

Cars purchased on or after 1 July 2008

Wear and tear allowances for cars (new and second hand) **purchased** on or after 1 July 2008 are determined by reference to the car's CO2 emissions. Cars are categorised by reference to the bands of CO2 emissions that are used to determine Vehicle Registration Tax (VRT). The original CO2 emissions figure at manufacture determines the band and not the CO2 emissions of the car at the date of registration. The regime is summarised in the table below.

Table 2

Group	VRT Category	CO2 Emissions (grams per km)	Allowable Expenditure
1	A	0 - 120	€24,000
	B	121 - 140	
	C	141 -155	
2	D	156 - 170	50% of €24,000 or, if lower 50% of actual cost
	E	171 -190	
3	F	191 - 225	Nil
	G	more than 225	

Example 1

A car (CO2 emissions level of 170g/km) cost €26,000 in May 2017. Only €12,000 of this amount qualifies for wear and tear allowances in accordance with Table 2. 2017 travel is 12,000km business use and 6,000km private use.

2017 wear and tear

€12,000 x 12.5% = €1,500

Restricted to 2/3 for business use = €1,000

Balancing Allowances and Balancing Charges

Part of the calculation of wear and tear allowances involves looking at whether an individual has been over or under-compensated for the wear and tear on a car when certain events occur such as the sale of the car. Depending on the sales proceeds there may be a clawback of the allowances previously claimed or additional allowances may be due. Similarly, if you traded-in, scrapped or ceased to use the car for the purposes of the employment during the year the same position applies. A wear and tear allowance cannot be claimed for a year in which such a 'disposal' event occurs.

Where the sales or other proceeds (for example, insurance) exceed the remaining value of the car, that is, the allowable cost less the allowances previously claimed in respect of wear and tear, there is a clawback of the excess allowances subject to a maximum limit of the allowances previously claimed. This is known as a 'balancing charge'. A balancing charge does not arise where the proceeds do not exceed €2,000. You have the option of treating any balancing charge as additional income in the year in which it arises or setting it against the purchase cost of a replacement car. Where the proceeds are less than the remaining value of the car additional allowances equal to the shortfall are due. This is known as a 'balancing allowance'. When calculating a balancing charge or allowance you must adjust any sales or other proceeds in accordance with the relevant cost limit.

Example 2

A car (CO2 emissions level of 120g/km) cost €16,000 in January 2015 and is sold in July 2017 for €14,000. Annual business mileage is 12,000km and annual private mileage is 6,000km. For wear and tear purposes the allowable cost of the car is the relevant cost limit of €24,000.

The wear and tear computation is:

		Restricted to 2/3 for business use
Wear and Tear 2015	€24,000 x 12.5% = €3,000	€2,000
Wear and Tear 2016	€24,000 x 12.5% = €3,000	€2,000

Calculation of Balancing Allowance or Balancing Charge:

Sale price	€14,000		
Deemed sale price:	$\frac{\text{Sale price} \times \text{Car cost limit}}{\text{Purchase price}} =$	$\frac{€14,000 \times €24,000}{€16,000} =$	€21,000
Allowable cost	€24,000		
Less deemed sale price	€21,000		
Loss	€3,000		
Less wear and tear granted	€6,000		
Balancing charge arising for 2017	€3,000 x 2/3 (business use only) =		€2,000

3. Leasing expenses

Only the portion of the leasing expenses that is applicable to the business use of the car is allowable.

For lease payments incurred up to 30 June 2008, where the original retail price of the car (when new) exceeded the specified limit (see Table 1), the expenditure was adjusted in the proportion the specified limit bore to the retail price.

The following formula gave the allowable leasing expenses:

$$\text{Lease payments} \quad \times \quad \frac{\text{specified limit}}{\text{Retail price of the car (when new)}}$$

As with capital allowances, the new CO2 regime outlined above (see Table 2) applies to lease payments incurred on or after 1 July 2008.

Example 3

A car (CO2 emissions 156g/km) was leased in 2017. The retail price of the car (when new) was €22,000. Business mileage for 2017 was 15,000 km and private mileage was 5,000 km. The total lease payments made were €4,000. The allowable leasing expenses for 2017 are calculated as follows:

$$€4,000 \times 50\% = €2,000 \times \frac{3}{4} \text{ business use} = €1,500$$

Please see Tax and Duty Manual 11-00-01 on www.revenue.ie for further information.

Time Limit for Repayment Claims

A claim for repayment of tax must be made within four years after the end of the tax year to which the claim relates.

Documentation to be retained

As your claim may be selected for future audit, you are requested to retain all documentation relating to this claim for a period of six years. Receipts should not be submitted with your claim.

The Revenue Commissioners collect taxes and duties and implement customs controls. Revenue requires customers to provide certain personal data for these purposes and certain other statutory functions as assigned by the Oireachtas. Your personal data may be exchanged with other Government Departments and agencies in certain circumstances where this is provided for by law. Full details of Revenue's data protection policy setting out how we will use your personal data as well as information regarding your rights as a data subject are available on our [Privacy](#) page on www.revenue.ie. Details of this policy are also available in hard copy upon request.