

# **Relief for interest paid on certain home loans**

## **Section 244, 244A and 245 TCA 1997**

### **Part 08-03-08**

Document last reviewed August 2020

---

## Table of Contents

1.	Introduction .....	4
2.	Tax relief at source (TRS).....	4
3.	Ceilings on Relief .....	4
4.	Rates of Relief .....	5
5.	Finance Act Changes .....	5
5.1.	Finance Act 2007 and 2008 changes .....	5
5.2.	Finance (No. 2) Act 2008 changes .....	5
5.3.	Finance Act 2009 changes .....	5
5.4.	Finance Act 2010 changes .....	5
5.5.	Finance (No. 3) Act 2011 changes .....	6
5.6.	Finance Act 2012 changes .....	6
5.7.	Finance Act 2013 changes .....	6
5.8.	Finance Act 2014 changes .....	7
5.9.	Finance Act 2017 changes .....	7
6.	First Time Buyers.....	7
6.1.	Overview.....	7
6.2.	Married couples/civil partners .....	8
6.3.	Joint ownership by individuals who are unmarried or are taxed under separate treatment .....	8
6.4.	Sale and purchase within first seven years.....	8
6.5.	Interval between sale and purchase.....	8
6.6.	Replacing inherited "qualifying residence" .....	8
6.7.	Examples.....	8
7.	Purchase, repair, development or improvement of a sole or main residence	10
8.	Sole or main residence .....	11
8.1.	Overview.....	11
8.2.	Two residences in regular use .....	11
8.3.	Residence under construction and purchase of sites.....	13
8.4.	Interaction with Finance Act 2013.....	14
8.5.	Joint purchase of a residence .....	15
8.6.	Job-related accommodation.....	15
8.7.	Mobile homes, caravans etc.....	16
9.	Evidence of the purposes for which a loan is used - minimal limit .....	16

---

9.1. Overview.....	16
9.2. Loans used partly for qualifying purposes and partly for non-qualifying purposes in excess of the minimal limit .....	16
10. Revolving credit.....	17
11. Two or more qualifying loans in existence at the same time.....	17
12. Apportionment – loans used for qualifying and non-qualifying purposes.....	17
13. Relief for interest on certain loans in connection with the acquisition of a new residence (Section 245 TCA 1997 – relief for certain bridging loans).....	20
14. Treatment of Joint Accounts .....	23
15. Implications of having parent as co-mortgagor/guarantor .....	23
16. Mortgage interest paid to local authorities .....	23
17. Mortgages taken out after 31 December 2012.....	24
18. Interest paid in the years 2018 - 2020 .....	24
Appendix 1 - Definitions .....	29
Appendix 2 – Rates of Relief and Ceilings .....	31

## 1. Introduction

This manual outlines the tax relief in respect of interest paid on certain home loans, as set out in section 244 TCA 1997. More specifically, the section provides for tax relief for interest paid by an individual on a loan used for the purchase, repair, development or improvement of his/her sole or main residence or of the sole or main residence of his/her former or separated spouse, civil partner or of a dependent relative.

Where such relief is due –

- (a) section 244A TCA 1997 provides that it shall be granted via the Tax Relief at Source (TRS) system for secured loans; and
- (b) where such relief has not been given via the TRS system, (e.g. unsecured loans) then the relief may be given in like manner to any other claim for tax relief.

## 2. Tax relief at source (TRS)

Section 23 of Finance Act 2001 provided for the introduction of TRS for mortgage interest on secured home loans. From 1 January 2002, the tax relief due on qualifying home loans has been given “at source” (i.e. at the time the mortgage interest is paid to the bank/building society). The net effect is that the amount of the tax relief is used to reduce the mortgage interest payments.

The TRS system applies to secured home loans - these are loans secured by the mortgage of freehold or leasehold estate or interest in a principal private residence.

The **Tax Relief at Source Section, Collector-General, Sarsfield House, Francis Street, Limerick – 01 738 36 63** is responsible for the operation of the TRS system [i.e. informing banks/building societies of TRS due in individual cases and making repayments of tax credits on claims by banks/building societies].

Interest relief on qualifying loans that are unsecured loans may be granted by the taxpayer’s Revenue Branch either by way of review at the end of the tax year or by way of relief shown on the certificate of tax credits during the year.

## 3. Ceilings on Relief

The maximum amount of interest in respect of which tax relief can be granted is known as a ‘ceiling’ on relief. The amounts of the ‘ceilings’ vary depending on the year of assessment, as illustrated in Appendix 2.

## 4. Rates of Relief

The rates of relief are contingent on a number of factors – in particular, as regards whether the borrower is a ‘first time buyer’ or a non-first time buyer (see [paragraph 6](#)).

## 5. Finance Act Changes

Several amendments to section 244 TCA 1997 have occurred in various Finance Acts. Some of the main changes are summarised below.

### 5.1. Finance Act 2007 and 2008 changes

Section 6 of Finance Act 2007 and section 7 of Finance Act 2008 increased the ‘ceilings’ of interest on which tax relief may be claimed.

See [Appendix 2](#) for further information.

### 5.2. Finance (No. 2) Act 2008 changes

Section 14 of Finance (No. 2 Act) 2008 changed the rates of tax relief on interest paid on qualifying home loans. In particular, it -

- (a) introduced three rates of relief for first time buyers; and
- (b) reduced the rate of relief to apply to non-first-time buyers.

See [Appendix 2](#) for further information.

### 5.3. Finance Act 2009 changes

Section 3 of Finance Act 2009 abolished, with effect from 1 May 2009, the tax relief on interest paid on home loans generally. However, tax relief continued to apply in respect of the interest paid on a qualifying home loan for a period of 7 years – see subsection (1A) of Section 244 TCA 1997.

**Note:** The Finance Act 2009 amendments were subsequently superseded by amendments introduced in Finance Act 2010, Finance Act 2012, Finance Act 2013 and Finance Act 2017.

