

Registered Nursing Homes

Introduction

Capital allowances are available in respect of capital expenditure incurred on the construction, or refurbishment of buildings used as private registered nursing homes.

The allowances are available in respect of expenditure incurred on or after 3 December 1997. (Section 268 (1)(g) and (9)(d) Taxes Consolidation Act, 1997).

Registration

The nursing home must be a nursing home within the meaning of section 2 of the Health (Nursing Homes) Act, 1990, which is registered under section 4 of that Act.

Each health board establishes and maintains a register of nursing homes in its functional area. These registers are available for inspection by members of the public. When a health board registers a nursing home, a certificate of registration is issued to the registered proprietor.

Qualifying Expenditure

The writing down allowance to be granted is at a rate of 15 per cent per annum for 6 years, and 10 per cent in year 7, of the capital expenditure incurred on the construction or refurbishment of the registered nursing home.

Construction costs include the cost of site renovation, preparation and landscaping. The cost of the site does not qualify for capital allowances.

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.

Housing units for the aged or infirm

Section 33 Finance Act, 2002 amends Section 268 Taxes Consolidation Act, 1997 to provide for a scheme of capital allowances for expenditure incurred in the five years commencing with the passing of the Finance Act, 2002 i.e. 25/03/2002, on the construction or refurbishment of housing units associated with a registered nursing home.

The housing units must be constructed on a site of, or on a site, which is immediately adjacent to the site of, a registered nursing home.

The writing down allowance to be granted will be at a rate of 15 per cent per annum for 6 years, and 10 per cent in year 7, of the capital expenditure incurred on the construction or refurbishment of the housing units.

Qualifying premises

The conditions regarding housing units are as follows:

- The units must be operated or managed by a registered nursing home and an on site caretaker must be provided.
- The nursing home must provide back-up medical care, including nursing care when required to the occupants of the units.
- There must be a minimum of 20 housing units within the development. The units must be either single storey houses or comprised in a two-storey building.
- The units and any building in which they are comprised must be designed to meet the needs of persons with disabilities including those of individuals confined to wheelchairs.
- Each unit must consist of one or two bedrooms, kitchen, living room, bath or shower facilities, toilet facilities, and a nurse call system linked to the nursing home.
- The units must be leased only to those who are certified by a medical practitioner as requiring such accommodation by reason of old age or infirmity, (qualifying individuals)
- There must be a day care centre on site complying with Health Board requirements. (Construction/ refurbishment costs of the day care centre will not qualify for capital allowances.)
- At least 20% of the residential units must be made available to the tenants who are eligible for a rent subsidy from the Health Board, and the general rates charged must be reduced by at least 10% in respect of such tenants. There is no requirement that the Health Board actually take up all or any part of the units so made available. It is a matter for the Health Board to decide whether it wishes to do so.
- Capital allowances will not be available if any part of the construction/refurbishment costs is grant assisted.

Management Company

The letting of the units to a management company, which sub-lets them to qualifying individuals, will not affect an investor's entitlement to relief providing all the other conditions of the scheme have been met.

Balancing charge

Although the write-off period is 7 years, a balancing charge will arise if a qualifying nursing home or a qualifying unit 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 qualifying nursing home or a qualifying unit, 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 €31,750. (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 not an active partner in a partnership trade of operating or managing the nursing home. 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.