

Integrated Area Urban Renewal Scheme

IT 26A

Integrated Area Urban Renewal Scheme

Introduction

This scheme is based on **Integrated Area Plans** (IAP's) which were prepared by local authorities or authorised companies appointed by local authorities.

An Expert Advisory Panel, appointed by the Minister for the Environment and Local Government, recommended approval of a number of the plans and the tax incentives for certain sub-areas within the IAP's. A list of the IAP's recommended is available on the Department of the Environment and Local Government website - www.environ.ie. A document titled "Incentives Recommended by the Expert Panel on Urban Renewal" is available from the local authority involved. This document indicates the tax incentive that has been recommended in respect of each sub-area within an IAP.

Copies of the maps of each area that has been recommended are available from the local authority involved.

Tax Incentives Available

General

The scheme provides income tax and corporation tax reliefs for expenditure on certain **residential and commercial/industrial** developments.

To qualify for relief the work must be carried out during the "qualifying period". The qualifying period for each category of development is as follows:

Residential Development 1 March 1999 to 31 December 2002

Industrial/Commercial Development 1 July 1999 to 31 December 2002

The local authority or authorised company that prepared the IAP must certify in writing that the construction, refurbishment or conversion work is consistent with the objectives of the plan. Queries regarding the certificate should be addressed to that authority or company. (This certificate is referred to as a “Letter of Certification” in this leaflet)

A summary of the tax incentives available for the two categories (i.e. Residential & Industrial/Commercial) follows.

Residential Developments

The reliefs available under this category are:

- (a) Owner-occupier relief.**
- (b) Rented residential accommodation relief.**

Owner-Occupier Relief

Relief is available to an individual for the cost, or part of the cost, of constructing, converting or refurbishing his/her main residence. Relief is given by means of an additional tax credit.

To qualify, the property must be:

- not less than 38 sq. metres and not greater than 125 sq. metres in floor area
- situated within a part of an Integrated Plan area that has been recommended for the relief
- occupied by the individual after the expenditure is incurred as his/her sole or main residence, and
- occupied by the individual as his/her sole or main residence for each year of claim.

The relief:

- in the case of a new construction, is 50% of the allowable expenditure at the rate of 5% p.a. for each of the first 10 years

- in the case of refurbishment or conversion expenditure, is 100% of the allowable expenditure allowed at the rate of 10% p.a. for each of the first 10 years.

The cost of the site does not qualify for relief. Grants are deducted in arriving at the amount of expenditure that qualifies. Only the cost of work actually carried out during the “qualifying period” qualifies.

Where a property is purchased from a builder the expenditure that qualifies for relief is the proportion of the purchase price that relates to the construction/refurbishment/conversion expenditure.

How relief is granted:

Relief is granted at the individual’s highest rate of tax. It can be given either by adjusting an individual’s tax credits during the year or by repayment of tax at the end of the year. Where the individual is self-employed the tax relief will be given in the annual tax assessment.

No relief is due in a year where the individual does not use the property as his/her sole or main residence. If the property is sold any relief granted is not withdrawn. A subsequent purchaser is NOT entitled to the relief.

Rented Residential Accommodation Relief

Often referred to as “Section 23 Relief”, this relief is available to individuals and companies for the cost, or part of the cost, of constructing, refurbishing and converting rented residential property. These costs can be deducted in full or in part from rental income arising in the State.

To qualify, the property must be:

- not less than 38 sq. metres and not greater than 125 sq. metres in floor area
- situated within a part of an Integrated Plan area that has been recommended for the relief, and
- let under a qualifying lease after the expenditure is incurred without being otherwise used.

The relief:

is the actual cost of construction, refurbishment or conversion which is carried out during the qualifying period (exclusive of site costs and grants, as appropriate).

Where a property is purchased from a builder, the expenditure that qualifies for relief is the proportion of the purchase price that relates to the construction/refurbishment/conversion expenditure.

How relief is granted:

The amount of the expenditure that qualifies for relief is deducted in full from the rental income from the property. If this deduction exceeds the rental income in the first year from the property, the excess can be deducted from other rental income arising in the State for that year. Any rental loss created in the first year can be carried forward against rental income arising in the State of succeeding years until the relief is exhausted.

If the property is sold within a period of 10 years of its first letting any relief granted is withdrawn. A subsequent purchaser of the property within the 10 year period is entitled to the relief.

How to Claim Relief (owner- occupier and rented residential)

A claim for relief should be made to the claimant's tax office. A person who makes a tax return under *Self-Assessment* should claim the relief on the tax return for the appropriate year.

Certificate of Compliance and Certificate of Reasonable Cost

A Certificate of Compliance is required where a newly constructed, refurbished or converted property is purchased from a builder. A Certificate of Reasonable Cost is required where a newly constructed, newly converted or newly refurbished property is to be lived in or let by the person who carried out the work or who had it carried out.

Refurbishment includes the provision or improvement of water, sewerage or heating facilities. Refurbishment work must be necessary to ensure the suitability of the house as a dwelling. This must be confirmed in the Certificate of Compliance/Certificate of Reasonable Cost.

An application for a Certificate of Compliance/Certificate of Reasonable Cost in respect of a refurbishment project should be made to the Department of the Environment and Local Government before commencement of work so that a prior inspection of the building can be carried out.

An application for the appropriate certificate should be addressed to the Department of the Environment and Local Government, Housing Grants Section, Room F9/10, Government Offices, Ballina, Co. Mayo, telephone (096) 24200, LoCall 1890-20-20-21 (from outside the State 00-353-1-9624200).