### 5.4. Finance Act 2010 changes

Section 7 of Finance Act 2010 provided that tax relief was available -

- (a) for the tax years 2010 to 2017 inclusive on the interest paid on qualifying home loans (see [Appendix 2](#)) taken out on or after 1 January 2004 and on or before 31 December 2011; and
- (b) for the tax years 2012 to 2017 inclusive on the interest paid on qualifying home loans (see [Appendix 2](#)) taken out on or after 1 January 2012 and on or before 31 December 2012.

In addition, the rates of relief and the ceilings to apply to interest paid on loans at (b) differ from those that apply as respect of loans at (a) (see [Appendix 2](#)).

**Note:** The Finance Act 2010 amendments were subsequently superseded by amendments introduced in Finance Act 2012, Finance Act 2013 and Finance Act 2017.

### 5.5. Finance (No. 3) Act 2011 changes

Section 1 and Schedule 1 of Finance Act (No.3) 2011 provided that with effect from 2011, relief was extended to include civil partners and surviving civil partners.

### 5.6. Finance Act 2012 changes

Section 9 of Finance Act 2012 provided—

- (a) that tax relief was available for the tax years 2012 to 2017 inclusive on the interest paid on qualifying home loans taken out on or after 1 January 2004 and on or before 31 December 2012 (see [Appendix 2](#)); and
- (b) a new rate of relief of 30%, subject to first time buyer's and non-first time buyer's ceilings as respects qualifying interest paid on a qualifying loan taken out on or after 1 January 2004 and on or before 31 December 2008 to purchase an individual's -
  - (i) first qualifying residence, or
  - (ii) second or subsequent qualifying residence but only where the first qualifying residence was purchased on or after 1 January 2004.

### 5.7. Finance Act 2013 changes

Section 9 of Finance Act 2013 provided for some limited extensions of entitlement to mortgage interest relief, in respect of certain loans taken out in 2012 and 2013, for the tax years 2013 to 2017, as follows:

- (i) a loan taken out in 2012 to purchase a site on which a sole or main residence is to be constructed,
- (ii) a loan taken out in 2012 or 2013 to construct a home on a site, but only where such site was bought in 2012 by way of a loan taken out in 2012,
- (iii) a loan to repair, develop or improve an existing qualifying residential premises but only where loan approval was in place in 2012 and part of the loan was used in 2012 and the balance used in 2013 on such repair, development or improvement.

In the three instances above, in order to qualify for relief, any necessary planning permission must have been in place on or before 31 December 2012.

The Finance Act 2013 changes are contained in subsections (7) to (10) of section 244 TCA 1997.

## 5.8. Finance Act 2014 changes

Section 7 of Finance Act 2014 amended the definition of a “qualifying residence” in subsection (1) of section 244 TCA 1997, to include residential premises situated in an EEA State. Prior to 1 January 2015, a qualifying residence only included residential premises situated in the State, Northern Ireland or Great Britain.

## 5.9. Finance Act 2017 changes

Section 6 of Finance Act 2017 introduced several changes to section 244 TCA 1997. Mortgage interest relief, which was due to cease at the end of 2017, was extended to the end of 2020 but on a tapered basis.

Broadly, this tapered extension results in the continuation of the relief as follows:

- 75% of the existing relief into 2018,
- 50% into 2019, and
- 25% into 2020

This is achieved by a reduction in both the ceilings on allowable interest and the percentage of a loan’s interest which qualifies for relief.

See [paragraph 18](#) and [Appendix 2](#) for further information.

# 6. First Time Buyers

## 6.1. Overview

The term “first time buyer” means an individual who has not previously been entitled to relief in respect of interest paid on loans used for the purchase, repair, development or improvement of an individual's sole or main residence (i.e. interest paid on a 'qualifying loan' within the meaning of Section 244 TCA 1997).

“First time buyers” are entitled (for a period of seven tax years) to more generous tax relief than is generally available on the payment of qualifying interest. The seven tax year period commences in the first tax year for which there is an entitlement to relief and ends in the seventh tax year for which such an entitlement exists.

In deciding whether or not the “first time buyer” relief is due for any year, the number of years for which interest relief falls to be granted must first be established - see [Examples A to E](#) below.

## 6.2. Married couples/civil partners

In the case of a married couple or civil partnership, where one spouse/civil partner is a first time buyer and the other spouse/civil partner was previously entitled to relief, the interest relief applicable to non-first time buyers should be given equally to both spouses/civil partners. The additional relief applicable to first time buyers is then reduced by 50% and given to the spouse/civil partner who had not previously claimed relief.

## 6.3. Joint ownership by individuals who are unmarried or are taxed under separate treatment

Where a house is purchased jointly by persons who are not married or in a civil partnership, or by a couple who are married or in a civil partnership but **elect to be assessed under separate treatment**, each person's entitlement to mortgage interest relief will be decided by reference to their separate circumstances. Accordingly, it is possible in the case of joint loans that one of the parties is a "first-time buyer" and the other is not.

## 6.4. Sale and purchase within first seven years

Where, within the first seven tax years, a person buys a "qualifying residence", sells it and buys another qualifying residence, he or she will qualify as a first-time buyer in relation to the second qualifying residence in respect of the remainder of the seven tax year period, which commenced on taking out the loan for the first qualifying residence.

## 6.5. Interval between sale and purchase

The "seven tax year" period refers to the first seven tax years in which interest is paid on a qualifying loan. In cases where a gap of (say) two tax years occurs between the first residence being sold and the second residence being acquired, these two tax years are not counted in the seven tax-year period.

## 6.6. Replacing inherited "qualifying residence"

Where an individual inherits a house, uses it as a first sole or main residence, sells it and purchases another qualifying residence financed by a mortgage, the individual is a first-time buyer for the purposes of mortgage interest relief on the new residence.

## 6.7. Examples

### Example A

In 2000, Martin purchased his first principal private residence financed by a mortgage. In 2001, he sold this house and emigrated. In 2005, Martin returned to Ireland and purchased another principal private residence financed by a mortgage. As this second loan was taken out on or after 1 January 2004, Martin qualifies for "first time buyer" relief for:



- 2005 - as this is the third year of interest relief;
- 2006 - as this is the fourth year of interest relief;
- 2007 - as this is the fifth year of interest relief;
- 2008 – as this is the sixth year of interest relief;
- 2009 – as this is the seventh year of interest relief.

