

# **Deduction for Retrofitting Expenditure**

## **Part 04-08-20**

This document should be read in conjunction with sections 97, 97B and 1095 Taxes Consolidation Act 1997

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## 1. Introduction

Section 32 Finance Act 2022 inserted a new section 97B into the Taxes Consolidation Act 1997 (TCA). This section gives a tax incentive for landlords of rented residential property to undertake retrofitting works while the tenant remains in situ. The section provides for a tax deduction against rental income for certain retrofitting expenses incurred by landlords on rented residential properties.

The expenses that qualify for deduction are those for which the landlord has received a home energy grant from the Sustainable Energy Authority of Ireland (SEAI). The tax deduction is conditional on the landlord having received a grant from the SEAI for the retrofitting works.

The following are the key features of this measure:

- A tax deduction of up to €10,000 per property in respect of retrofitting works is available, with landlords being able to claim for up to two properties. A deduction for Universal Social Charge (USC) and Pay Related Social Insurance (PRSI) will also apply.
- Retrofitting works carried out in a year can be claimed against Case V rental income for the following year. For example, expenses on retrofitting works undertaken in 2023 can be claimed as a tax deduction against Case V rental income for 2024 (the return for which is due to be filed in 2025).
- For the purposes of calculating the deduction available to a landlord under this section, the amount of the SEAI grant received is not considered to be expenditure incurred by the landlord.
- To qualify for deduction, retrofitting expenditure must be incurred in the period between 1 January 2023 and 31 December 2025.
- The landlord must be tax compliant and registered with the Residential Tenancies Board (RTB) unless the property is of a type to which Part II of the Housing (Private Rented Dwellings) Act of 1982 applies<sup>1</sup> (there is no obligation for tenancies of such dwellings to be registered with the RTB).
- There will be a clawback of the deduction claimed where, during the two-year period following the end of the year in which the retrofitting works are completed, the landlord serves a notice to quit on the tenant or where the landlord ceases to let the premises as a residential property.

This Manual outlines -

- the circumstances in which relief is available and the amount of relief that can be claimed (paragraph 2).
- how the landlord claims the deduction (paragraph 2).

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<sup>1</sup> Section 24 Finance (No 2) Act 2023 amended section 97B TCA to include dwellings to which Part II of the 1982 Act applies; they were not previously eligible for the retrofitting deduction.

- the circumstances where a landlord is eligible to claim the deduction and where they are not (paragraph 3).
- How the deduction is apportioned in cases of joint ownership (paragraph 4); and
- how a clawback of the deduction will operate in certain circumstances (paragraph 5).

## 2 What relief is available under section 97B TCA?

### 2.1 What is the amount of the deduction?

The maximum deduction available to landlords in respect of retrofitting works carried out on a rented residential property is €10,000. The amount that can be claimed (per the definition of “relevant amount” in section 97B(1) TCA) is the lesser of

- the amount of qualifying expenditure actually incurred, or
- €10,000.

Landlords can claim a deduction under section 97B TCA in respect of a maximum of two properties. The incentive can only be claimed in respect of rental income.

**Example 1:** During 2023, a landlord carried out retrofitting work costing €25,000 on a rented residential property. Of the total amount incurred, €14,000 qualified for an SEAI home energy grant. A deduction can be claimed under section 97B TCA for €10,000. The deduction is the lesser of—

- the amount of qualifying expenditure incurred (in this case, this is €11,000 – the total expenditure incurred less the amount of the SEAI grant received), or
- €10,000.

**Example 2:** During 2024, a landlord carried out retrofitting work costing €23,000. Of the total amount of expenses incurred, €15,000 qualified for a SEAI grant. The amount of qualifying expenditure incurred by the landlord is €8,000 (total expenditure of €23,000 minus grant of €15,000). Because this is lower than the maximum deduction available, the amount the landlord can claim as a deduction is €8,000, which is set against their 2025 rental income.