The following documents, as appropriate, are required in support of a claim. These should be retained and forwarded to the tax office if requested:

- Letter of Certification issued by the local authority or authorised company.
- Certificate of Compliance or Certificate of Reasonable Cost issued by the Department of the Environment and Local Government. (Production of the appropriate certificate will provide the necessary evidence that the property meets the floor area requirement and standards for construction and improvement).
- In the case of a property purchased, a copy of the memorandum of agreement / purchase contract - this will show the purchase price. In addition -

where the property is new, a statement giving the construction costs and the site cost. [If any of the work was carried out outside the qualifying period, details of the cost of work carried out between 1 March 1999 and 31 December 2002 should be shown separately].

where the property has been refurbished or converted,

a statement of the total cost of the work, the site cost and the cost of the building prior to refurbishment or conversion.

[If any of the work was carried out outside the qualifying period, the cost of the work carried out between 1 March 1999 and 31 December 2002 should be shown separately].

In the case of a purchase from a builder the above statements should be obtained from the builder before the purchase is finalised.

- Where the claimant owns the site/building and engages a builder to construct, convert or refurbish the property, a statement of the total cost of the work. [If any of the work was carried out outside the qualifying period, details of the cost of work carried out between 1 March 1999 and 31 December 2002 should be shown separately].
- Where the house is let, a copy of the lease(s).

Industrial/Commercial Developments

The tax incentives for industrial/commercial developments take the form of **capital allowances**. These allowances are available to individuals and companies for expenditure incurred on the construction or refurbishment of certain industrial and commercial buildings.

The type of buildings qualifying are:

- **Industrial** - Mills, factories and similar premises and certain laboratories.
- **Commercial** - e.g. car parks, offices, shops etc.

The cost of the site does not qualify and expenditure on any part of a building in use as (or as part of) a dwelling house does not qualify. Refurbishment expenditure qualifies only where it amounts to 10% or more of the market value of the building before the refurbishment.

Allowances are not available;

1. where any part of the expenditure is met directly or indirectly by grant assistance received from the State or from any other person except where that expenditure is incurred before 6 April 2001
2. to property developers in certain circumstances
3. to owner-occupiers of buildings used for the purposes of certain sectors and industries
4. in respect of buildings provided for certain large scale projects.

Further details regarding the exclusions at (2), (3) and (4) are included in Tax Briefing Issue 41 - September 2000 which is available on the Revenue's website - www.revenue.ie or by phoning (01) 4274200.

The Relief:

The allowances available depend on whether the claimant is an owner-occupier or a lessor and are set out in the following table:

COMMERCIAL/INDUSTRIAL DEVELOPMENT	
<i>Owner-Occupier</i>	50% initial allowance in Year 1 with 4% annual allowance thereafter until the balance of the qualifying expenditure has been written off or the annual allowance (4%) may be increased up to 50% in any year (known as free depreciation) with the balance of the qualifying expenditure written off at the rate of 4% per annum. Free depreciation may be taken over a number of years but the maximum amount on which the increased rate may be claimed is limited to 50% of the qualifying expenditure.
<i>Investor/Lessor</i>	50% initial allowance in Year 1 and a 4% annual allowance thereafter until the balance of the qualifying expenditure has been written off.

How relief is granted

Owner-Occupiers

The allowances are given in taxing the individual/company's trade.

An initial allowance and an annual allowance may **not** be claimed in respect of the same expenditure in the same tax year.

Lessors

The allowances are available primarily against rental income from all sources within the State. Where the allowance is greater than that income the excess can be deducted from other income. In the case of an individual the amount that can be offset against non-rental income is limited to £31,750/IR £25,000 in any tax year.

An initial allowance and an annual allowance may **not** be claimed in respect of the same expenditure in the same tax year.

Lessors are not entitled to claim free depreciation.

Allowances granted for expenditure on industrial or commercial buildings under this initiative may be withdrawn in whole or in part if the property is sold within 13 years.

How to Claim Relief

A claim for relief should be made to the claimant's tax office. A person who makes a tax return under *Self-Assessment* should claim the relief on the tax return for the appropriate year.

Only expenditure on work actually carried out between 1 July 1999 and 31 December 2002 qualifies for relief.

The following documents, as appropriate, are required in support of a claim. These should be retained and forwarded to the tax office if requested:

- Letter of Certification issued by the local authority or authorised company.
- In the case of a property purchased, a copy of the memorandum of agreement / purchase contract - this will show the purchase price. In addition -

where the property is new, a statement from the builder giving the construction costs and the site cost. [If any of the work was carried out outside the qualifying period, details of the cost of work carried out between 1 July 1999 and 31 December 2002 should be shown separately].

where the property has been refurbished or converted, a statement of the total cost of the work, the site cost and the cost of the building prior to refurbishment or conversion. [If any of the work was carried out outside the qualifying period, the cost of the work carried out between 1 July 1999 and 31 December 2002 should be shown separately].

In the case of a purchase from a builder the above statements should be obtained from the builder before the purchase is finalised.

- Where the claimant owns the site/building and engages a builder to construct, convert or refurbish the property, a statement of the total cost of the work. [If any of the work was carried out outside the qualifying period, details of the cost of work carried out between 1 July 1999 and 31 December 2002 should be shown separately.].
- Where the building is let, a copy of the lease(s).

*Office of the Chief Inspector of Taxes
Issued September 2001*

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