The rate of relief for 2010 to 2020 is at the non-First Time Buyer rate.

#### **Example B**

In May 2002, Margaret purchased her first principal private residence financed by a mortgage. In June 2003, she emigrated and let the house while abroad. In June 2005, Margaret returned to Ireland and resumed residence in her house.

#### **Tax Year 2010 onwards**

Relief is not due as it was taken out prior to 1 January 2004.

#### **Tax Year 2009**

Tax relief is available on the interest paid on this loan to April 2009 only, as the loan was taken out prior to 1 January 2004.

#### **Example C**

In 2007, Mary purchased her parents' house financed by a mortgage. In 2008, she sold this house and purchased another principal private residence financed by a mortgage.

Mary is a first time buyer for the tax years 2007 to 2013 inclusive and a non-first time buyer for tax years 2014 to 2020 inclusive. She also qualifies for the new 30% rate of relief for the tax years 2012 to 2020 subject to the appropriate ceiling.

#### **Example D**

In 2000, Joe inherited his parents' house and later carried out home improvements financed by a loan for which relief was granted on the interest paid in the years 2003 to 2005. In 2005, Joe sold this house and purchased another principal private residence financed by a mortgage.

Joe qualifies for "first time buyer" relief for the years 2003 to 2009 inclusive as these are the first seven tax-years for which he has an entitlement to relief.

#### **Tax Year 2010 to 2020**

As Joe's loan was taken out after 1 January 2004 relief is due on the interest paid on this loan at non-first time buyer rate and ceiling.

### Example E

Tom and Anne married in 2003 and purchased their first principal private residence in that year financed by a mortgage. In 2004, the couple separated, sold the house and each then purchased a principal private residence. Both Tom and Anne qualify for the "first time buyer" relief in the years of assessment 2003 to 2009.

As both Tom and Anne purchased a principal private residence following separation and both loans were taken out after 1 January 2004, the interest on the respective loans qualifies for relief from 2010 to 2020 at non first-time buyer rate and ceiling.

## 7. Purchase, repair, development or improvement of a sole or main residence

Tax relief is granted in respect of the interest paid on monies borrowed that are used in the purchase, repair, development or improvement of a sole or main residence.

Examples of qualifying expenditure include -

- (a) monies used in the purchase of another person's part-interest in the residence (e.g. where a residence is owned jointly by two persons and one buys out the other's interest);
- (b) monies used to pay legal and other fees incidental to the purchase or development of the residence;
- (c) monies used to fund the cost of extensions, purchase and/or construction of garages, garden sheds, greenhouses and swimming pools;
- (d) cost of construction of driveways and paths;
- (e) cost of landscaping of gardens;
- (f) cost of conversions, general maintenance and painting and decorating;
- (g) cost of installing central or solar heating (including cost of gas or solid-fuel cookers in use as part of a central heating system), rewiring, new plumbing including bathroom suites etc.;
- (h) cost of insulation, replacing windows and double glazing;
- (i) cost of purchasing and installing burglar and fire alarms and other security devices;
- (j) cost of installing damp courses and general treatment for damp, dry rot, woodworm and similar problems;
- (k) cost of purchase and installation of bedroom and kitchen units which are affixed to and become part of the building;
- (l) stamp duty on the purchase of a residence;
- (m) contributions to the capital cost of group water schemes and sewage schemes.

Examples of non-qualifying expenditure include monies used on -

- (a) furniture,
- (b) removable floor coverings, or
- (c) removable fittings (e.g. curtains, lights).

## 8. Sole or main residence

### 8.1. Overview

In general, the sole or main residence of any individual is the residence that is that individual's home for the greater part of the time. The residence does not have to be owned by the individual and, for example, a parent's residence may also be the sole or main residence of any of the children of the parent who commonly reside there. To qualify for the tax relief, the residence must be in use as a sole or main residence.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

### 8.2. Two residences in regular use

Where an individual has two residences, it is possible to determine which is the sole or main residence on the basis of frequency of occupation (e.g. a holiday home used for short periods in the year compared to a residence used throughout the year).

However, frequency of occupation alone is not the only test and situations can arise where the question is not clear-cut (e.g. a house in one town that is owned and is used at weekends and holidays compared to rented accommodation in another town which is the person's place of employment).

In determining which of two residences is an individual's sole or main residence, the following guidelines may be of use -

- (i) the fact that a greater period of time is spent in one residence does not necessarily preclude the other residence from being treated as the main residence (in particular, where the individual has to use other accommodation by reason of his or her employment - e.g., a commercial traveller or a person temporarily absent from home or a person obliged to find employment in another town);
- (ii) a residence that is owned and in respect of which mortgage interest, etc. is paid should normally be accepted as the sole or main residence in preference to one that is rented where both are in regular use;

(iii) save in the circumstances mentioned in paragraphs 8.3 and 8.4 below, a claim that a particular residence is the sole or main one should normally be admitted only if -

- the residence is furnished and suitable for occupation,
- it is, in fact, occupied (except for periods of temporary disuse), and
- it is not used for any other purpose (e.g. let).

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

If, on applying the foregoing guidelines, it is not possible to determine which of two residences is an individual's sole or main residence because -

- (a) both residences are owned by the individual;
- (b) on account of his or her office, employment, business interests or other requirements, he or she resides in both residences for significant periods and neither residence can be regarded as a holiday home, and
- (c) the Revenue Officer and the individual (or his or her agent) have been unable to reach agreement on which residence is the sole or main residence,

then the individual may be permitted to select by notice in writing to the Collector Generals' TRS Section as to which residence is his or her sole or main residence.

### 8.3. Residence under construction and purchase of sites

NOTE: the practice outlined in this paragraph only applies to loans taken out on or before 31 December 2012.