**Example 3:** A landlord has two rented residential properties. In 2023 they retrofitted both at a cost of €20,000 per property. The first property qualified for an SEAI grant of €15,000 and the second property qualified for a grant of €18,000. In this case the landlord incurred qualifying expenditure for €5,000 for the first property and €2,000 for the second, so the deduction that can be claimed is €7,000 against their 2024 rental income.

## 2.2 How is the deduction claimed?

A deduction under section 97B TCA can be claimed by an individual landlord when completing their annual tax return; either Form 11 for self-assessed taxpayers, Form 12 for a PAYE taxpayer or CT1 Corporation Tax Return in the case of a company. When claiming the deduction, a landlord will be required to provide the following information in relation to each property in respect of which the deduction is being claimed (set out in section 97B(12) TCA):

- the unique identification number of the property for Local Property Tax purposes (LPT ID);
- the Eircode of the property;
- the amount of the SEAI grant received;
- the amount of the qualifying expenditure incurred;
- the “relevant amount” (the amount of deduction being claimed);
- the name, business address (including Eircode), tax reference number and VAT registration number of the contractor engaged to carry out the works;
- confirmation that the property is a qualifying premises for the purposes of claiming this deduction; and
- any other information that the Revenue Commissioners may require.

As noted in paragraph 2.2, unlike normal rental expenses, a deduction for retrofitting expenditure under section 97B TCA will not be made against the Case V income from that property for the same year (that is, the year in which the qualifying expenditure was incurred). Instead, the deduction is claimed against the rental income of the year following that in which the expense was incurred (section 97B(4) TCA). For example, expenses incurred on retrofitting works in 2023, are deductible against rental income for 2024. The deduction also applies to USC and PRSI.

## 3 What are the eligibility criteria for the deduction?

To avail of the deduction, both the landlord and the premises must meet certain conditions.

The landlord must, on 31 December in the year of assessment in which the deduction is being claimed,

- have complied with Local Property Tax (LPT) requirements (section 97A(15) TCA), and
- hold a valid Tax Clearance Certificate issued in accordance with section 1095 TCA that has not been withdrawn (section 97A(16) TCA).

The property must also meet certain conditions (definition of “qualifying premises” in section 97A(1) TCA). It must be—

- occupied by a tenant under a tenancy registered with the Residential Tenancies Board (RTB),

or

- a premises to which Part II of the Housing (Private Rented Dwellings) Act 1982 apply, and
- rented as a residential premises.

**Example 4:** A landlord has a residential property that has been let to a tenant for several years and incurs eligible retrofitting expenses of €10,000 in 2023. The landlord claims the maximum deduction in their Form 11 for the year ended 31/12/2024. The rental property is not required to be registered with the RTB because it is a premises to which Part II of the Housing (Private Rented Dwellings) Act 1982 applies. The landlord is eligible to claim the deduction.

**Example 5:** A landlord has a residential property let to a Public Authority and occupied by social housing tenants. In 2023 the landlord receives an SEAI grant in the amount of €25,000, incurs expenses of an additional €10,000, retrofits the property and fulfils all other eligibility requirements. This landlord can claim the deduction of €10,000 in their 2024 tax return.

**Example 6:** A landlord has a residential property let to a tenant for several years. In 2024 the roof of the property had to be replaced and the tenant vacated the property. The landlord received a grant of €15,000 from SEAI and incurred additional retrofitting expenses of €10,000. When the repairs were completed, the original tenant did not return to the property as they had obtained accommodation elsewhere. The landlord listed the property on several sites and advertised the availability for rental. The property was not occupied on 31 December 2024 and a tenant did not occupy the property until March 2025. The landlord can claim the deduction of €10,000 in their tax return for 2025 because, although the property was unoccupied, it was actively being marketed for rent.

### 3.1 When can the deduction not be claimed?

The deduction cannot be claimed where **all** of the eligibility requirements are not met.

