Irish rental income

Overview

If you receive income from renting out a property, or from another source that qualifies as rental income, it is taxable.

Rental income includes:

- the renting out of a house, flat, apartment, office or farmland
- payments you receive for allowing advertising signs or communication transmitters to be put up on your property
- payments you receive for allowing a right of way through your property
- payments you receive for allowing sporting rights such as fishing or shooting rights on your property
- payments you receive from your tenant to cover the cost of work to your rental property. Your tenant must not be required to pay for this work per the lease
- certain lease premiums, as well as deemed and reverse premiums
- [PDF] conacre lettings
- service charges for services connected to the occupation of the property
- payments from insurance policies that cover against the non-payment of rent.

Income from renting a foreign property

If you are receiving rental income from a foreign property, see the Foreign rental income section for more information.

Income from providing short term guest accommodation

You may have income from providing accommodation to occasional visitors for short periods. For example you may provide the accommodation through an online accommodation booking site.

This income is not considered to be rental income. This is because the visitors use the accommodation as guests, rather than as tenants.

Income from providing short term guest accommodation is taxed as either:

- other income (Case IV) where the income is occasional in nature
- trading income (Case 1) where you are trading as an ongoing business, such as a bed and breakfast or a guesthouse.

This income should be declared to Revenue under the appropriate category using a Form 11 (for self-assessed taxpayers) or a Form 12 (for PAYE employees).

What expenses are allowed?

You calculate how much tax you owe on the gross rents receivable after deductions for expenses and allowances. A profit or a loss is calculated for each rental source. The rental income on which you pay tax is the total profits less the total losses.

General expenses

You can claim certain expenses against your rental income to reduce the amount of tax you will have to pay.

Allowable expenses include:

- rates you pay to a local authority for the property
- rents you pay for property such as ground rents
- insurance premiums against fire and public liability
- maintenance of your property such as cleaning, painting and decorating
- property fees before you first rent out your property such as management, advertising, legal or [PDF] accountancy fees
- the cost of any service or goods you provide that do not get repaid by your tenant such as electricity, central heating, telephone, service charges, water and refuse collection
- certain [PDF] mortgage protection policy premiums
- expenses in between renting out the property in certain circumstances
- capital allowances
- repairs, such as rot treatment, mending windows, doors or machines
- certain pre-letting expenses on vacant residential property.

You must keep full and accurate records of all expenses for each property you rent out.

For deductible expenses, the receipt of rent is treated as the carrying on of a trade, and expenses are only allowed to the extent that they would be allowed for that trade.

Mortgage Interest

You may be allowed claim Mortgage Interest against your rental income. The interest must be from a mortgage that is used to purchase, improve or repair your rental property.

You can claim Mortgage Interest Relief:

- while your property is rented out
- in between renting out the property as long as you do not live in it during that time
- if you are registered with the Residential Tenancies Board (RTB).

You can not claim Mortgage Interest between the time you buy the property and the time you first rent out the property.

From 1 January 2017, you can deduct 80% of the interest paid on your mortgage on a rental property. For earlier years, the figure is 75% of the interest paid.

In certain situations, you may be able to claim 100% mortgage interest relief. To qualify you must:

- rent out your property for three years to tenants receiving certain social housing supports.
- be registered with the Residential Tenancies Board (RTB).

See the manual Part 04-08-06 for more information on the deduction of Mortgage Interest.

See the manual Part 04-08-10 for more information on registering tenancies with the PRTB.

Capital allowances

You can claim capital allowances, known as 'wear and tear allowances' or 'depreciation'. These are based on the cost of furniture and fittings for your rental property.

The current rate for these allowances is 12.5% of the cost, which is spread over eight years. The allowances may include:

- furniture you purchased for your rental property
- the cost of the purchase of white goods such as a fridge or a dishwasher.

Example 1

You purchased a suite of furniture for €1,000. The wear and tear allowance of 12.5% for this is €125 per year. This is offset against the rental income for the next 8 years.

Example 2

You let two furnished houses. The furnishings cost €2,400 in House 1 and €8,000 in House 2. Your wear and tear allowances are €1,300 (€2,400 @ 12.5% + €8,000 @ 12.5%). This can be offset against your total rental income for the next eight years.

See the manual Part 04-08-12 for more information on capital allowances and rented residential premises.

What expenses are not allowed?