An individual may seek relief in respect of the interest paid on a loan notwithstanding that the residence is not in use as a sole or main residence and is not capable of such use. The problem may be further complicated by a claim under section 245 TCA 1997 in respect of bridging finance ([paragraph 13](#)). In dealing with such cases, the following guidelines may be of use –

- (a) Officers should, as far as possible, establish that the residence when completed will become the sole or main residence of the individual and any relief given should be on the understanding that it will be withdrawn if the residence does not become the sole or main residence;
- (b) no relief should be given in respect of loans to purchase a site unless and until there is planning permission to construct a residence on the site;
- (c) in the case of a first-time house purchaser, the residence may be accepted as the individual's sole or main residence with effect from the date of purchase of the site or, if later, the date planning permission for the construction of the residence is granted BUT if the individual does not wish to claim relief until the house is completed and occupied, then the first time buyer relief can commence when the house is occupied;
- (d) where the individual has an existing residence which he or she intends to dispose of and in respect of which he or she is paying mortgage interest, etc., the twelve-month rules in section 245(1) TCA 1997 and section 244(5) TCA 1997 may be relevant (see [paragraph 13](#)). The individual can obtain relief only in respect of interest paid in respect of the first residence for a period of twelve months from the date he or she acquires the second residence. Depending on his or her borrowings, it may or may not be to his or her advantage to claim that the second residence became his sole or main residence when the site was purchased, etc. In such cases, the individual may be permitted to specify any date between the date of purchase of the site or, if later, the granting of planning permission and the date the second residence commences to be actually used by the individual as being the date on which the second residence is to be treated as his or her sole or main residence. Once that date is specified, the twelve-month periods in section 245(1) TCA 1997 and section 244(5) TCA 1997 may be treated as commencing on that date.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

#### 8.4. Interaction with Finance Act 2013

The paragraph above deals with cases where, prior to the changes introduced in section 9 of Finance Act 2013 (see [paragraph 5.7](#)), a loan is taken out to construct a residence, including in some cases to purchase a site. In most such cases, at the point when the loan is taken out, the residence is either about to be constructed or is under construction and, therefore, is not a “residential premises” i.e. a building or part of a building used, or suitable for use, as a dwelling (see the definition of “residential premises” in section 244 TCA). The paragraph above outlines the circumstances in which relief can be given in such situations. A feature of this concessionary treatment is that “in the case of a first-time house purchaser, the residence may be accepted as the individual’s sole or main residence with effect from the date of purchase of the site or, if later, the date planning permission for the construction of the residence is granted”.

The sole purpose of the concessionary treatment is to allow relief during the site acquisition and construction phase in respect of a loan taken out on or before 31 December 2012 which would ultimately qualify for relief when the residence was completed and occupied. It does not represent an acceptance on Revenue’s part that a site per se is a residential premises and it should not be read as such for the purposes of the Finance Act 2013 changes.

## 8.5. Joint purchase of a residence

In the case of a residence purchased jointly by two individuals, the house may be unoccupied or occupied by one of them only. In such cases, if -

- (a) the house has been purchased in anticipation of it eventually being occupied by both parties as their principal private residence and will be used by the individuals as their sole or main residence,
- (b) the relevant loan account is in the joint names of the individuals and each is jointly and severally liable for the interest charged, and
- (c) the house is unoccupied or is occupied by one of the parties concerned and is not occupied by any other person (e.g. there are no tenants occupying rooms in the house and contributing to the repayments or paying rent - an exception to this rule is where an individual avails of the rent a room relief scheme),

then, tax relief on the interest paid on the monies used in the purchase of the residence may, as appropriate, be granted to each individual in accordance with the amount of interest actually paid on the basis that the house is the sole or main residence of both claimants.

The claimant or claimants of relief not actually occupying the house should be informed that the relief granted is subject to withdrawal if the house does not become the sole or main residence of the claimant or claimants within a reasonable timeframe.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

## 8.6. Job-related accommodation

Where an individual occupies job-related accommodation provided by his or her employer and also has a private residence of his or her own, difficulties may arise in determining which is his/her sole or main residence. Job related accommodation in this context means a private residence on the employer's property and to which the benefit in kind exemption provided for in section 118(3) TCA 1997 applies.

### Example F

Mr. Smith resides in a house on his employer's business premises and the provisions of Section 118(3) TCA 1997 exempt this benefit from a charge to tax. However, on termination of, or retirement from, the employment, he will have to vacate that premises. It would not be unusual for Mr. Smith to purchase a private residence in anticipation of having to vacate the employer's property at some future date. In these circumstances, the private residence purchased by Mr. Smith may be regarded as his principal private residence and the interest paid on the money used to purchase that residence qualifies for tax relief provided that the residence is not let for any part of the tax year.

If Mr. Smith rents out his principal private residence, the interest on the loan does not qualify for relief under the provisions of section 244 TCA 1997 but may qualify as a rental deduction.

### 8.7. Mobile homes, caravans etc.

Although mobile homes, caravans etc. are not specifically dealt with in legislation, such a structure can be a sole or main residence for tax purposes. The question is one of fact.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

## 9. Evidence of the purposes for which a loan is used - minimal limit

### 9.1. Overview

Except in the case of a loan that is clearly related to the initial purchase of a sole or main residence, Officers may seek documentary evidence that a loan has been used for qualifying purposes. The evidence may take the form of builders' specifications, receipts, cancelled cheques etc.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

### 9.2. Loans used partly for qualifying purposes and partly for non-qualifying purposes in excess of the minimal limit



In strictness, no relief is due in respect of interest paid on a loan unless the entire amount of the loan has been used for qualifying purposes. The legislation makes no provision for apportioning interest between qualifying and non-qualifying purposes and, in many instances, it would not be feasible to make apportionments.

However, in practice, apportionments may be made in the circumstances outlined in paragraph 12. Where a non-qualifying loan has been replaced with a loan that consists of clear qualifying and non-qualifying amounts, relief for the interest attributable to the qualifying part may be allowed **provided** the loan is replaced **only once**.

## 10. Revolving credit

Broadly speaking, 'revolving credit' arises where a borrower, before having paid off his or her existing borrowings, obtains additional borrowings that are aggregated with the balance of his or her existing borrowings under the same loan arrangement.

