balbriggan North West Blanchardstown North Clondalkan Tallaght
Galway	Tuam
Kerry	Tralee
Kildare	Athy Kildare
Kilkenny	Kilkenny
Laois	Portlaoise
Limerick	Newcastlewest
Longford	Longford
Louth	Drogheda Dundalk
Mayo	Ballina
Meath	Navan
Monaghan	Monaghan
Offaly	Birr Tullamore Clara
Sligo	Sligo

Tipperary	Roscrea Thurles Carrick-on-Suir Tipperary
Waterford	Dungarvan
Westmeath	Athlone Mullingar
Wexford	New Ross
Wicklow	Arklow Wicklow

## RURAL RENEWAL SCHEME - QUALIFYING AREAS

COUNTY	AREA
Cavan	The District Electoral Divisions of Arvagh, Springfield, Killashandra, Milltown, Carrafin, Grilly, Kilconny, Belturbet Urban, Ardue, Carn, Bilberry, Diamond, Doogary, Lissanover, Ballymagauran, Ballyconnell, Bawnboy, Templeport, Benbrack, Pedara Vohers, Tircahan, Swanlinbar, Kinawley, Derrynananta, Dunmakeever, Dowra, Derrylahan, Tuam, Killinagh, Eskey, Teebane, Scrabby, Loughdawan, Bruce Hall, Drumcarban, Corr, Crossdoney, and Killykeen.
Leitrim	The administrative county of Leitrim.
Longford	The administrative county of Longford.
Roscommon	The District Electoral Divisions of Ballintober, Castletheen, Carrowduff, Kilbride North, Lissonuffly, Killavackan, Termonbarry, Roosky, Kilglass North, Kilglass South, Bumlin, Cloonfinlough, Killukin (in Roscommon Rural District), Strokestown, Annaghmore, Tulsk, Coolougher, Ballinlough, Kiltullagh, Cloonfower, Artagh South, Artagh North, Ballaghaderreen, Edmondstown, Loughglinn, Buckill, Fairymount, Castlereagh, Frenchpark, Bellangare, Castleplunket, Baslick, Breedoge, Altagowlan, Lough Allen, Ballyfarnan, Keadue, Aghafin, Ballyformoyle, Crossna, Kilbryan, Boyle Rural, Boyle Urban, Tivannagh, Rushfield, Tumna North, Tumna South, Killukin (in Boyle No. 1 Rural District), Oakport, Rockingham, Danesfort, Cloontem, Kilmore, Elia, Ballygarden, Aughrim East, Aughrim West, Creeve (in Boyle No. 1 Rural District), Creeve (in Roscommon Rural District), Elphin, Rossmore, Cloonyquinn, Ogulla, Mantua, Lisgarve, Kilmacumsey, Kilcolagh, Estersnow, Croghan, Killummod, Cregga, Cloonygormican, Kilbride South, Kilgefin, Cloontuskert, Drumdaff, and Kiltieven.
Sligo	The District Electoral Divisions of Ballintogher East, Ballynakill, Lisconny, Drumfin, Ballymote, Cloonohill, Leitrim, Tobercurry, Kilturra, Cuilmore, Kilfree, Coolavin, Killaraght, Templevanny, Aghanagh, Kilmactranny, Ballynashee, Shancough, Drumcolumb, Riverstown, Lakeview, Bricklieve, Drumrat, Toomour, Kilshalvy, Killadoon, Streamstown, Cartron, Coolaney, Owenmore, Temple, Annagh, Carrickbannagher, Collooney, and Ballintogher West.

## TOWN RENEWAL SCHEME – DESIGNATED TOWNS

COUNTY	TOWNS
Carlow	Hacketstown, Muinbheag, Tullow, Tinnahinch/Graiguenamanagh
Cavan	Cavan, Cootehill, Baileborough, Ballyjamesduff
Clare	Scarriff, Sixmilebridge, Kilrush, Miltown Malbay, Ennistymon
Cork	Cloyne, Skibbereen, Charleville (Rathluirc), Doneraile, Kanturk, Bantry, Fermoy
Donegal	Moville, Ardara, Ramelton, Ballyshannon, Ballybofey - Stranorlar
Galway	Portumna, Headford, Loughrea, Clifden, Ballygar
Kerry	Listowel, Castleisland, Killorglin, Caherciveen
Kildare	Kilcullen, Castledermot, Rathangan, Kilcock, Monasterevan
Kilkenny	Callan, Castlecomer, Thomastown, Urlingford, Piltown
Laois	Mountrath, Rathdowney, Portarlinton, Mountmellick
Limerick	Abbeyfeale, Castleconnell, Croom, Kilmallock, Rathkeale
Louth	Carlingford, Ardee, Dunleer, Castlebellingham
Mayo	Ballinrobe, Belmullet, Claremorris, Foxford, Newport
Meath	Oldcastle, Duleek, Kells, Trim
Monaghan	Clones, Castleblayney, Ballybay
Offaly	Clara, Ferbane, Edenderry, Banagher
Roscommon	Roscommon
Sligo	Rosses Point, Bellaghy-Charlestown
Tipperary N.R.	Nenagh, Templemore, Borrisokane, Littleton
Tipperary S.R.	Cashel, Killenaule, Cahir, Fethard
Waterford	Cappoquin, Portlaw, Kilmacthomas, Tallow
Westmeath	Kilbeggan, Castlepollard, Moate
Wexford	Ferns, Bunclody, Taghmon, Gorey
Wicklow	Dunlavin, Rathdrum, Carnew, Baltinglass, Tinahely

