

Capital Allowances and Rented Residential Premises

Part 04-08-12

This document should be read in conjunction with sections 97, 284 and 298 of the Taxes Consolidation Act 1997.

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1 Letting of furnished house and wear and tear allowance

Where a premises is let as a furnished residence and the rental income is chargeable under Schedule D Case V, a wear and tear allowance can be claimed for capital expenditure on plant in the house under sections 284(6) and (7) Taxes Consolidation Act 1997 (TCA). The lessor must have incurred expenditure on the plant to be able to claim the allowance as provided for in section 284(1) TCA. Persons letting plant and machinery must bear the burden of wear and tear of the plant to qualify for the allowance as outlined in section 298 TCA but this is not a necessary condition where the plant is in a residential building.

The expenditure must be incurred wholly and exclusively in respect of a premises which is used solely as a dwelling. The dwelling must be let:

- as a furnished house, and
- on bona fide commercial terms in the open market as outlined in section 284(7) TCA.

2 Rate at which allowances given

The current rate for these allowances is 12.5% of the cost per year, for a maximum of eight years.

3 How the allowances are used

The wear and tear allowances are used in calculating a person's income under Case V. They may be set off against all rental income chargeable under Case V. They cannot be set off against non-Case V income.