**Example 7:** A landlord has a rented residential property which is not registered with the RTB and is not subject to Part II of the Housing (Private Rented Dwellings) Act 1982. They are not LPT compliant and do not hold a valid Tax Clearance Certificate. The landlord receives an SEAI grant of €15,000 in 2023 and carries out retrofitting on the property, incurring additional expenses of €6,000. This landlord cannot claim the deduction as all eligibility requirements have not been met. If the landlord registers with the RTB, fulfils the LPT obligations and obtains a Tax Clearance Certificate in subsequent tax years they may be eligible to claim the deduction if further retrofitting works are carried out within the relevant period and an SEAI grant is received for those works.

**Example 8:** A landlord holds a rented residential property from 2022 onwards that is registered with the RTB. Retrofitting was carried out in 2023 that was subsidised by an SEAI grant and additional retrofitting expenses of €12,000 were funded directly by the landlord. The landlord intends to claim the maximum deduction in their 2024 Form 11, but the landlord sells the property in January 2024. The property has been disposed of within 2 years of the works being completed. This landlord is therefore not eligible to claim the deduction for retrofitting.

## 4 What happens when a property is owned by more than one landlord?

Section 97B (17)(d) TCA provides where a property is owned by more than one individual, the deduction will be apportioned between owners based on the rents returned by each owner. When this happens a landlord will be entitled to a deduction based on the proportion of rent each individual landlord receives. If there are three landlords receiving rent for a residential property, one of whom receives 50% of the rent and the other two receive 25% each, then the person who receives 50% of the rent will be entitled to half of the deduction and the other two will be entitled to a quarter of the deduction. The total deduction apportioned between the landlords cannot exceed €10,000.

**Example 9:** A rented residential property is owned by three landlords, landlord 1 owns an 80% share of the property and landlord 2 and 3 own 10% each. Retrofitting works that qualify for the relief are carried out in 2023 and the maximum deduction of €10,000 is available. Landlord 1 is entitled to a deduction of €8,000 in their 2024 tax return and landlords 2 and 3 can claim a deduction of €1,000 each in their respective returns for 2024.

**Example 10:** A landlord holds two rented residential properties, one in their own name and a 50% share in the other property, and both are retrofitted in 2023. Both properties are eligible for the maximum deduction of €10,000 in 2024. The landlord can claim the full deduction for the property held solely in their own name. They can also claim relief for the property in which they hold a 50% share. The deduction that can be claimed for the jointly owned property is 50% of the €10,000 available, €5,000.

**Example 11:** A landlord holds shares in four rented residential properties: an 80% share in property 1; 70% share in property 2; 50% share in property 3 and 30% share in property 4. Retrofitting was carried out in properties 1 and 4 in 2023, maximum relief of €10,000 is available in respect of both properties. The landlord is entitled to claim a deduction of €8,000 in their tax return for 2024 for property 1 and €3,000 for property 4 in their tax return for 2024.

**Example 12:** A couple in a civil partnership have a rented residential property and are entitled to the rent on a 70/30 split. Retrofitting works were carried out in 2023 and the maximum relief of €10,000 is available. They are not jointly assessed. In this case the person entitled to the 70% of the rent can claim a deduction of €7,000 in their tax return for 2024 and the person entitled to a 30% share of the rent can claim a deduction of €3,000 in theirs. Where a rented residential property is owned by a married couple or a couple in a civil

partnership who are taxed under separate assessment or separate treatment, they can each claim the deduction in their relevant tax returns based on the proportion of rent they receive.

## 5 When will a clawback of the deduction occur?

The relief will be clawed back in the following circumstances (section 97B(7) and (11) TCA):

- where, within two years of the first year in which relief was claimed, any of the landlords' qualifying residential properties are disposed of or are otherwise removed from the rental market;
- where the use of the property is changed from a residential letting such as a short-term letting - income from short-term lettings is taxable under Case I or Case IV (depending on the circumstances) rather than Case V and therefore is not eligible for a deduction under this section;
- where a property is no longer leased as a residential property - where a deduction is claimed under this section, the landlord must continue to lease the property as a residential property for two years after the end of the year in which the works have been completed; in these circumstances, the deduction claimed by the landlord will be clawed back unless the landlord rents the property again as a residential property or is actively seeking a tenant for the property.

