

Taxation of Rental Income

If you have a rental property you must prepare and submit an annual tax return.

Allowable Deductions

The following are deductions that are allowed against your rental income:

- Rates, service charges
- Insurance costs
- Management/letting expenses
- Advertising costs
- Legal fees relating to drawing up of leases or collection of unpaid rent
- Repairs and general maintenance
- Cleaning & related costs
- Registration with Private Residential Tenancies Board
- Cost of any un-reimbursed services or goods provided to tenants by the landlord i.e. electricity, heating, etc
- Accountancy fees relating to rental income
- Wear and Tear on capital items (see capital allowances below)
- Mortgage Interest paid "on monies borrowed for the purchase, improvement or repair" of the property (note the restrictions below.)

Mortgage Interest – Restrictions

- For periods from 7 April 2009 onwards, the deduction in respect of mortgage interest on loans used for purchase and refurbishment of a rented residential property is restricted to 75% of the total interest incurred.

- For the tax year 2006 onwards mortgage interest is only allowed as a deduction against rental income on a rented residential property if the landlord has complied with the requirement to register residential tenancies with the Private Residential Tenancies Board. For more details on this, see www.prtb.ie

Capital Allowances

You can claim an allowance of 12.5% for furniture, fittings and equipment supplied by you each year for 8 years.

Additional Capital Allowances are also available on certain Capital Expenditure on qualifying properties under the various incentive schemes (Urban Renewal, Rural Renewal etc)

Rental Losses

If total allowable expenses exceed the rents received, the landlord incurs a rental loss for a particular tax year.

These losses may only be offset against other rental income or carried forward against future rental profits. If they are not claimed in the current year they are forfeit.

Rental losses cannot be offset against other income sources, e.g. PAYE, business profits etc.

Rent a Room Relief

The Taxes Acts include a valuable tax relief for individuals who rent a room (or rooms) in their own home.

Income from such “Rent a Room” arrangements is exempt from tax, provided the gross rent received does not exceed €10,000 in a calendar tax year.

For the purposes of the €10,000 annual limit, the gross rent figure includes all sums received by the landlord from the tenants – including food, etc where provided

If rent exceeds €10,000, it is taxed under normal tax rules.

Where a homeowner claims this tax relief, it will not affect their normal entitlement to mortgage interest relief.

Similarly, this relief does not affect the Capital Gains Tax exemption, which normally applies on the sale of a principal private residence.

The “Rent a Room” income is also exempt from both PRSI and levies.

Details of this income must be included on an individual’s annual income tax return.

If you have any further queries on the above information or want to discuss your current financial situation we will be happy to schedule an appointment to discuss individual cases and advise on the best course of action.

Disclaimer:

The object of this article is to provide useful tips in relation to Irish Tax Regulations, accordingly it cannot be regarded as a definitive guide and no liability can be accepted in respect of decisions taken in reliance on the information herein contained.