

Exemption of Certain Profits of Microgeneration of Electricity

Part 07-01-44

This document should be read in conjunction with section 216D of the Taxes Consolidation Act 1997

Document last updated January 2026



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Introduction

Section 216D of the Taxes Consolidation Act (TCA) 1997 provides for an exemption from income tax, Universal Social Charge (USC) and Pay Related Social Insurance (PRSI) for certain profits arising to a qualifying individual from the microgeneration of electricity. There is no requirement to declare profits up to the limit of the exemption in an income tax return, any amounts in excess of the exempt amount must be declared as income in the year of assessment.

Finance (No. 2) Act 2023 amended section 216D TCA 1997 to increase the amount of profits exempt from income tax, from €200 to €400 per year for the tax years 2024 and 2025 and extended the scheme by one year to the end of 2025. Finance Act 2025 extended the scheme for a further three years to the end of 2028.

1 What Profits does the Exemption apply to?

The exemption applies to certain profits arising to an individual from the microgeneration of electricity. Microgeneration of electricity means:

- the generation of electricity,
- from renewable, sustainable or alternative sources of energy,
- by an individual,
- at his or her sole or main residence,
- for his or her own consumption,
- during the period 1 January 2022 to 31 December 2028.

The profits which are exempted are those profits arising from the domestic generation of electricity which is supplied to the national grid.

2 Qualifying conditions/criteria

The electricity must be generated using renewable, sustainable or alternative sources of energy. A list of various types of renewable, sustainable or alternative sources of energy is contained in the Electricity Regulation Act 1999 and includes wind and solar (e.g. domestic wind turbines and solar panels). The exemption only applies in the case of an individual who generates electricity at his or her sole or main residence (including any surrounding grounds) for his or her own consumption.

The individual does not need to own the residential premises in question (it could be a rented property). However, he or she must use the property as his or her sole or main residence during the tax year. Additionally, the individual must be named on the electricity bill for the premises. Where more than one individual is named on the electricity bill each individual can avail of the exemption i.e. the exemption is not split between them.

3 Calculation of profits

A person engaged in the microgeneration of electricity is taxable each year on their profits or gains from the sale of electricity as calculated under Schedule D Case I or Case IV, as the case may be. Profits arising from the carrying on of a trade are chargeable to tax under Case I whereas profits generated from activities which do not have the characteristics of a trade are chargeable to tax under Case IV.

Generally, profits from the microgeneration of electricity by private individuals in a domestic setting are liable to tax under Case IV on the basis that the individual is not trading or in the business of generating electricity for sale or supply. The individual is assessed on the full amount of the annual profits or gains arising in the year of assessment. The general rule applicable to Case IV income is that it arises when it is received. Any income and/or credits received in lieu of payments must be included in the calculation of profits.

3.1 Microgeneration of electricity expenses

3.1.1 Deductible expenses

In assessing income under Case IV, where the microgeneration of electricity does not have the characteristics of a trade, there is no specific provision in the tax code setting out allowable or disallowable costs. However, in determining the profit element of the income from the microgeneration of electricity it is Revenue practice to allow a deduction for incidental costs directly associated with the generation of profits from the microgeneration of electricity. In calculating such profits, a deduction is allowed for any expenses of a revenue nature incurred wholly and exclusively in generating those profits.

No deduction is allowed for any capital expenditure incurred (e.g. the cost of acquiring and installing the solar panels).

3.1.2 Capital allowances

Capital allowances are not available against the profits or gains from the microgeneration of electricity as the profits do not arise from the carrying on of/the holding of a trade, profession, office or employment¹.

¹ Section 301 refers. Sections 298 and 284(6) & (7) also provide for capital allowances in other circumstances (non-trading lessors of plant and machinery, lessors of furnished residential premises) but these are also not applicable.

4 The Exemption

Section 216D provides that profits of up to €400 arising to an individual in any of the years of assessment 2024 to 2028 from the microgeneration of electricity are exempt from Income Tax, USC and PRSI. In each of the tax years 2022 and 2023, the exemption applied to profits of up to €200. The scheme is not available to companies or corporate entities. There is no requirement on individuals to include the exempt profits in an income tax return (Form 11 or Form 12). Therefore, where an individual is not already required to file an income tax return, the fact that he or she has exempt profits from the microgeneration of electricity does not necessitate the filing of a tax return.

Where an individual is already required to file an income tax return, the exempt profits do not need to be included on the return. However, where the calculated annual profits from the microgeneration of electricity are in excess of the exempt amount, that excess must be declared and will be subject to income tax, USC and PRSI in the usual manner.

Example

Eleanor has solar panels installed in her home which are used to generate electricity for her own personal use. At certain times of the year Eleanor generates electricity which is surplus to her requirements and this electricity is sold back to the grid through her electricity provider.

In 2025, Eleanor's electricity bills showed that she received a total of €500 in credits from her supplier in return for the electricity supplied to the grid.

Eleanor did not incur any incidental costs in generating this electricity in 2025 and has earned a profit of €500 from the microgeneration of electricity. The first €400 in profits from the microgeneration of electricity are exempt from income tax, USC and PRSI in the tax year 2025. There is no requirement for Eleanor to include the exempt profits in an income tax return.

However, as Eleanor's profits from the microgeneration of electricity in 2025 exceed the exempt amount of €400, the excess of €100, is taxable as outlined above and should be included in a return of income.