**Example 13:** A landlord holds a rented residential property let to a tenant in 2024, 2025 and 2026. Retrofitting works costing €25,000 that qualify for relief are carried out in 2025. The landlord received an SEAI grant of €13,000 and the landlord claims the maximum deduction of €10,000 in their 2026 return. In 2027, the landlord sells the property. The relief is therefore clawed back because the property has been removed from the market within two years of the first year in which the deduction was claimed. An amended return for 2026 must be filed and the deduction of €10,000 granted in the original assessment must be clawed back, increasing the landlord's Case V liability by €10,000 in the 2026 tax return.

**Example 14:** A landlord holds a rented residential property. Retrofitting works costing €15,000 that qualified for relief were carried out in 2024. The landlord received an SEAI grant of €5,000 and the maximum deduction of €10,000 was claimed in their 2025 return. In 2026, the tenant leaves the property, and the landlord advertises the property as a short-term and holiday let and begins receiving tenants for this purpose. The landlord had claimed the maximum deduction on their 2025 tax return. A clawback of the deduction will occur because the property is no longer a rented residential property and an amended return for 2025 must be made.

**Example 15:** A landlord has a rented residential property let to a tenant in 2024 and 2025. Retrofitting works costing €30,000 were carried out in 2024. The landlord received an SEAI grant of €15,000 and the maximum deduction of €10,000 was claimed in the 2025 return. At the end of 2026 the property is sold which will trigger

a clawback of the relief. The deduction for retrofitting is not available where the property is disposed of within 2 years of the relief being claimed. An amended return for 2025 must be made.

**Example 16:** A landlord holds a rented residential property that is let to a tenant for 2024, 2025 and 2026. In 2025 renovations are carried out that qualify for relief and receives an SEAI grant. However, additional qualifying expenses of €7,000 are incurred. The landlord claims a deduction of €7,000 in their 2026 tax return. The tenant left the property for the duration of the works but did not return to the property. The landlord advertises the property and interviews potential tenants but does not secure a tenant until the beginning of 2026. In this case a clawback of the deduction will not occur because the landlord is actively seeking a residential tenant.

**Example 17:** A married couple taxed under Separate Assessment jointly hold an equal share of a rented residential property which is let to a tenant for 2024, 2025 and 2026. Retrofitting works that qualify for relief are carried out in 2025 and the maximum deduction of €10,000 is claimed in the 2026 return, each spouse claimed half the deduction. In 2027, the couple divorce and the rented property is transferred solely into one spouse's name as part of the divorce settlement. The property is still rented to the same tenant. In this case there will be no clawback of the relief.

**Example 18:** A landlord has a rented residential property which is let to tenants for 2024 and 2025. Retrofitting was carried out in 2025, this was subsidised by an SEAI grant and the landlord intends to claim the maximum deduction of €10,000 for additional qualifying expenses in their tax return for 2026. The landlord has met all of the eligibility requirements prior to claiming the deduction. In 2026, the landlord sells the property. Where a deduction is claimed under this section, the landlord must continue to lease the property as a residential property for 2 years after the end of the year in which the works have been completed. The landlord is not eligible for the deduction in their tax return for 2026 as the property has been disposed of within two years of the works being completed.

**Example 19:** A landlord has a rented residential property let to tenants for several years and the landlord meets all eligibility criteria to claim the deduction for retrofitting. Works subsidised by an SEAI grant were carried out in 2024 and the landlord claimed the maximum deduction of €10,000 in 2025 for additional qualifying expenses incurred. In 2026 the tenants leave, and the landlord ceases renting the property as a residential premises and changes the use to a commercial premises. To be eligible for this deduction the landlord must continue to lease the property as a residential property for 2 years after the end of the year in which the works have been completed. The deduction must therefore be clawed-back in this case and an amended return filed for 2025.