## SEASIDE RESORT SCHEME - DESIGNATED RESORTS

COUNTY	RESORT (note)
Clare	Kilkee Lahinch
Cork	Clonakilty Youghal
Donegal	Bundoran
Galway	Salthill
Kerry	Ballybunion
Louth	Clogherhead
Mayo	Achill Westport
Meath	Bettystown Laytown Mosney
Sligo	Enniscrone
Waterford	Tramore
Wexford	Courtown
Wicklow	Arklow

**Note:** Schedule 8 to the Taxes Consolidation Act 1997 specifies the qualifying areas of the resorts.

## DESIGNATED ISLANDS

COUNTY	ISLAND
Cork	Bere Clear Dursey Hare Long Sherkin Whiddy
Donegal	Arranmore Inishbofin Inishfree Tory
Galway	Inisbofin Inisheer Inishmaan Inishmore
Limerick	Foynes
Mayo	Claggan Clare Inishbiggle Inishcottle Inishlyre Inishturk
Sligo	Coney

## APPENDIX 4

### CERTIFICATE OF REASONABLE COST / COMPLIANCE

A **Certificate of Reasonable Cost** is required where the builder/developer retains ownership and then lets the newly constructed/refurbished/converted properties. It certifies that the cost of providing the accommodation is reasonable, that the dwelling unit is within the specified floor area limits and that it complies with the standards as outlined in the Department of the Environment, Heritage and Local Government Memorandum, HA1 – April, 2004. In the case of refurbishment projects it also certifies that the work was necessary for the purposes of ensuring the suitability of the property as a dwelling of accommodation.

An application may only be made by the builder/developer. Application forms and all supporting documentation should be submitted prior to the commencement of work. Where refurbishment work is proposed a prior inspection of the development, as it exists, is a requirement.

To apply for a Certificate of Reasonable Cost complete form HPF/1 and return it, together with the appropriate documentation and fee to the Department of the Environment, Heritage and Local Government, Housing Grants Section, Room F9/10, Government Buildings, Ballina, Co. Mayo. Each application for a Certificate of Reasonable Cost must be accompanied by the following:-

- (a) Fully dimensioned drawings of house/apartment to a scale of 1:50 showing floor plans, sections, and elevations.
- (b) Site location plan to a scale of 1:2500 and site plan showing details to a scale of 1:500 including numbering scheme, north point etc.
- (c) Detailed specification of construction
- (d) Copy of Planning Permission and in the case of apartments a copy of the Fire Safety Certificate.
- (e) Breakdown of Costs where;
  - the applicant executes the works, details of labour and materials costs plus other expenses incurred
  - work is carried out under contract, details of tender, design fees, etc., and copy of final account.

The Department of the Environment, Heritage and Local Government at all times reserves the right to request a Bill of Quantities.

A fee of €63.49 for the first unit, plus €25.39 for each additional unit is payable in respect of an application for a Certificate of Reasonable Cost.

Where tax relief on rental income is being claimed by a person other than the developer (e.g. by the purchaser of a property), it is necessary to obtain a **Certificate of Compliance**. This certifies that the accommodation is within the specified floor area limits and that it complies with the standards set out in these guidelines and the standards as outlined in the Department of the Environment, Heritage and Local Government Memorandum, HA1 – April, 2004. In the case of refurbishment projects, it also certifies that the work was necessary for ensuring the suitability of the property as a dwelling of accommodation.

To apply for a Certificate of Compliance complete form HPF/2 and return it, together with the appropriate documentation, to the Department of the Environment, Heritage and Local Government, Housing Grants Section, Room F9/10, Government Buildings, Ballina, Co. Mayo. An application may only be made by the builder/developer. Application forms and all supporting documentation should be submitted prior to the commencement of work. Where refurbishment work is proposed a prior inspection of the development, as it exists, is a requirement.

Each application for a Certificate of Compliance must be accompanied by the following;

- (a) Fully dimensioned drawings of house/apartment to a scale of 1:50 showing floor plans, sections, and elevations
- (b) Site location plan to a scale of 1:2500 and site plan showing details to a scale of 1:500 including numbering scheme, north point etc.
- (c) Detailed specification of construction
- (d) Copy of Planning Permission and in the case of apartments a copy of the Fire Safety Certificate.

It may happen that the certificate of compliance or the certificate of reasonable cost is not available by the end of the tax year for which relief is being claimed. The relief may still be claimed, provided that the appropriate certificate is obtained by the date on which the income tax return is due to be submitted to the Revenue Commissioners.

**END**