If a customer switches loans between the years 2013 to 2020 for a better rate, provided the original loan was taken out on or after 1 January 2004 and on or before 31 December 2012, interest paid on that element of the replacement loan used to repay off the balance outstanding on the original loan qualifies for tax relief until 2020.

If a customer takes out extra finance between the years 2013 to 2020 and lender gives him or her a new loan number for the original loan plus extra finance, provided the original loan was taken out on or after 1 January 2004 and on or before 31 December 2012 (subject to limited exceptions), interest paid on that element of the replacement loan used to repay the original loan qualifies for relief until 2020.

## 11. Two or more qualifying loans in existence at the same time

It is not unusual that an individual may have two or more qualifying loans in existence at the same time. Notwithstanding this, one examines each loan separately to determine the extent that each loan is a qualifying home loan for the purposes of granting tax relief on the interest paid.

## 12. Apportionment – loans used for qualifying and non-qualifying purposes

The amount of the loan which has been used for qualifying purposes and/or which was used in paying off a loan used entirely for qualifying purposes should be expressed as a percentage (the "appropriate percentage") of the total loan (e.g. if €500 out of a loan of €1,000 is used for qualifying purposes, the appropriate percentage will be 50%).

The appropriate percentage should be applied to the interest paid on the loan in order to determine the interest eligible for relief. The amount of interest paid on the loan in any year of assessment which qualifies for relief will be the appropriate percentage of the total interest paid on the loan in that year.

In the following examples, the relief is subject to the usual rates and ceilings.

**Example G**

€6,000 of a €10,000 term loan taken out in 2004 is used for qualifying purposes and €4,000 for other purposes. Relief may be allowed in respect of 60% of the interest paid in each tax year.

Any interest paid in the years 2018, 2019 and 2020 is also subject to the tapered qualifying interest percentages introduced in Finance Act 2017. For example, in the year 2018 the percentage of a loan's interest which qualifies for relief will be restricted to 75%. Therefore, in the case of this term loan, relief may only be allowed in respect of 45% (i.e. 60% x 75%) of interest paid in the year 2018.

**Example H**

All of a €10,000 loan taken out in 2002 was used for qualifying purposes. In 2006, when the balance outstanding on that was €6,000, the loan was replaced by a further loan of €20,000 used as follows –

€ 6,000	Pay off existing qualifying loan
€10,000	Qualifying home improvements
€ 4,000	Holiday

Therefore, 80% of the new loan was used for qualifying purposes. However, the €6,000 used to pay off the existing qualifying loan refers to a pre 2004 loan, and relief may only be granted up to April 2009 in respect of interest paid on this €6,000. Thereafter, tax relief is confined to the interest paid on the €10,000 used for qualifying home improvements.

Any interest paid in the years 2018, 2019 and 2020 is also subject to the tapered qualifying interest percentages applicable under Finance Act 2017 changes.

**Example I**

In 2003, Ms. Brown obtained a €10,000 loan and used this to purchase a car (i.e. not used for a qualifying purpose). In 2007, she obtained a €40,000 loan secured on her principal private residence but, in fact, used the monies as follows –

€ 6,000	Pay off the car loan
€10,000	Qualifying home improvements
€ 4,000	Holiday
€20,000	Invested in shares

As only 25% of the new loan was used for qualifying purposes, 25% of the interest paid on this loan qualifies for tax relief.

Any interest paid in the years 2018, 2019 and 2020 is also subject to the tapered qualifying interest percentages applicable under Finance Act 2017 changes.

### 13. Relief for interest on certain loans in connection with the acquisition of a new residence (Section 245 TCA 1997 – relief for certain bridging loans)

Section 245 TCA 1997 provides that where an individual -

- (a) disposes of his or her only or main residence,
- (b) acquires another residence for use as his or her only or main residence, and
- (c) pays interest on a loan or loans obtained for the purpose of financing the cost of acquisition or disposal or both, or to repay in whole or in part a loan obtained for such a purpose,

then, special provisions apply to the relief under section 244, in respect of the first twelve months interest.

The additional relief is allowable under section 244 (by virtue of section 245) and can amount to, but may not exceed, the appropriate ceiling on relief set out in section 244 - the usual rates and ceilings, as appropriate, apply.

It should be noted that while section 245 refers to "bridging loans", it is not necessary that a loan be a bridging loan (as the term is understood by most people, i.e. temporary finance) to come within the terms of the section although there must be a disposal of one residence and the acquisition of another.

Where an individual acquires a new sole or main residence and is making all reasonable efforts to dispose of the old one, the old residence will also be treated as a sole or main residence for a period of 12 months commencing with the date of the purchase of the new residence.

Where the period of twelve months in respect of which the additional relief is due spans two income tax years, the ceiling is to be apportioned on a time-basis over the two years.

The excess of any interest paid during the period of twelve months on any loans to which section 245 applies over the relief allowable by virtue of the section, is not available for any further relief under section 244.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

The procedures to be adopted in dealing with claims under section 245 TCA 1997 may be summarised as follows -

- (i) ascertain the period of twelve months. This commences on the date the first repayment on the loan on the new house was made. Ascertaining this date will not usually present any problems except in the case of a house under construction when the provisions of [paragraph 8.3\(d\)](#) should be followed,
- (ii) ascertain the interest paid (by apportionment, if necessary) in the period of twelve months on the loans in respect of which additional relief is due,
- (iii) if the period of twelve months falls into two income tax years, ascertain how much of the interest paid in the period was paid in each year (by apportionment, if necessary),
- (iv) apportion the appropriate limit under section 244 TCA 1997 for each income tax year into which the period of twelve months falls by reference to the part of the period of twelve months falling into each year,
- (v) the amount of the additional relief allowable each year is the amount at (ii), restricted, where appropriate, to the amount at (iv).

