

Capital Allowances – Property in Joint Names

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Introduction

This manual deals with the situation where property is acquired in joint names by a married couple but the expenditure on purchase is incurred by one spouse. This is frequently done to facilitate succession rights. Where the property qualifies for capital allowances, the question frequently arises as to the amount of the allowance to be given to each spouse. This information was originally published in Tax Briefing 37.

1. General position regarding jointly owned property

Where property is jointly owned, capital allowances are granted on the basis that each individual has incurred an equal amount of the expenditure on the construction, purchase, etc. If an individual's income for a year of assessment is not sufficient to absorb the capital allowances for that year the excess capital allowances are carried forward to the next year.

1.1 Married Couples

Where property is purchased in joint names by a married couple, who are jointly assessed, including a couple who opt for separate assessment within joint assessment, Revenue are prepared to grant relief, where claimed, to the spouse who incurred the expenditure on the construction, purchase, etc., that is to the spouse who provided the funds.

Where the purchase of the property is funded partly by borrowings, the borrowings will generally be in joint names also. Revenue are prepared to treat this part of the expenditure as having been incurred by the spouse who makes the repayments.

The irrevocable written agreement of both spouses to this treatment will have to be provided to the Revenue Officer, together with an irrevocable undertaking from the spouse to whom the relief is to be given to accept any balancing charge which may arise in relation to the expenditure.

The practice does not apply where the main purpose or one of the main purposes of the scheme or arrangement is the avoidance of tax.