Exclusion of expenditure by reference to Income Tax (S.554)

Part 19-02-11

This document should be read in conjunction with section 554 of the Taxes Consolidation Act 1997

Document last reviewed July 2024

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

The information in this document is provided as a guide only and is not professional advice, including legal advice. It should not be assumed that the guidance is comprehensive or that it provides a definitive answer in every case.

Introduction

Section 554 of the Taxes Consolidation Act 1997 ("TCA 1997") sets out the principle that allowable expenditure in computing chargeable gains is confined to expenditure incurred on capital account. This is achieved by excluding from allowable expenditure any expenditure which is allowable in computing income, profits, gains or losses for income tax purposes. By virtue of **section 78(6) TCA 1997,** any expenditure which is taken into account for corporation tax purposes is similarly excluded.

11.1 Allowable expenditure

The computation of a chargeable gain or an allowable loss is in the form of a capital account. The allowable expenditure is strictly defined; in particular, it is provided that no deduction shall be allowed for any expenditure which would have been allowable for Income Tax purposes if the asset had at all times been held by the owner as fixed capital of a trade, the profits of which were chargeable to Income Tax. Consequently, the costs of insuring or maintaining the assets are not allowable for Capital Gains Tax ("CGT") purposes.

11.2 Capital allowances

Where an asset which qualifies for capital allowances is sold for more than its original cost, the CGT charges the excess; but where the asset is sold for less than its first cost, then the loss which has been covered by capital allowances is not allowed again for CGT purposes.