#### Example J

Alan is a married man who is entitled to non-first time buyer's ceiling of €6,000 with the following circumstances -

#### Old house sold 30 September 2010

Interest on old mortgage 1 January 2010 - 30 September 2010	€3,960
---	--------

#### New house purchased 1 August 2010

Interest on bridging loan 1 August 2010 – 30 November 2010	€2,000
--	--------

Interest on new mortgage 1 December 2010 – 31 December 2010	€1,000
---	--------

Interest on new mortgage year ended 31 December 2011	€6,600
--	--------

- (i) The period of twelve months for the purposes of section 245 TCA 1997 is 1 August 2010 to 31 July 2011.
- (ii) The interest paid in the period of twelve months on the loan to which section 245 applies is as follows -

1/8/2010 – 30/11/2010 (4 months)	€2,000
1/11/2010 – 31/12/2010 (1 months)	€1,000

1/1/2011 to 31/12/2011 €6,600 x 7/12	<u>€3,850</u>
	€6,850

(iii) The interest at (ii) falls into the following years of assessment:

2010 -	€3,000
2011 -	€3,850

(iv) The limits for each year of assessment under section 245 TCA 1997 are as follows:

2010	€6,000 x 5/12	= €2,500
2011	€6,000 x 7/12	= €3,500

(v) The additional relief due under section 244 TCA 1997 is -

2010	€2,500
2011	€3,500

The total interest allowable for each year is as follows –

2010

(a) Interest Old mortgage	€3,960
(b) relief by virtue of section 245 interest	<u>€2,500</u>
Total interest allowable	€6,460

2011

(a) Interest other than section 245 interest	€2,750
New mortgage €6,600 x 5/12	
(b) Relief by virtue of section 245 interest	<u>€3,500</u>
Total interest allowable	€6,250

### Note

The balance of interest not allowed for 2010 and 2011 i.e. €850 (€500 and €350 respectively) are not available for any further relief under section 244 TCA 1997. Likewise, if there is a balance of ordinary section 244 TCA 1997 interest which could not be allowed because of the limit set out in those Sections, it cannot be allowed under section 245.

### Mixed claims covering the twelve-month period

It may happen, where section 245 relief straddles two tax years, that an individual may claim relief for the first year without reference to section 245 TCA 1997, because his or her interest does not exceed the limit set out in section 244 TCA 1997, but in the second year he or she can have recourse to section 245. In these circumstances, the above procedures should be followed and any additional relief due for the second year allowed accordingly.

## 14. Treatment of Joint Accounts

Relief under section 244 TCA 1997 is confined to interest actually paid by the claimant. In the case of joint accounts, where each of the account holders is jointly and severally liable for the payment of the interest, the normal procedure is to regard any interest paid as having been paid in equal proportion by each account holder.

If proof is given that the interest was paid in unequal proportions or was paid in its entirety by one person only, relief, where due, is to be given to each account holder in respect of the interest actually paid by him or her.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

## 15. Implications of having parent as co-mortgagor/guarantor

In some instances, a lender will advance a home loan to an individual to purchase his or her principal private residence subject to a condition that such individual's parent is a party to that home loan. In such a scenario, where the parent neither lives in that property nor makes repayments on the loan, the individual's eligibility for tax relief on that home loan is not affected by the fact that a parent is also party to the mortgage deed.

However, if it is the case that the parent contributes towards the mortgage repayments, then the individual is entitled to tax relief only to the extent of interest paid by him or her.

## 16. Mortgage interest paid to local authorities

In cases where a local authority house is being purchased jointly by an elderly parent and one or more members of the family under a formal Transfer Order pursuant to the Housing Acts 1966 to 2014, the local authority issues the interest certificate in the names of all the joint purchasers.

Where any person named on the certificate is in receipt of a State Pension (previously known as Old Age Pension) from the Department of Employment Affairs and Social Protection and has no other income and where the officer is satisfied that such a person has not, in fact, made any payment in respect of interest, the full amount of the interest may be allowed to the other person named on the certificate if there is only one such other person, or if there is more than one such other person, the interest may be allowed in equal proportions to each other such person named.

## 17. Mortgages taken out after 31 December 2012

Only in limited circumstances will a loan taken out after 31 December 2012 qualify for mortgage interest relief. The exceptions to this general rule were introduced under section 9 of Finance Act 2013 and are outlined in [paragraph 5.7](#).

## 18. Interest paid in the years 2018 - 2020

Finance Act 2017 extended mortgage interest relief until 31 December 2020 on a tapered basis, which broadly results in the continuation of the relief as follows:

- 75% of the existing relief into 2018
- 50% into 2019
- 25% into 2020

This is achieved by restricting the amount of qualifying interest and reducing the ceilings on qualifying interest.

The following examples illustrate the effect of the taper. It should be noted static interest liabilities are used for illustrative purposes. In practice, the amount of interest payable should reduce as the loan is repaid.

### Example K

Michael and Bernie are married and have a mortgage of €400,000 with an interest rate of 3%. They are jointly assessed to tax, are non-first time buyers and are on the 15% rate of relief.

Annual interest payable is €12,000 per year ( $€400,000 \times 3\%$ ), ignoring any repayment of the loan and assuming the same amount of interest is payable each year.

### Tax year 2017

In 2017, Michael and Bernie will be given relief at a rate of 15% on the lower of:

- Qualifying interest paid of €12,000, and
- The 2017 interest ceiling of €6,000.

Therefore, they will receive mortgage interest relief of €900 ( $€6,000 \times 15\%$ ), or €75 per month.

### Tax year 2018

Following the Finance Act 2017 extension of the relief, their qualifying loan interest and their interest ceiling will be limited to 75% in 2018. Therefore in 2018, they will be given relief at a rate of 15% on the lower of:



- Qualifying interest paid of €9,000 ( $€12,000 \times 75\%$ ), and
- The 2018 interest ceiling of €4,500 ( $€6,000 \times 75\%$ ).

They will receive mortgage interest relief of €675 ( $€4,500 \times 15\%$ ), which is 75% of their 2017 relief of €900.

### **Tax year 2019**

In 2019, their qualifying loan interest and their interest ceiling will be limited to 50%. Therefore in 2019, they will be given relief at a rate of 15% on the lower of:

- Qualifying interest paid of €6,000 ( $€12,000 \times 50\%$ ), and
- The 2019 interest ceiling of €3,000 ( $€6,000 \times 50\%$ ).

