

Capital Allowances in respect of Convalescent Homes



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Convalescent Homes

Introduction

Section 48 Finance Act 1999 amended Section 268 Tax Consolidation Act, 1997 to provide capital allowances in respect of expenditure incurred in the construction of private convalescent homes. A convalescent home provides medical and nursing care for an individual recovering from treatment in a hospital. The hospital in question must be one that provides treatment for acutely ill patients.

Each health board establishes and maintains a register of convalescent homes in its functional area. The relevant health board must be satisfied that the convalescent home satisfies the requirements of Sections 4 and 6 of the Health (Nursing Homes) Act, 1990 and any regulations made under section 6 of that Act as if it were a nursing home within the meaning of section 2 of that Act.

Qualifying Expenditure

The writing down allowance granted is at the rate of 15% per annum for 6 years and 10% in year 7 of the capital expenditure incurred on the construction or refurbishment of the qualifying hospital. The allowance will be available in respect of expenditure incurred on or after 2nd December 1998.

Construction Expenditure

Construction costs include the cost of the site renovation, preparation and landscaping (i.e. drainage, sanitation, power and water supply). The cost of the site does not qualify for capital allowances.

Refurbishment Expenditure

Refurbishment means any work of construction, reconstruction, repair or renewal, including the provision of water, sewerage or heating facilities carried out in the course of the repair or restoration, or maintenance in the nature of repair or restoration of the building or structure.

Balancing charge

Although the write-off period is 7 years, a balancing charge will arise if a convalescent home is sold or ceases altogether to be used within 10 years of first being used or, in the case of capital expenditure on refurbishment of a convalescent home, within the 10 year period after the capital expenditure on the refurbishment was incurred.

Limit on offset of allowances for passive investors

There is a restriction on the amount of capital allowances a passive investor may set against non-rental income. The amount of the capital allowances for the year of assessment, which may be set off against an individual's other income in such cases, is restricted to €1,750. (Section 409A Taxes Consolidation Act, 1997.)

A passive investor is an investor who lets the property to an operator or is an individual who is a partner in a partnership trade of operating or managing the convalescent home but is not an active partner in that trade. An active partner is a partner who works for the greater part of his/her time on the day-to-day management or conduct of the partnership trade.