You cannot deduct the following expenses when you are calculating your rental profit or loss:

- pre-letting expenses, other than property fees before you first rented out the property. However certain [PDF] pre-letting expenses on vacant residential property may be deductible.
- post-letting expenses
- capital expenses on property improvements unless allowed under an incentive scheme
- expenses on premises rented out on an uneconomic basis, where it is not possible to make a profit from the rent received
- expenses in between renting out the property in certain circumstances
- interest from the time you buy the property up until it is first rented out
- Local Property Tax (LPT)
- any cost for your own labour when carrying out repairs to the property.

Rental profit and losses

If your rental income is greater than your rental expenses you make a rental profit. Your rental profit is calculated on a yearly basis.

If your rental expenses are greater than your rental income you make a rental loss.

You pay tax on your net rental income. This is the gross rental income less your total rental expenses and is at your highest rate of tax.

What do you do if you make a loss?

You may make a loss on your rental income. If you do you can carry forward your rental losses until you can offset them against a rental profit. You can only offset the loss against Irish rental income. You must use capital allowances first before offsetting the rental losses you brought forward from an earlier year.

See manual [PDF] Part 04-08-08 for more information on offsetting capital allowances.

You can not offset rental losses made by your spouse or civil partner against your rental profits. You also can not offset losses you make from uneconomic rentals against other rental profits. Uneconomic rentals are where it is not possible to make a profit from the rent received.

You can not offset rental losses against other income or carry them back to a previous year.

You also can not offset foreign rental losses against an Irish rental profit. You can only offset them against foreign rental income. See the foreign rental income section for more information.

Multiple rental properties

If you are receiving rental income from a number of properties you own you must calculate a profit or a loss separately for each rental property.

You first deduct the allowable expenses from the individual rents received, resulting in a profit or a loss. You then add each property's profits or losses together to get your yearly net rental income.

Tax incentive schemes for rental Income

If you have a rental property you may be able to claim under one of the following tax incentive schemes:

- Home Renovation Incentive (HRI)
- Living City Initiative (LCI)
- Leasing of your farm land

You cannot claim Section 23 Relief or relief under the countrywide refurbishment scheme on construction, refurbishment or conversion work carried out after 31 July 2008.

There are also many variations of [PDF] rent to buy schemes that allow you to rent out a property for a trial period before your tenant decides whether to buy that property.

High Income Earner Restriction (HIER)

If you claim any of the above tax incentive schemes you may be affected by the HIER. See a guide to self assessment for more information.

Premiums on leases

If you receive a premium for granting a lease that lasts for less than fifty years a portion of the premium will be treated as rent. Your premium is assessed in the first year.

You use the following formula to calculate the portion to be treated as rent:

P - (N - 1 / 50) x P

P = the amount of the premium paid

N = the duration of the lease.

You will be assessed on this amount, as well as any rental profit.

See the example below.

Example 1

A property is let for a period of 18 years at an annual rent of €25,000. A premium of €70,000 is paid. Gross rents are calculated as follows:

Premium treated as rent:

€70,000 - (18-1/50) x €70,000 = €46,200

Rent = €25,000

Total = €71,200

Payments treated as a premium also include:

- a lump sum paid in place of full rent
- a sum paid for the surrender of a lease
- a sum paid for the variation or waiver of a lease.

An increase in the value of the rental property can also be treated as a premium, where the renter is obliged to carry out work on the property.

See the [PDF] Leases manual for more information.

How do you declare your rental income?

You must declare your rental income on your annual tax return.

If your net rental income is less than €5,000, use myAccount to declare it through your Form 12.

If your net rental income is over €5,000 you will have to register for self assessment. Use Revenue Online Service (ROS) to declare your rental income in your Form 11.

If you have rental income from a property outside Ireland see the foreign rental income section for more information.

If you sell one of your rental properties you may have to pay Capital Gains Tax (CGT). See the Transferring an Asset (Capital Gains Tax - CGT) section for more information.

If you are a [PDF] non resident landlord you are entitled to a credit for the tax deducted by your tenant. You must submit a [PDF] Form R185 with your tax return to claim this. You may choose to use the services of a tax collection agent. They will be an Irish resident who collects the rent and files your income tax on your behalf.

Rent a room relief

If you rent out a room or rooms in your sole or main residence as residential accommodation you may qualify for rent a room relief. See the rent a room relief section for more information.