They will receive mortgage interest relief of €450 ( $€3,000 \times 15\%$ ), which is 50% of their 2017 relief of €900.

### **Tax year 2020**

In 2020, their qualifying loan interest and their interest ceiling will be limited to 25%. Therefore in 2020, they will be given relief at a rate of 15% on the lower of:

- Qualifying interest paid of €6,000 ( $€12,000 \times 25\%$ ), and
- The 2020 interest ceiling of €1,500 ( $€6,000 \times 25\%$ ).

They will receive mortgage interest relief of €225 ( $€1,500 \times 15\%$ ), which is 25% of their 2017 relief of €900.

### **Example L**

Brian and Edel have a mortgage of €225,000 with an interest rate of 2%. They are jointly assessed to tax, are non-first time buyers and are on the 30% rate of relief.

Annual interest payable is €4,500 per year ( $€225,000 \times 2\%$ ), ignoring any repayment of the loan and assuming the same amount of interest is payable each year.

### **Tax year 2017**

In 2017, Brian and Edel will be given relief at a rate of 30% on the lower of:

- Qualifying interest paid of €4,500, and
- The 2017 interest ceiling of €6,000.

Therefore, they will receive mortgage interest relief of €1,350 ( $€4,500 \times 30\%$ ), or €112.50 per month.

### **Tax year 2018**

Following the Finance Act 2017 extension of the relief, their qualifying loan interest and their interest ceiling will be limited to 75% in 2018. Therefore in 2018, Brian and Edel will be given relief at a rate of 30% on the lower of:

- Qualifying interest paid of €3,375 ( $€4,500 \times 75\%$ ), and
- The 2018 interest ceiling of €4,500 ( $€6,000 \times 75\%$ ).

They will receive mortgage interest relief of €1,012.50 ( $€3,375 \times 30\%$ ), which is 75% of their 2017 relief of €1,350.

### **Tax year 2019**

In 2019, their qualifying loan interest and their interest ceiling will be limited to 50%. Therefore in 2019, they will be given relief at a rate of 30% on the lower of:

- Qualifying interest paid of €2,250 ( $€4,500 \times 50\%$ ), and
- The 2019 interest ceiling of €3,000 ( $€6,000 \times 50\%$ ).

They will receive mortgage interest relief of €675 ( $€2,250 \times 30\%$ ), which is 50% of their 2017 relief of €1,350.

### **Tax year 2020**

In 2020, their qualifying loan interest and their interest ceiling will be limited to 25%. Therefore in 2020, they will be given relief at a rate of 30% on the lower of:

- Qualifying interest paid of €1,125 ( $€4,500 \times 25\%$ ), and
- The 2020 interest ceiling of €1,500 ( $€6,000 \times 25\%$ ).

They will receive mortgage interest relief of €337.50 ( $€1,125 \times 30\%$ ), which is 25% of their 2017 relief of €1,350.

### **Example M**

Aisling, is singly assessed and is a non-first time buyer as she had initially withdrew a mortgage of €120,000 and re-mortgaged to purchase a holiday home, increasing her principal to €150,000. As only a portion of the loan is used for a qualifying purpose,

only 80% of her loan qualifies for mortgage interest relief (see [paragraphs 9.2](#) and [12](#) in relation to this practice) and she is on the 15% rate of relief.

She pays an interest rate of 4%. Annual interest payable is €6,000 per year (€150,000 x 4%), ignoring any repayment of the loan and assuming the same amount of interest is payable each year. Only €4,800 (€150,000 x 80% x 4%) of interest paid will qualify for mortgage interest relief.

### **Tax year 2017**

In 2017, she will be given relief at a rate of 15% on the lower of:

- Qualifying interest paid of €4,800, and
- The 2017 interest ceiling of €3,000.

Therefore, she will receive mortgage interest relief of €450 (€3,000 x 15%), or €37.50 per month.

### **Tax year 2018**

Following the Finance Act 2017 extension of the relief, her qualifying loan interest and her interest ceiling will be limited to 75% in 2018. Therefore in 2018, she will be given relief at a rate of 15% on the lower of:

- Qualifying interest paid of €3,600 (€4,800 x 75%), and
- The 2018 interest ceiling of €2,250 (€3,000 x 75%).

She will receive mortgage interest relief of €337.50 (€2,250 x 15%), which is 75% of her 2017 relief of €450.

### **Tax year 2019**

In 2019, her qualifying loan interest and her interest ceiling will be limited to 50% and she will be given relief at a rate of 15% on the lower of:

- Qualifying interest paid of €2,400 (€4,800 x 50%), and
- The 2019 interest ceiling of €1,500 (€3,000 x 50%).

She will receive mortgage interest relief of €225 (€3,000 x 15%), which is 50% of her 2017 relief of €450.

### **Tax year 2020**

In 2020, her qualifying loan interest and her interest ceiling will be limited to 25%. Therefore in 2020, she will be given relief at a rate of 15% on the lower of:

- Qualifying interest paid of €1,200 ( $€4,800 \times 25\%$ ), and
- The 2020 interest ceiling of €750 ( $€3,000 \times 25\%$ ).

She will receive mortgage interest relief of €112.50 ( $€1,500 \times 15\%$ ), which is 25% of her 2017 relief of €450.

## Appendix 1 - Definitions

For the purposes of dealing with claims and queries, it is important to be aware of certain definitions. The more important ones are summarised below.

<b>Dependent Relative</b>	<p>For the purposes of relief in respect of interest paid under Section 244, a dependent relative means -</p> <ul style="list-style-type: none"> <li>➤ a relative of the claimant, or of the claimant's spouse/civil partner incapacitated by reason of old age or infirmity from maintaining himself or herself; or</li> <li>➤ the widowed father or widowed mother of the claimant or of the claimant's spouse/civil partner (whether incapacitated or not)</li> </ul> <p>and in respect of whom the claimant is entitled to the dependent relative tax credit under section 466 TCA 1997.</p>
<b>Loan</b>	<p>A loan means any loan or advance or any other arrangement whatever by virtue of which interest is payable.</p>
<b>Qualifying Interest</b>	<p>"Qualifying interest" in relation to an individual and a year of assessment means -</p> <ul style="list-style-type: none"> <li>(i) as respects a year of assessment before 2018, the amount of interest paid by the individual in respect of a qualifying loan,</li> <li>(ii) as respects the year of assessment 2018, 75 per cent of the amount of interest paid by the individual in respect of a qualifying loan,</li> <li>(iii) as respects the year of assessment 2019, 50 per cent of the amount of interest paid by the individual in respect of a qualifying loan, and</li> <li>(iv) as respects the year of assessment 2020, 25 per cent of the amount of interest paid by the individual in respect of a qualifying loan,</li> </ul>
<b>Qualifying loan</b>	<p>"Qualifying loan" means a loan or loans used solely to purchase, repair, develop or improve a qualifying residence.</p> <p>A loan that is used solely to replace a loan used for qualifying purposes, is regarded as used for qualifying purposes notwithstanding that the new loan may differ in type from the old loan (e.g. a mortgage replacing a term loan).</p>
<b>Qualifying residence</b>	<p>"Qualifying residence", in relation to an individual, means a residential premises situated in an EEA state which is used as the sole or main residence of -</p> <ul style="list-style-type: none"> <li>(i) the claimant;</li> <li>(ii) a former or separated spouse/civil partner of the claimant;</li> </ul>

or,

- (ii) a dependent relative of the claimant or his/her spouse/civil partner and which is provided by the claimant free of rent or other consideration.

<b>EEA Agreement</b>	“EEA Agreement” means the Agreement on the European Economic Area signed at Oporto on 2 May 1992, as adjusted by all subsequent amendments to that Agreement.
<b>EEA State</b>	“EEA state” means a state (including the State) which is a contracting party to the “EEA Agreement”.
<b>Relievable interest</b>	“Relievable interest” is the amount of interest, paid by an individual in a year of assessment in respect of a qualifying loan, on which relief from income tax is allowed.
<b>Residential Premises</b>	“Residential premises” means –  (a) a building or part of a building used, or suitable for use, as a dwelling; and  (b) land which the occupier of a building or part of a building used as a dwelling for the occupier’s own occupation and enjoyment with that building or that part of the building as its garden or grounds of an ornamental nature.

## Appendix 2 – Rates of Relief and Ceilings

Tax year	First Time Buyers Loans taken out 2004 - 2012		Non-First Time Buyers Loans taken out 2004 - 2012	
	Married/Civil Partner /widowed	Single	Married /Civil Partner/ widowed	Single
<b>2007</b>	Relief @ standard rate (20%) Ceiling €16,000	Relief @ standard rate Ceiling €8,000	Relief @ standard rate Ceiling €6,000	Relief @ standard rate Ceiling €3,000
<b>2008</b>	Relief @ standard rate Ceiling €20,000	Relief @ standard rate, Ceiling €10,000	Relief @ standard rate Ceiling €6,000	Relief @ standard rate Ceiling €3,000
<b>2009</b>	Relief @:  - 25% (year 1 and 2)  - 22.5% (year 3,4,5)  - 20% (year 6 and 7) Ceiling of €20,000	Relief @:  - 25% (year 1 and 2)  - 22.5% (year 3,4,5)  - 20% (year 6 and 7) Ceiling of €10,000	Relief @15%   Ceiling apportioned in 2009 only – €2,000 for 1 Jan to 30 April €4,000 for 1 May to 31 Dec	Relief @15%   Ceiling apportioned in 2009 only – €1,000 for 1 Jan to 30 April €2,000 for 1 May to 31 Dec
<b>Finance Act 2010</b>				
Loans taken out 1/1/2004 – 31/12/2011 (note FA 2012 changes)	Relief @:  - 25% (year 1 and 2)  - 22.5% (year 3,4,5)  - 20% (year 6 and 7) Ceiling €20,000	Relief @:  - 25% (year 1 and 2)  - 22.5% (year 3,4,5)  - 20% (year 6 and 7) Ceiling €10,000	Relief @15%   Ceiling €6,000	Relief @15%   Ceiling €3,000
<b>Finance Act 2012</b>				
Loans taken out 1/1/2012 – 31/12/2012	Relief continues at current rates and ceilings	Relief continues at current rates and ceilings	Relief continues at current rates and ceilings	Relief continues at current rates and ceilings
Loans taken out 2004– 2008 incl. that are used to purchase a person's 1 <sup>st</sup> PPR or 2 <sup>nd</sup> PPR where 1st PPR was purchased after 1/1/2004	Relief @ 30% from 2012 onwards  Ceiling €20,000	Relief @ 30% from 2012 onwards  Ceiling €10,000	Relief @ 30% from 2012 onwards  Ceiling €6,000	Relief @ 30% from 2012 onwards  Ceiling €3,000
Loans taken out in 2013	No relief	No relief	No relief	No relief

	First Time Buyers		Non-First Time Buyers	
	Loans taken out 2004 - 2012		Loans taken out 2004 - 2012	
	Married/Civil Partner /widowed	Single	Married /Civil Partner/ widowed	Single
<b>Finance Act 2013</b>	See Paragraph 5.7 for details			
<b>Finance Act 2017</b>				
<b>Tax year</b>				
<b>2018</b>	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 75%  Ceiling €15,000	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 75%  Ceiling €7,500	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 75%  Ceiling €4,500	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 75%  Ceiling €2,250
<b>2019</b>	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 50%  Ceiling €10,000	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 50%  Ceiling €5,000	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 50%  Ceiling €3,000	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 50%  Ceiling €1,500
<b>2020</b>	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 25%  Ceiling €5,000	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 25%  Ceiling €2,500	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 25%  Ceiling €1,500	Relief continues at current rates up to tax year 2020  Qualifying interest paid restricted to 25%  Ceiling €750
<b>2021</b>	No relief	No relief	No relief	No relief